

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



AsiaInfo Technologies Limited

亞信科技控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1675)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

HIGHLIGHTS

- Revenue amounted to RMB3,282 million, up by 5.6% year-on-year, with an increase of more than 20% in new orders year-on-year;
- Revenue from the Three New Business* amounted to RMB1,091 million, up by 8.7% year-on-year, with its share increased to one-third of the revenue. New orders for the Three New Business increased by more than 70% year-on-year;
- Gross profit amounted to RMB1,144 million, up by 8.6% year-on-year, and gross profit margin was 34.9%, representing a year-on-year increase of 1.0 percentage point;
- Net profit amounted to RMB212 million, up by 12.3% year-on-year, and net profit margin was 6.5%, representing a year-on-year increase of 0.4 percentage point; and
- Operating cash flow was improved by 13.7% year-on-year.

Note *: Three New Business represents digital intelligence-driven operation, vertical industries and enterprise cloudification, the OSS business.

CHAIRMAN’S STATEMENT

Dear Shareholders,

In the first half of 2023, there were still a lot of uncertainties in the external environment during the post pandemic recovery. The evolving technological advancement and accelerated upgrade have also led to increased customers’ expectations for technology, products and services. These changes have posed certain challenges to the Company’s business development. At the same time, with the advancement of top-level planning and supporting policies such as “The Plan for Development of the Digital Economy in the “14th Five-Year” Period” and “The Overall Layout Plan for Digital China Construction”, the deep integration of the digital economy and the real economy continued, and the accelerated development of new technologies such as AI, big data, IoT and blockchain promoted the digital transformation of enterprises. The domestic software industry continues to enjoy enormous growth opportunities.

Under the complex external environment, by adhering to the “One consolidation, Three developments” strategy, the Company proactively and appropriately controlled the pace of business expansion with the principle of high-quality development to assure the healthy and sustainable development of the Company. On the one hand, we continued to grasp the sound growth momentum of the telecommunications industry, further consolidating the leading position of the Company in the telecommunications market. On the other hand, while firmly exploring new business, the Company attached greater attention to the development quality and expansion models, and drove high-quality and scale expansion of new businesses with the “standard products + solutions” business model. Under the collective efforts of all employees, the Company tackled numerous difficulties, while steadily expanding our business and stepping up the implementation of refined management in the areas such as cost control, and achieved steady revenue growth, enhancement and improvement in various operational metrics such as gross profit, net profit and operating cash flow, so as to create value for Shareholders continuously.

OVERALL RESULTS

In the first half of 2023, the overall operations of the Company maintained a sound growth momentum. The Company’s new business orders increased for more than 20% year-on-year, among which, new orders for the Three New Business increased by more than 70% year-on-year; revenue amounted to RMB3,282 million, up by 5.6% year-on-year. Among which, the revenue from the Three New Business amounted to RMB1,091 million, up by 8.7% year-on-year. The proportion of revenue from the Three New Business to the total revenue increased to 33.3%. Gross profit margin reached 34.9%, increased by 1.0 percentage point year-on-year. Net profit amounted to RMB212 million, representing a year-on-year increase of 12.3%. Operating cash flow was improved by 13.7% year-on-year. Basic earnings per share were RMB0.24, increased by 14.3% year-on-year.

After taking into full consideration of various factors including Shareholders' returns, profitability, cash flow level and capital needs for the future development of the Company, the Board has decided not to distribute interim dividends for the Reporting Period and proposed to maintain the dividend payout ratio guidance of no less than 40% of the net profit for the year of 2023.

BUSINESS DEVELOPMENT

Digital intelligence-driven operation business under short-term pressure due to the impact of external environment and internal organisational changes

In the first half of 2023, upon the initial completion of the restructuring last year, iResearch Digital Intelligence further promoted an in-depth change in business organisation, optimised its original industry-based operation model to a region-and-industry-based matrix sales and marketing organisation, and strengthened the regional market coverage, so as to enable the Company to respond more efficiently and meet the digital intelligence-driven operation demand of government and enterprise customers. Although the organisational change brought short-term pain to digital intelligence-driven operation business, it would lay a solid foundation for future sustainable growth. In addition, the digital intelligence decision business was affected by the weak capital market sentiment and the reduced demand for research reports from industries such as Internet and consumption. Affected by the above factors, the revenue from digital intelligence-driven operation business showed a slight decline in the first half of the year. However, the Company believes that the market demand for digital intelligence-driven operation business remains robust. With the implementation of the new organisational structure and the gradual recovery of the market, it is expected that digital intelligence-driven operation business will gradually improve in the second half of the year.

In terms of DSaaS business, the Company further consolidated its product capabilities in the first half year, supporting customer value enhancement through its MarTech tools and products, consulting and operation services. In DSaaS TMT business, the Company leveraged its strengths in customer coverage to help with the acquisition of new customers, activation and retention of customers, and enhancing customer value by supporting the running of a wide range of operational areas, including products, channels, content, privileges, and government and enterprises customers. In addition, the Company and telecom operators jointly developed an omnidomain user insights platform that enabled brand users to study rival products and consumer behaviour based on their own business characteristics and needs, as well as assess market share, etc. and with clients such as Hello Inc. and Ant Financial on board. During the Reporting Period, the revenue of DSaaS TMT business maintained double-digit growth. In the area of DSaaS government and enterprise, we secured a number of projects integrating the construction and operation of digital villages and smart communities, based on our tools and products for grassroots governance. In the DSaaS consumption, based on our private Social Customer Relationship Management (SCRM), membership operation and other operational tools, we secured a number of digital intelligence-driven operation projects

with China Tobacco Guangxi, China UnionPay, Postal Savings, etc. In the DSaaS Internet of vehicles (IoV), based on privacy computing, Customer Data Platform (CDP) and other operational tools, we provided user management platform, precise placement, trace operation and other operational services for automobile enterprises, with clients including Changan Automobile, Shenlan Automobile and so on.

In the first half of 2023, revenue from digital intelligence-driven operations amounted to RMB455 million, decreased by 6.0% year-on-year and accounting for 13.9% of the total revenue. In addition, the Company continued to propel the optimisation of its business model, and the proportion of revenue from results-based and commissioned-based charging model to the revenue from digital intelligence-driven operations stood at 23.0%, increased by 3.0 percentage points year-on-year.

Vertical industries continued to grow rapidly, with revenue doubling in the energy sector

In the first half of 2023, the Company continued to focus on five strategic industries and expand in the energy, government affairs and transportation sectors and built a development model of “standard products + solutions”. Among them, the revenue from the energy industry exceeded RMB100 million, nearly tripling the business scale of the same period last year and becoming the largest revenue contributor in the vertical industries. The revenue from the transportation and government affairs sectors increased by 70.7% and 40.0%, respectively.

In the energy industry, based on core products such as 5G private network, AIoT and intelligent applications, the Company established an industry-specific solution integrating “network, data and intelligence” to assist the digital transformation of energy enterprises. In the first half of the year, the Company continued to cultivate the nuclear power market, with the order from nuclear power plant in Jiangsu landed with a contract amount of RMB140 million. At the same time, we entered into a contract for a 5G network system and service project for the nuclear power units under construction in Zhangzhou. At present, there are in total 78 nuclear power units in operation and/or under construction in Mainland China, and the Company’s 5G private network products and services covered up to 23 units. In addition to the nuclear power market, the Company’s 5G private network rapidly covered hundreds of wind farms, photovoltaic stations, thermal power plants and mining sites. In terms of market potential, in addition to nuclear power, there could be demand in more than 2,000 thermal power units and thousands of new energy stations in Mainland China, which bring huge room for market promotion and replication for the Company’s 5G private network business. Meanwhile, leveraging on the deep accumulation and understanding of the power generation industry of the Company’s energy team, and relying on the 5G private network platform and related AIoT and AI technology, customers could realise the upgrade of management and control of traditional electric power stations through intelligent applications, and significantly reduce cost and improve efficiency, with production safety further strengthened.

In the transportation industry, with our self-developed products such as edge AI middle office, AntDB database, digital twins platform, 5G private network all-in-one machine as well as system integration capabilities, the Company worked together with the project investment and construction consortium and won Chongqing East Railway Station smart hub project — the largest high-speed railway intelligent hub in Southwest China, with a contract value of more than RMB600 million, and the largest vertical industry project in the Company’s history in terms of the contract amount. In addition, according to the “14th Five-Year” Development Plan for Modern Integrated Transportation Hub System (《現代綜合交通樞紐體系「十四五」發展規劃》) issued by the Ministry of Transport, by 2025, China will optimise and enhance the service function of 20 international comprehensive transportation city hubs and accelerate the construction of 80 nationwide comprehensive transportation city hubs. The Company will seize the opportunity to actively promote and replicate the smart hub products and solutions. In addition, the Company also continued to participate deeply in the construction of digital highway systems in Yunnan, Hunan, Guangdong and many other provinces, further expanding the digital highway subsegment.

In the government affairs industry, the Company improved its capability, construction and operation of big data business in government affairs, and promoted the emergency response platform project in Tianjin Binhai New Area with “product + service”; provided big data related products and solutions for the Shanghai big data centre and other departments.

In the first half of 2023, revenue from the vertical industries and enterprise cloudification business reached RMB351 million, up by 29.4% year-on-year.

BSS business maintained steady growth and OSS business grew rapidly

New wave of technologies and digital economy have brought continuously evolving market opportunities to telecommunications industry, and at the same time, have posed higher requirements for products, technologies and services. The Company attached great importance to and actively responded to industry demand by continuously innovating 5G business support and network support products, promoting the application of AI large model and AIGC technology to actual business context such as autonomous network, intelligent customer service, intelligent operation and maintenance, and intelligent billing.

In terms of OSS business, the Company focused on computing network, autonomous network, network digital twin, cloud network digital-intelligent transformation, network management upgrading and other fields and deployed sustained investment in R&D in the said areas, empowering the digital-intelligent transformation of telecommunications network. The Company’s network intelligence products maintained its leadership in the industry, among which orders from 5G network fault management system, network cloud management platform, network resource management system, network function virtualisation pack and other standard product saw rapid growth, leading to continuous expansion of OSS business scale and market share. In the first half of 2023, OSS revenue achieved fast growth to RMB285 million, up by 14.9% year-on-year.

In BSS business, the Company drove steady business growth by actively promoting innovative technologies and responding to new customer demand, maintaining its leading position in the BSS market. In terms of digital-intelligent engineering, we were deeply involved in the construction of telecom operators' IT support system cloudification, digitalisation and centralisation, successfully delivering large-scale projects with high quality. In terms of government and enterprise business support, we provided telecom operators with government and enterprise as well as cloud business support system construction and technical services, empowering its business development. In terms of digital-intelligent innovation, we worked with customers to create innovative applications based on our proprietary innovative products, such as RPA, edge AI, Digital Twin, AIGC Intelligent Content Production Platform, TelcoGPT, Intelligent Customer Service, Database, etc., of which AIGC had already been adopted in a number of CRM cloud service desk and metaverse operation and maintenance projects. In terms of new customer development, the Company continued to expand the business for China Broadcast Network, and obtained projects such as IoT operation support platform, achieving a further breakthrough in the group of China Broadcast Network. In addition, the Company provided the core system for China Telecom Shanghai branch for the first time with a new "smart billing system" relying on AI, big data and other cutting-edge technologies. In the first half of 2023, the Company's revenue from its BSS business amounted to RMB2,105 million, up by 1.9% year-on-year.

Driven by Innovation, Powered by R&D

The Company has always attached great importance to R&D, as one of the core competencies. By sustained investment, focusing on the three major product series, namely "cloud network", "digital intelligence" and "IT", the Company strived to achieve the goal of "dual leadership in both products and services".

We maintained internationally influential in cloud network domain. We initially released the industry's first internal generation of computing power network product, which was based on cloudified 5G and AI technologies to realise the communication and computing integration, assisting telecom operators in constructing networks with "reduced investment, multiplication of resources and adding of capacity". Our 5G network intelligence products empowered telecom operators to build a new type of infrastructure integrating computing power and network capability, and had been selected in Gartner's "Mainstream Vendor Matrix" for two consecutive years. We further strengthened the prospective study of technology and released the world's first White Paper on 6G OSS Technology (《6G OSS技術白皮書》) and White Paper on 6G BSS Technology (《6G BSS技術白皮書》) in collaboration with Tsinghua University, telecom operators and other industry-academia-research-application partners, supporting the evolution and innovation of 6G.

In terms of digital intelligence products, we sustained the domestic leadership and international advancement in selected areas. Our new products were constantly introduced including edge AI, edge AIoT data mining/computing/intelligent computing gateway, privacy computing all-in-one machine and other digital intelligence software and hardware integrated standard products. With regard to AIGC, large language model and other new technology innovation, we initially developed TelcoGPT product portfolio, i.e. “a cognitive enhancement communication platform + N cognitive enhancement tool sets”. Internally, it helped promote R&D operation and maintenance efficiency. Externally, it prompted AIGC new market, new projects and new demand. Now we have initially acquired 41 business opportunities, enabling the digital-intelligent transformation of telecommunications industry. Our industry influence was further enhanced by joining hands with Tsinghua University, telecom operators and other industry-academia-research-application partners to publish the world’s first White Paper on AIGC (GPT) Empowering Telecom Industry Applications (《AIGC (GPT) 賦能通信行業應用白皮書》) in the telecommunications sector, which promotes the in-depth integration of the telecommunications industry and AI as well as synergistic innovation.

In terms of IT, we continued to be tier-1 vendor in China. Our PaaS platform products were fully evolving to cloud-native, continuously improving flexibility, scalability and security, and building a cloud-native technology foundation for AI, big data and other technologies. For the metaverse, we continued to advance digital twins, 3D/XR and other technologies and products to promote the construction of ecology of the metaverse with diversity. We continued to gain influence in IT products. The 3D/XR products won Hannover Industrial Design Forum “iF Design Award” for two consecutive years (2022–2023). In the information technology application innovation ecosystem, the Company established an ecosystem cooperative for database products (AntDB) with wide industry and deep regional coverage, through engaging independent software vendors (ISV), system integrators (SI), telecom operators, agents and other eco-partners. More than a hundreds of ecological cooperative partner, being mainstream hardware and middleware vendors, were developed. AntDB’s ranking in Motianlun rose from 14th in January 2023 to 11th in June 2023.

We continued to participate deeply in the work of 20 international/national technology standard organisations such as 3GPP, ITU, ETSI, IEEE, TMF, O-RAN, etc., and the proportion of leading international standard proposals increased, resulting in over 240 international/domestic standards. The products and technologies concerned resulted in more than 90 international/domestic patents and more than 50 high-quality academic papers, and accumulated over 1,300 software copyrights in multiple key innovative technologies and products. We published a number of industry technology positioning and leading literature such as The First Decade of Computing Power Network (《算力網絡的第一個十年》) and How 6G OSS/BSS Technology Evolves (《6G OSS/BSS技術如何演進》) in mainstream media such as Science and Technology Daily and a number of leading media journals.

In the first half of 2023, the Company's R&D expenses amounted to RMB505 million, representing a year-on-year increase of 3.7% and accounting for 15.4% of its revenue.

OUTLOOK

In the second half of 2023, pressure remains in external environment. However, the digital economy which is fully integrating with the society with the support of digital technology and the application of data as its key resources will become a new driving force for quality economic development. Therefore, we are still full of confidence for future development. The Company will unswervingly advance towards the goal of "achieving a business scale of over RMB10 billion in 2025, half of which comprises the new business" by adhering to the strategy of "One consolidation, Three developments" and the direction of "striving for dual leadership in products and services". It is expected that the growth rate of revenue will accelerate in the second half of the year and the profit growth momentum will continue.

In connection with BSS business, we will continue to consolidate our market leadership, actively and pragmatically embracing new technologies such as AIGC and AI large language models, jointly drive innovation with customers in practical application context, striving to become a key supplier of AIGC products and solutions in telecommunications industry. It is expected that revenue will maintain steady growth in the second half of the year. The Three New Business will maintain a rapid development trend. In OSS business, the development of TelcoGPT, computing power network, network automation, network management upgrade and digital intelligence innovation will continue to bring new business opportunities to the Company. In the development of vertical industries, the Company continues to focus on the energy, government affairs and transportation industries, deepens the high-quality growth model of "standard products + solutions", and continues to deploy standard products to penetrate and answer industry demand, promoting business expansion of high-quality and in scale. It is expected that the revenue of OSS and vertical industries business will maintain a rapid growth momentum in the second half of the year. In terms of digital intelligence-driven operation business, the Company will work hard to minimise the pain brought by the organisational change and business restructuring, and make better use of technologies such as AIGC and AI large language model to empower industry research, consulting and other business development. The Company will also strive to seize the policy opportunity of enhancing the circulation of data as a factor of production, creating scale replication of scenario-specific products in DSaaS TMT, DSaaS government and enterprise services, DSaaS consumption and DSaaS IoV, so as to achieve restorative improvement of the business in the second half of the year.

Finally, on behalf of the Board, I would like to express heartfelt thanks to all Shareholders, customers and all sectors of the community for their support of AsiaInfo Technologies. Sincere gratitude is also due to all our staff for their persistent efforts and contributions. Let's work together to build AsiaInfo Technologies into an enterprise that commands the respect of the public and makes our staff proud!

TIAN Suning

Chairman and Executive Director

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023 — unaudited

(Expressed in thousands of Renminbi)

		Six months ended 30 June	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
Revenue	4	3,281,994	3,109,285
Cost of sales		(2,137,887)	<u>(2,055,758)</u>
Gross profit		1,144,107	1,053,527
Other income	5	55,835	75,007
Impairment losses under expected credit loss model, net of reversal		(32,249)	(23,019)
Other gains and losses		18,028	17,161
Selling and marketing expenses		(283,570)	(258,898)
Administrative expenses		(166,713)	(154,356)
Research and development (“R&D”) expenses		(504,778)	(486,664)
Share of results of associates		(1,744)	(3,273)
Finance costs		(8,200)	<u>(5,730)</u>
Profit before tax		220,716	213,755
Income tax expenses	6	(8,420)	<u>(24,657)</u>
Profit for the period	7	212,296	<u>189,098</u>
Item that will not be reclassified to profit or loss:			
Changes in the fair value of financial assets measured at fair value through other comprehensive Income (“FVOCI”)		11,128	—
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(5,066)	<u>(8,626)</u>
Other comprehensive income for the period		6,062	<u>(8,626)</u>
Total comprehensive income for the period		218,358	<u>180,472</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

		Six months ended 30 June	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
Profit for the period attributable to:			
Equity holders of the Company		215,713	191,789
Non-controlling interests		(3,417)	(2,691)
		<hr/>	<hr/>
Total comprehensive income for the period attributable to:			
Equity holders of the Company		221,079	183,163
Non-controlling interests		(2,721)	(2,691)
		<hr/>	<hr/>
Earnings per share			
— Basic (RMB)	<i>9</i>	0.24	0.21
— Diluted (RMB)	<i>9</i>	0.23	0.20
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023 — unaudited
(Expressed in thousands of Renminbi)

		30 June	31 December
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		274,117	291,690
Right-of-use assets		258,715	285,289
Intangible assets		130,568	141,534
Goodwill		2,122,627	2,122,627
Investments in associates		82,680	88,969
Financial assets at fair value through profit or loss (“FVTPL”)		22,181	22,135
Financial assets at FVOCI		61,021	47,929
Deferred tax assets		129,846	125,815
Restricted bank deposits		100	1,291
Term deposits		—	170,000
Other non-current assets		29,635	32,349
		3,111,490	3,329,628
Current assets			
Inventories		34,672	22,970
Trade and notes receivables	<i>10</i>	1,513,669	1,137,330
Prepayments, deposits and other receivables		266,394	210,660
Contract assets		2,518,949	2,596,691
Financial assets at FVTPL		537,270	692,395
Amounts due from related parties		114,472	96,626
Restricted bank deposits		263,887	152,277
Term deposits		332,908	261,636
Cash and cash equivalents		1,373,518	1,933,250
		6,955,739	7,103,835

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

*AS AT 30 JUNE 2023 — unaudited
(Expressed in thousands of Renminbi)*

	<i>Note</i>	30 June 2023 RMB'000	31 December 2022 RMB'000
Current liabilities			
Trade and notes payables	<i>11</i>	613,647	523,091
Contract liabilities		366,438	273,249
Other payables, deposits received and accrued expenses		1,565,975	2,076,860
Amounts due to related parties		7,373	17,194
Income tax payable		323,615	323,409
Lease liabilities		65,751	68,906
		2,942,799	3,282,709
Net current assets		4,012,940	3,821,126
Total assets less current liabilities		7,124,430	7,150,754
Non-current liabilities			
Deferred tax liabilities		219,770	211,399
Lease liabilities		116,869	133,716
		336,639	345,115
NET ASSETS		6,787,791	6,805,639
CAPITAL AND RESERVES			
Share capital		—	—
Reserves		6,780,456	6,795,583
Equity attributable to equity holders of the Company		6,780,456	6,795,583
Non-controlling interests		7,335	10,056
TOTAL EQUITY		6,787,791	6,805,639

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2023 — unaudited
(Expressed in thousands of Renminbi)

	Attributable to equity holders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Translation reserve	Statutory surplus reserve ⁽ⁱ⁾	Fair value 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	RMB'000
At 1 January 2023	—	2,236,362	285,200	(21,661)	191,189	(4,091)	1,641,480	2,467,104	6,795,583	10,056	6,805,639
Profit for the period	—	—	—	—	—	—	—	215,713	215,713	(3,417)	212,296
Other comprehensive income for the period	—	—	—	(5,120)	—	10,486	—	—	5,366	696	6,062
Total comprehensive income	—	—	—	(5,120)	—	10,486	—	215,713	221,079	(2,721)	218,358
Recognition of equity-settled share-based payments (note 13)	—	—	—	—	—	—	42,361	—	42,361	—	42,361
Lapse of share options and restricted stock units	—	—	—	—	—	—	(1,843)	1,843	—	—	—
Vesting of restricted stock units	—	56,602	—	—	—	—	(56,602)	—	—	—	—
Exercise of share options	—	81,593	—	—	—	—	(19,719)	—	61,874	—	61,874
Purchase of Shares for share award scheme (note 12)	—	(2,557)	—	—	—	—	—	—	(2,557)	—	(2,557)
Dividends declared in respect of the previous year (note 8)	—	—	—	—	—	—	—	(337,884)	(337,884)	—	(337,884)
At 30 June 2023	—	2,372,000	285,200	(26,781)	191,189	6,395	1,605,677	2,346,776	6,780,456	7,335	6,787,791

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — CONTINUED

For the six months ended 30 June 2023 — unaudited
(Expressed in thousands of Renminbi)

	Attributable to equity holders of the Company										
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve ⁽ⁱ⁾ RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total equity 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)
Total comprehensive income	—	—	—	(8,626)	—	—	—	191,789	183,163	(2,691)	180,472
Recognition of equity-settled share-based payments (note 13)	—	—	—	—	—	—	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 (note 12)	—	(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

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 2023 — unaudited

(Expressed in thousands of Renminbi)

	Six months ended 30 June	
	2023	2022
Note	RMB'000	RMB'000
Net cash used in operating activities	(470,551)	(545,535)
Investing activities		
Purchases of property, plant and equipment	(14,967)	(20,494)
Purchases of intangible assets	(971)	(1,764)
Acquisition of investment in associates	—	(48,160)
Acquisition of a subsidiary, net of cash acquired	—	(410,111)
Purchases of financial assets at FVTPL	(1,004,966)	(480,965)
Proceeds on disposal of property, plant and equipment	90	158
Proceeds on disposal of intangible assets	—	12
Proceeds on disposal of financial assets at FVTPL	1,166,004	750,051
Placement of restricted bank deposits	—	(269,734)
Withdrawal of restricted bank deposits	—	178,473
Placement of term deposits	(49,708)	(50,000)
Withdrawal of term deposits	148,314	250,000
Interest received on hold of bank balances and deposits	17,379	19,219
Loans provided to related parties	(7,100)	(90,001)
Other cash flows arising from investing activities	4,251	(10,356)
Net cash generated from/(used in) investing activities	258,326	(183,672)
Financing activities		
Capital element of lease rentals paid	(52,612)	(44,654)
Interest element of lease rentals paid	(6,777)	(4,841)
Proceeds from issue of Shares under share option schemes	46,687	41,848
Dividends paid	8 (338,938)	(329,638)
Net cash used in financing activities	(351,640)	(337,285)
Net decrease in cash and cash equivalents	(563,865)	(1,066,492)
Cash and cash equivalents at 1 January	1,933,250	2,331,821
Effect of exchange rate changes	4,133	6,651
Cash and cash equivalents at 30 June	1,373,518	1,271,980

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

AsiaInfo Technologies Limited (the “**Company**”) is incorporated in the British Virgin Islands (“**BVI**”) as a company with limited liability and the Company’s ordinary shares (the “**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 2023 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 2 August 2023.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current period 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	
	2023	2022
	RMB'000	RMB'000
<i>Timing of revenue recognition</i>		
At a point in time	197,009	151,640
Over time	3,084,985	2,957,645
	<u>3,281,994</u>	<u>3,109,285</u>
<i>Types of goods and services</i>		
Provision of services	3,142,042	3,040,331
Software development, operation and related services	3,049,292	2,991,514
Others ⁽ⁱ⁾	92,750	48,817
Sales of goods	139,952	68,954
	<u>3,281,994</u>	<u>3,109,285</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	
	2023	2022
	RMB'000	RMB'000
Government grants ⁽ⁱ⁾	17,096	26,581
Interest income on bank balances, restricted bank deposits and term deposits	22,938	18,372
Net gains on disposal of financial assets at FVTPL ⁽ⁱⁱ⁾	5,182	6,212
Changes in fair value of financial assets at FVTPL	225	2,946
Gain from additional input VAT credit ⁽ⁱⁱⁱ⁾	5,958	11,782
Others	4,436	9,114
	<u>55,835</u>	<u>75,007</u>

Notes:

- (i) During the six months ended 30 June 2023, government grants amounted to RMB12,202,000 (2022: RMB21,673,000) are related to high-tech industrial development. Government grants amounted to RMB4,894,000 (2022: RMB4,908,000) are mainly 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 at FVTPL substantially represent the financial products bought from bank, with no principal or return guaranteed.
- (iii) On 20 March 2019, the Ministry of Finance of the PRC, the State Administration of Taxation and the General Administration of Customs promulgated and implemented VAT Reformation Article 39 over deductible input VAT, pursuant to which the Group is allowed to have a 10% additional deduction of input VAT credit from 1 April 2019 to 31 December 2022, and further amendment was made by Article 1 2023 that 5% additional deduction of input VAT credit from 1 January 2023 to 31 December 2023 upon meeting all applicable criteria.

6 INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC enterprise income tax (“EIT”) — Current year	6,329	4,314
Deferred tax	2,091	18,037
	<u>8,420</u>	<u>22,351</u>
Tax filing differences in prior year:		
PRC EIT	—	2,306
	<u>8,420</u>	<u>24,657</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 was 25% during the six months ended 30 June 2023 (2022: 25%). Certain subsidiaries of the Company are entitled to enjoy the preferential tax rate of 10%, 12.5% and 15% (2022: 10%, 12.5% and 15%).

The Group’s subsidiaries operating in the PRC were eligible for certain tax credits of 200% deduction rates on certain R&D expenses for the six months ended 30 June 2023 (2022: 175%).

6 INCOME TAX EXPENSES — CONTINUED

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% (2022: 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 2023 (2022: 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	
	2023	2022
	RMB'000	RMB'000
Profit for the period has been arrived at after charging:		
Staff costs, including Directors' and chief executive's remuneration		
Directors' remuneration	10,933	19,057
Employee benefit expenses		
Other staff costs (salaries, wages, allowance, bonus and others)	1,779,426	1,694,581
Contribution to retirement benefits scheme	180,679	182,368
Share-based compensation expenses	35,948	56,992
	<hr/>	<hr/>
Total staff costs	2,006,986	1,952,998
	<hr/>	<hr/>
Cost of inventories recognised as expenses (transferred into cost of sales)	84,839	62,149
Depreciation of property, plant and equipment	22,934	20,409
Depreciation of right-of-use assets	46,386	41,703
Amortisation of intangible assets	13,742	14,247
Expense of short-term and low value lease	31,047	28,509
	<hr/> <hr/>	<hr/> <hr/>

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	
	2023	2022
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid ⁽ⁱⁱ⁾ during the following interim period, of HK\$0.401 (equivalent to RMB0.358) per Share ⁽ⁱ⁾ (2022: HK\$0.416 (equivalent to RMB0.340) per Share) ⁽ⁱ⁾	<u>337,884</u>	<u>328,354</u>

Notes:

- (i) The final dividend is translated into RMB for disclosure with reference to the respective exchange rate on 30 December 2022 and 31 December 2021.
- (ii) The final dividend paid of the previous interim period is calculated according to the exchange rate at the end of each month of the payments.

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	
	2023	2022
	RMB'000	RMB'000
Earnings: Earnings for the purpose of calculating basic and diluted earnings per share	<u>215,713</u>	<u>191,789</u>
Number of Shares: Weighted average number of shares for the purpose of calculating basic earnings per share	<u>915,048,769</u>	<u>928,225,186</u>
Effect of dilutive potential shares: Share options and RSUs	<u>14,124,651</u>	<u>15,494,958</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u><u>929,173,420</u></u>	<u><u>943,720,144</u></u>

9 EARNINGS PER SHARE — CONTINUED

The calculation of basic earnings per share for the six months periods ended 30 June 2023 and 2022 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 2023 and 2022 had taken into account the issuance of Shares upon the exercise and vesting of share options and RSUs, purchase of Shares for the six months period ended 30 June 2023 and 2022.

The computation of diluted earnings per share for the six months period ended 30 June 2023 did not assume the exercise of the share options under the 2014 stock incentive plan (“**2014 Plan**”), certain share options under the Pre-IPO share option scheme of the Company (“**Pre-IPO Share Option Scheme**”), certain share options under the share option scheme adopted on 25 November 2019 (“**2019 Share Option Scheme**”) since such share options had an anti-dilutive effect.

The computation of diluted earnings per share for the six months period ended 30 June 2022 did not assume the exercise of the share options under the 2014 Plan, certain share options under the Pre-IPO Share Option Scheme, certain share options under the 2019 Share Option Scheme since such share options had an anti-dilutive effect.

10 TRADE AND NOTES RECEIVABLES

	30 June 2023	31 December 2022
	<i>RMB’000</i>	<i>RMB’000</i>
Notes receivables	127,780	85,060
Trade receivables	1,449,989	1,102,647
Amounts due from third parties	565,370	513,344
Amounts due from related parties	884,619	589,303
Less: allowance for credit losses	(64,100)	(50,377)
	<u>1,513,669</u>	<u>1,137,330</u>

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

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.

	30 June 2023 RMB'000	31 December 2022 RMB'000
1–30 days	874,416	675,312
31–90 days	269,230	264,293
91–180 days	155,024	114,299
181–365 days	195,309	65,643
Over 365 days	19,690	17,783
	<u>1,513,669</u>	<u>1,137,330</u>

As at 30 June 2023, total notes receivables amounting to RMB127,780,000 (31 December 2022: RMB85,060,000) are held by the Group for settlement of trade receivables. Notes receivables are bank acceptance notes and commercial acceptance notes issued by large enterprise customers, which management believes that all the counterparties are of high credit quality and the expected credit loss is not significant. 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 2023 RMB'000	31 December 2022 RMB'000
1–90 days	420,793	384,859
91–180 days	40,640	47,666
181–365 days	84,287	57,537
1–2 years	45,102	17,286
Over 2 years	22,825	15,743
	<u>613,647</u>	<u>523,091</u>

12 PURCHASE OF SHARES

During the six months ended 30 June 2023 and 2022, the Company, through the trustee of the 2020 share award scheme adopted by the Company on 7 January 2020 (the “2020 Share Award Scheme”), purchased its Shares on the Stock Exchange as follows:

Month/year	Number of Shares purchased	Highest price paid per Share <i>HK\$</i>	Lowest price paid per Share <i>HK\$</i>	Aggregate price paid <i>HK\$'000</i>
Mar 2023	200,000	15.38	13.84	<u>2,921</u>
				<u>2,921</u>
April 2022	127,200	13.90	13.30	1,726
May 2022	180,000	13.20	12.72	2,346
June 2022	100,000	13.60	13.48	<u>1,357</u>
				<u>5,429</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 2023, the Company had purchased 200,000 Shares using the deposits placed in the trustee at a total consideration of HK\$2,921,000 (equivalent to RMB2,557,000). 4,925,235 RSUs were vested by using the Shares purchased from the market under the instructions from the Company.

During the six months ended 30 June 2022, the Company had purchased 407,200 Shares using the deposits placed in the trustee at a total consideration of HK\$5,429,000 (equivalent to RMB4,595,000). 5,388,180 RSUs were vested by using the Shares purchased from the market under the instructions from the Company.

13 SHARE-BASED PAYMENTS

For the six months ended 30 June 2023, 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	Option period
11.72	16,840,000	14 June 2023	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 2023, the Company granted an aggregate of 7,400,000 RSUs on 29 June 2023 under the 2020 Share Award Scheme and the fair value was the market closing price on 29 June 2023, amounting to HK\$10.52 (equivalent to RMB9.70) per Share.

For the six months ended 30 June 2023, the Company recognised a total share-based compensation expenses of RMB42,361,000 in relation to the share options and RSUs issued under the Pre-IPO Share Option Scheme, the 2019 Share Option Scheme and the 2020 Share Award Scheme in profit or loss (for the six months ended 30 June 2022: RMB72,435,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Operating Results

The development of China's digital economy is currently affected by various factors both domestically and abroad, which offer sound development opportunities and also greater challenges. Under such a complicated economic environment, the Group's business looks positive overall and continues to grow steadily, striving for high-quality development. In the first half of 2023, we achieved a year-on-year growth of over 20% in new orders, among which, the new orders of the Three New Business achieved a year-on-year growth of more than 70%. We accomplished a year-on-year growth of 5.6% and 12.3% in revenue and net profit, respectively with profitability continuing to increase.

In the first half of 2023, our revenue amounted to approximately RMB3,282 million (the corresponding period in 2022: approximately RMB3,109 million), up by 5.6% year-on-year. Among which, the Three New Business remained its continuous growth, with a revenue of approximately RMB1,091 million (the corresponding period in 2022: approximately RMB1,004 million), up by 8.7% year-on-year, and accounting for approximately 33.3% of the revenue (the corresponding period in 2022: 32.3%).

In the first half of 2023, our gross profit amounted to approximately RMB1,144 million (the corresponding period in 2022: approximately RMB1,054 million), up by 8.6% year-on-year, and our gross profit margin was 34.9% (the corresponding period in 2022: 33.9%), up by 1.0 percentage point year-on-year. Our net profit was approximately RMB212 million (the corresponding period in 2022: approximately RMB189 million), up by 12.3% year-on-year, and our net profit margin was approximately 6.5% (the corresponding period in 2022: 6.1%), up by 0.4 percentage point year-on-year.

In the first half of 2023, the net cash used in operating activities amounted to approximately RMB471 million (the corresponding period in 2022: approximately RMB546 million), representing a year-on-year improvement of 13.7%.

Revenue

In the first half of 2023, the Company firmly adhered to the development strategy of “One consolidation, Three developments”, and continued to deepen strategic transformation. Our revenue amounted to approximately RMB3,282 million (the corresponding period in 2022: approximately RMB3,109 million), up by 5.6% year-on-year. Among which, revenue from the Three New Business was approximately RMB1,091 million (the corresponding period in 2022: approximately RMB1,004 million), increased by 8.7% year-on-year, and accounting for approximately 33.3% of the revenue (the corresponding period in 2022: 32.3%), and continued to grow steadily.

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			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Traditional business	2,190,577	66.7	2,105,667	67.7
BSS	2,105,066	64.1	2,065,458	66.4
Three New Business	1,091,417	33.3	1,003,618	32.3
Digital intelligence-driven operation	455,462	13.9	484,379	15.6
Vertical industries and enterprise cloudification	351,188	10.7	271,367	8.7
OSS	284,767	8.7	247,872	8.0
Total revenue	3,281,994	100.0	3,109,285	100.0

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 2023, revenue from traditional business amounted to approximately RMB2,191 million (the corresponding period in 2022: approximately RMB2,106 million), up by 4.0% year-on-year. Among which, revenue from the BSS business amounted to approximately RMB2,105 million (the corresponding period in 2022: approximately RMB2,065 million), up by 1.9% year-on-year.

In the first half of 2023, the digital intelligence-driven operation business was affected by the impact of external environment and internal organisational changes and thus experienced short-term fluctuations, achieving revenue of approximately RMB455 million (the corresponding period in 2022: approximately RMB484 million), representing a decrease of 6.0% year-on-year, still accounting for approximately 13.9% of the revenue.

Benefiting from our many years of market cultivation, the vertical industries and enterprise cloudification business led by the energy industry have achieved scalable growth, realized a revenue of approximately RMB351 million in the first half of 2023 (the corresponding period in 2022: approximately RMB271 million), an increase of 29.4% year-on-year and representing approximately 10.7% of the revenue.

The Company continued to maintain its technological leadership in network intelligent products and its leading position in the industry. In the first half of 2023, the OSS business realized revenue of approximately RMB285 million (the corresponding period in 2022: approximately RMB248 million), an increase of 14.9% year-on-year and its share of revenue increased to 8.7%.

Cost of Sales

In the first half of 2023, the cost of sales was approximately RMB2,138 million (the corresponding period in 2022: approximately RMB2,056 million), up by 4.0% year-on-year, which was mainly due to the corresponding increase following our expansion in business scale.

Gross Profit and Gross Profit Margin

In the first half of 2023, our gross profit was approximately RMB1,144 million (the corresponding period in 2022: approximately RMB1,054 million), up by 8.6% year-on-year, and our gross profit margin was 34.9% (the corresponding period in 2022: 33.9%), up by 1.0 percentage point year-on-year. The improvement in gross profit was due to the combined effect of the Company's facilitation of the high-quality development of its business and the enhancement of its operational and management capabilities.

Selling and Marketing Expenses

In the first half of 2023, selling and marketing expenses amounted to approximately RMB284 million (the corresponding period in 2022: approximately RMB259 million), up by 9.5% year-on-year and accounted for approximately 8.6% of the revenue (the corresponding period in 2022: 8.3%). It was mainly due to the corresponding increase in costs for continuous expansion into new business markets.

Administrative Expenses

In the first half of 2023, administrative expenses amounted to approximately RMB167 million (the corresponding period in 2022: approximately RMB154 million), up by 8.0% year-on-year and accounted for approximately 5.1% of the revenue (the corresponding period in 2022: 5.0%). It was mainly affected by the increase in the cost of employee optimisation.

R&D Expenses

All R&D costs are expensed in the Reporting Period in accordance with the Group's accounting policies. In the first half of 2023, the R&D expenses amounted to approximately RMB505 million (the corresponding period in 2022: approximately RMB487 million), up by 3.7% year-on-year and accounted for 15.4% of the revenue (the corresponding period in 2022: 15.7%). The Company continues to maintain its R&D investment so as to evolve R&D product system, supporting the Company's strategic transformation.

Income Tax Expenses

In the first half of 2023, the income tax expense amounted to approximately RMB8 million (the corresponding period in 2022: approximately RMB25 million), down by 65.9% year-on-year, which was mainly attributable to the year-on-year decrease in taxable income as a result of income tax incentives.

Net Profit

In the first half of 2023, we achieved a net profit of approximately RMB212 million (the corresponding period in 2022: approximately RMB189 million), up by 12.3% year-on-year. Net profit margin was 6.5% (the corresponding period in 2022: 6.1%), up by 0.4 percentage point year-on-year.

Interim Dividend

The Board has resolved not to declare interim dividend for the Reporting Period (the corresponding period in 2022: nil).

Financial Position

The overall financial position of the Group remained sound and healthy. As at 30 June 2023, total assets amounted to approximately RMB10,067 million (31 December 2022: approximately RMB10,433 million), decreased by 3.5% year-on-year. Total liabilities amounted to approximately RMB3,279 million (31 December 2022: approximately RMB3,627 million), decreased by 9.6% year-on-year. Net assets were approximately RMB6,788 million (31 December 2022: approximately RMB6,806 million), decreased by 0.3% year-on-year.

Net Current Assets

As at 30 June 2023, net current assets amounted to approximately RMB4,013 million (31 December 2022: approximately RMB3,821 million), increased by 5.0% year-on-year.

Intangible Assets

As at 30 June 2023, total intangible assets amounted to approximately RMB131 million (31 December 2022: approximately RMB142 million), decreased by 7.7% year-on-year, which was mainly due to the amortization of intangible assets generated from acquisitions.

Goodwill

As at 30 June 2023, total goodwill amounted to approximately RMB2,123 million (31 December 2022: approximately RMB2,123 million). During the Reporting Period, we assessed that there was not an indication of impairment. The Company will appoint a professional independent valuer to conduct an annual impairment assessment of the goodwill at the end of each year.

Restricted Bank Deposits

As at 30 June 2023, restricted bank deposits were approximately RMB264 million (31 December 2022: approximately RMB154 million), up by 71.9% year-on-year, which was mainly used as additional deposit margin to secure letters of guarantee and notes payables as well as the restricted funds used for project funds.

Borrowings

As at 30 June 2023, the Group had no bank borrowings (31 December 2022: nil) and thus, the gearing ratio¹ was nil (31 December 2022: nil).

Note 1: The gearing ratio was calculated by dividing total bank borrowings by total equity and multiplied by 100%.

Contingent Liabilities

As at 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: nil).

Cash Flow

In the first half of 2023, net cash used in operating activities was approximately RMB471 million (the corresponding period in 2022: approximately RMB546 million), representing a year-on-year improvement of 13.7%, which was mainly attributable to the further acceleration of the pace of project acceptance and the strengthening of collection management during the Reporting Period, resulting in a year-on-year increase in repayment amount.

In the first half of 2023, net cash generated from investing activities was approximately RMB258 million, which was mainly due to the redemption of wealth management products issued by certain banks and other financial institutions. During the corresponding period in 2022, net cash used in investing activities was approximately RMB184 million, which was mainly attributable to the payment of business combination acquisitions and the redemption of wealth management products issued by certain banks and other financial institutions.

In the first half of 2023, net cash used in financing activities was approximately RMB352 million (the corresponding period in 2022: approximately RMB337 million), representing a year-on-year increase of 4.3%, which was mainly used for the payment of yearly dividends.

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

The Group had no significant investments held or material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period. As at 30 June 2023, the Group had no clearly defined plans relating to significant capital asset acquisitions or material investments, nor future plans of significant disposals of subsidiaries, associates and joint ventures.

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 200,000 Shares by the trustee on the Stock Exchange pursuant to the 2020 Share Award Scheme, 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 material 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.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2023 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 2023 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
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Company”, “We”, “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
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	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 Digital Intelligence”	Beijing iResearch Digital Intelligence Technology Co., Ltd.
“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

“R&D”	research and development
“Reporting Period”	the six months ended 30 June 2023
“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
“TMF”	the International Telecommunication Management Forum
“2019 Share Option Scheme”	the share option scheme adopted by the Company on 25 November 2019
“2020 Share Award Scheme”	the share award scheme adopted by the Company on 7 January 2020
“US”	the United States of America
“USD” or “US\$”	US dollars, the lawful currency of US
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

“AI”	Artificial Intelligence
“AIGC”	AI-generated content
“AIoT”	the artificial Internet of Things
“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
“CRM”	customer relationship management
“DSaaS”	data-driven operation, namely the data-driven SaaS operation services
“IoT”	the Internet of Things
“IT”	information technology, the application of computers and telecommunications equipment to store, retrieve, transmit and manipulate data
“MarTech”	a smart marketing concept that can help enterprises optimize their marketing strategies by relying on technology and data to allocate marketing resources
“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-RAN”	Open Radio Access Network
“RPA”	robot process automation
“Three New Business”	consists of digital intelligence-driven operation, vertical industries and enterprises cloudification, OSS business
“3GPP”	3rd Generation Partnership Project
“5G”	the fifth-generation of mobile communications technology which has higher speed and capacity and lower latency than 4G

“6G”

the sixth-generation of mobile communications technology which has higher speed and capacity and lower latency than 5G

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

Beijing, 2 August 2023

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