



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

**TRUST
DIGITAL INTELLIGENCE
CREATE
THE FUTURE**

Interim Report 2023



AIRPA
AISWare CNC

AISWare AIGps

AISWare MPC

AI² Edge

AISWare 5G Agile Network

AnDB
AISWare CNN

AISWare Digital Gemini



CONTENTS

2	Definitions and Glossary of Technical Terms
6	Financial Highlights
7	Chairman's Statement
13	Management Discussion and Analysis
19	Other Information
30	Report on Review of Interim Financial Report
31	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
32	Condensed Consolidated Statement of Financial Position
34	Condensed Consolidated Statement of Changes in Equity
35	Condensed Consolidated Statement of Cash Flows
36	Notes to the Interim Financial Report



DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

DEFINITIONS

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

"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China Mobile Group"	China Mobile Limited and its subsidiaries
"Company", "We" "AsialInfo" or "AsialInfo Technologies"	AsialInfo Technologies Limited (亞信科技控股有限公司), an international business company incorporated in the British Virgin Islands on 15 July 2003 whose Shares are listed on the Stock Exchange (stock code: 1675)
"Director(s)"	the director(s) of the Company
"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

DEFINITIONS AND GLOSSARY OF
TECHNICAL TERMS

"PRC" or "China"	the People's Republic of China
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme of the Company adopted on 26 June 2018
"Prospectus"	the prospectus of the Company dated 6 December 2018
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the six months ended 30 June 2023
"RMB"	Renminbi, the lawful currency of the PRC
"RSUs"	the restricted share units
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TMF"	the International Telecommunication Management Forum
"2019 Share Option Scheme"	the share option scheme adopted by the Company on 25 November 2019

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"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

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

"AI"	Artificial Intelligence
"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"	intelligence operation, namely the data-driven SaaS operation services
"IoT"	the Internet of Things

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"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 optimise 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

FINANCIAL HIGHLIGHTS

For the six months period ended 30 June			
Financial data	2023 RMB million	2022 RMB million	Changes
Revenue	3,282	3,109	5.6%
Including: Revenue from Three New Business	1,091	1,004	8.7%
Gross profit	1,144	1,054	8.6%
Gross profit margin	34.9%	33.9%	1.0 percentage point
Net Profit	212	189	12.3%
Net profit margin	6.5%	6.1%	0.4 percentage point
Net cash used in operating activities	(471)	(546)	(13.7%)

Net Profit

RMB
212 Million

12.3%
YoY

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.



TIAN SUNING
Chairman and Executive Director

CHAIRMAN'S STATEMENT

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.

**CHAIRMAN'S
STATEMENT**

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.

CHAIRMAN'S STATEMENT

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".

**CHAIRMAN'S
STATEMENT**

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.

CHAIRMAN'S STATEMENT

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!

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL OPERATING RESULTS

The development of China's digital economy is currently affected by various factors both domestically and internationally, 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%.

MANAGEMENT DISCUSSION AND ANALYSIS

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	
	RMB'000	%	RMB'000	%
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%.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Trade and Notes Receivables

Trade and notes receivables represented the outstanding trade and notes receivables from our customers for purchasing our products or services. As at 30 June 2023, trade and notes receivables amounted to approximately RMB1,514 million (31 December 2022: approximately RMB1,137 million), up by 33.1% year-on-year. Such changes were mainly due to the increase in receivables during the credit period as a result of obtaining the project payment rights in the middle of the year.

Contract Assets and Contract Liabilities

As at 30 June 2023, contract assets amounted to approximately RMB2,519 million (31 December 2022: approximately RMB2,597 million), decreased by 3.0% year-on-year, and contract liabilities amounted to approximately RMB366 million (31 December 2022: approximately RMB273 million), up by 34.1% year-on-year, which were mainly due to the growth of business scale and the promotion of high-quality projects.

Financial assets at fair value through profit or loss — current

Financial assets at FVTPL — currently are mainly bank wealth management products purchased in accordance with the Group's capital and working capital management measures. As at 30 June 2023, financial assets at FVTPL — current amounted to approximately RMB537 million (31 December 2022: approximately RMB692 million), decreased by 22.4% year-on-year, which was mainly due to the partial redemption of the wealth management products held by the Company according to production and business needs. During the Reporting Period, no single wealth management product investment accounted for over 5% of the Group's total assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and Notes Payables

The trade and notes payables represented outstanding trade and notes payables to hardware, software and outsourcing service providers. As at 30 June 2023, the trade and notes payables amounted to approximately RMB614 million (31 December 2022: approximately RMB523 million), up by 17.3% year-on-year, which was mainly the result of the normal change within the credit period in line with our business development.

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 due to the further acceleration of the pace of project acceptance and the strengthening of collection management during the Reporting Period, resulting in an 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.

Funding and Working Capital Management

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

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Risk

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

As of 30 June 2023, the Group did not have foreign currency hedging activity. However, the management of the Group continuously monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

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.

OTHER INFORMATION

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.

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.

OTHER
INFORMATION

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

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required under Section 352 of the SFO to be recorded in the register to be kept under that section, or which would be required under the Model Code to be notified to the Company and the Stock Exchange, are as follows:

Name of Directors/chief executive	Nature of interest (Note 1)	Number of Shares	Approximate percentage of total number of Shares in issue (Note 2)
Dr. TIAN Suning ¹	Beneficial owner (L)	48,932,670	5.23%
	Interest in controlled corporation (L)	1,151,111	0.12%
	Interest in controlled corporation (L)	31,209,360	3.34%
	Interest in controlled corporation (L)	39,442,000	4.22%
		120,735,141	12.91%
Mr. DING Jian ²	Beneficial owner (L)	11,516,704	1.23%
	Interest in controlled corporation (L)	1,198,440	0.13%
		12,715,144	1.36%
Mr. GAO Nianshu ³	Beneficial owner (L)	665,200	0.07%
	Beneficiary of a trust (L)	1,452,089	0.16%
	Other (L)	22,012,024	2.35%
		24,129,313	2.58%
Mr. ZHANG Yichen ⁴	Interest in controlled corporation (L)	213,924,952	22.87%
Dr. GAO Jack Qunyao ⁵	Beneficial owner (L)	112,000	0.01%
Dr. ZHANG Ya-Qin ⁵	Beneficial owner (L)	112,000	0.01%
Mr. GE Ming ⁵	Beneficial owner (L)	112,000	0.01%
Ms. TAO Ping ⁵	Beneficial owner (L)	112,000	0.01%

OTHER
INFORMATION

Notes:

1. (L) — Long position; (S) — Short position.
2. As of 30 June 2023, a total of 935,290,912 Shares had been in issue.
- ¹ Dr. TIAN is the sole shareholder of Info Addition Limited which in turn is a general partner of Info Addition Capital Limited Partnership. As such, Dr. TIAN is deemed to be interested in the 1,151,111 Shares in which Info Addition Capital Limited Partnership is interested. Dr. TIAN indirectly has full control over CBC Partners II L.P. which is the general partner of China Broadband Capital Partners II, L.P., which in turn is the sole shareholder of CBC TMT III Limited. Therefore, Dr. TIAN is deemed to be interested in the 31,209,360 Shares in which CBC TMT III Limited is interested. PacificInfo Limited is wholly owned by Dr. TIAN and therefore Dr. TIAN is deemed to be interested in the 39,442,000 Shares in which PacificInfo Limited is interested.
- ² New Media China Investment I Limited is wholly owned by Mr. DING, and therefore Mr. DING is deemed to be interested in the 1,198,440 Shares in which New Media China Investment I Limited is interested.
- ³ These interests comprise (i) 665,200 Shares; (ii) 18,213,368 Shares and 3,798,656 underlying Shares in respect of the outstanding share options granted to Mr. GAO under the Pre-IPO Share Option Scheme were held by the custodian, Noble (Nominees) Limited; and (iii) the interests in the 1,452,089 Shares granted to Mr. GAO under the 2020 Share Award Scheme were held by the trustee, AsiaInfo SAS Management Trust.
- ⁴ Each of Power Joy (Cayman) Limited (as the controlling shareholder of Skipper Investment Limited), CITIC Capital China Partners II, L.P. (as the sole shareholder of Power Joy (Cayman) Limited), CCP II GP, Ltd. (as the general partner of CITIC Capital China Partners II, L.P.), CCP Ltd. (as the general partner of CCP II GP, Ltd.), Trustar Capital Partners Limited (as the sole shareholder of CCP Ltd.), Trustar Capital Company Limited (as the sole shareholder of Trustar Capital Partners Limited), Trustar Capital Holdings Limited (as the sole shareholder of Trustar Capital Company Limited), CCHL Investment Holdings Limited and CP Management Holdings Limited (which hold 51% and 49% shareholding of Trustar Capital Holdings Limited, respectively), Mr. ZHANG Yichen (as the sole shareholder of CP Management Holdings Limited) and CITIC Capital Holdings Limited (as the sole shareholder of CCHL Investment Holdings Limited) is deemed or taken to be interested in all the 213,924,952 Shares which are beneficially owned by Skipper Investment Limited for the purpose of Part XV of the SFO.
- ⁵ The Company granted 112,000 share options to each of Dr. GAO Jack Qunyao, Dr. ZHANG Ya-Qin, Mr. GE Ming and Ms. TAO Ping, all of whom are independent non-executive Directors, under the 2019 Share Option Scheme, respectively, details of which are set out in the announcements of the Company dated 16 June 2020 and 25 March 2021, respectively.

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

OTHER
INFORMATION

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

As at 30 June 2023, to the best of knowledge of the Directors, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares which would fall under Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which would be required to be recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Nature of interest (Note 1)	Number of Shares	Approximate percentage of total number of Shares in issue (Note 2)
Skipper Investment Limited ⁶	Beneficial owner (L)	213,924,952	22.87%
Power Joy (Cayman) Limited ⁶	Interest in controlled corporation (L)	213,924,952	22.87%
CITIC Capital Holdings Limited ⁶	Interest in controlled corporation (L)	213,924,952	22.87%
CITIC Capital China Partners II, L.P. ⁶	Interest in controlled corporation (L)	213,924,952	22.87%
CCP II GP, Ltd. ⁶	Interest in controlled corporation (L)	213,924,952	22.87%
CCP Ltd. ⁶	Interest in controlled corporation (L)	213,924,952	22.87%
Trustar Capital Partners Limited ⁶	Interest in controlled corporation (L)	213,924,952	22.87%
Trustar Capital Company Limited ⁶	Interest in controlled corporation (L)	213,924,952	22.87%
Trustar Capital Holdings Limited ⁶	Interest in controlled corporation (L)	213,924,952	22.87%
CCHL Investment Holdings Limited ⁶	Interest in controlled corporation (L)	213,924,952	22.87%
CP Management Holdings Limited ⁶	Interest in controlled corporation (L)	213,924,952	22.87%

Notes:

1. (L) — Long position; (S) — Short position.

2. As at 30 June 2023, a total of 935,290,912 Shares had been in issue.

⁶ Each of Power Joy (Cayman) Limited (as the controlling shareholder of Skipper Investment Limited), CITIC Capital China Partners II L.P. (as the general partner of CITIC Capital China Partners II L.P. and the sole shareholder of Power Joy (Cayman) Limited), CCP II GP, Ltd., CCP Ltd. (as the general partner of CCP II GP, Ltd.), Trustar Capital Partners Limited (as the sole shareholder of CCP Ltd.), Trustar Capital Company Limited (as the sole shareholder of Trustar Capital Partners Limited), Trustar Capital Holdings Limited (as the sole shareholder of Trustar Capital Company Limited), CCHL Investment Holdings Limited and CP Management Holdings Limited (which hold 51% and 49% shareholding of Trustar Capital Partners Limited, respectively), Mr. ZHANG Yichen (as the sole shareholder of CP Management Holdings Limited) and CITIC Capital Holdings Limited (as the sole shareholder of CCHL Investment Holdings Limited) is deemed or taken to be interested in all the Shares which are beneficially owned by Skipper Investment Limited for the purpose of Part XV of the SFO. Please also refer to note 4 under the section headed "INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES" in this interim report.

OTHER
INFORMATION

Name of Shareholders	Nature of interest (Note 1)	Number of Shares	Approximate percentage of total number of Shares in issue (Note 2)
China Mobile International Holdings Limited ⁷	Beneficial owner (L)	182,259,893	19.49%
China Mobile Limited ⁷	Interest in controlled corporation (L)	182,259,893	19.49%
China Mobile Hong Kong (BVI) Limited ⁷	Interest in controlled corporation (L)	182,259,893	19.49%
China Mobile (Hong Kong) Group Limited ⁷	Interest in controlled corporation (L)	182,259,893	19.49%
China Mobile Communications Group Co., Ltd. ⁷	Interest in controlled corporation (L)	182,259,893	19.49%
Ocean Voice Investment Holding Limited ⁸	Beneficial owner (L)	60,129,928	6.43%
Sino Venture Capital 1B ⁸	Interest in controlled corporation (L)	60,129,928	6.43%
Sino Venture Capital 1 VCC ⁸	Interest in controlled corporation (L)	60,129,928	6.43%
Sino Capital Management Company Ltd. ⁸	Interest in controlled corporation (L)	60,129,928	6.43%
Mr. Liao Hsueh-Hsuan ⁸	Interest in controlled corporation (L)	60,129,928	6.43%
Sino Suisse Financial Holding Limited ⁸	Interest in controlled corporation (L)	60,129,928	6.43%
A.M.Y. (Sinosuisse) Ltd. ⁸	Interest in controlled corporation (L)	60,129,928	6.43%
Mr. Liu Chung Hsing ⁸	Interest in controlled corporation (L)	60,129,928	6.43%
Noble (Nominees) Limited ⁹	Custodian (L)	57,519,081	6.15%
The Core Trust Company Limited ⁹	Trustee (L)	57,519,081	6.15%
Al Gharrafa Investment Company ¹⁰	Beneficial owner (L)	52,015,608	5.56%
Qatar Holding LLC ¹⁰	Interest in controlled corporation (L)	52,015,608	5.56%
Qatar Investment Authority ¹⁰	Interest in controlled corporation (L)	52,015,608	5.56%

OTHER INFORMATION

Notes:

1. (L) — Long position; (S) — Short position.
2. As at 30 June 2023, a total of 935,290,912 Shares had been in issue.
- ⁷ China Mobile International Holdings Limited is wholly owned by China Mobile Limited, which is owned as to 72.72% by China Mobile Hong Kong (BVI) Limited. China Mobile Hong Kong (BVI) Limited is wholly owned by China Mobile (Hong Kong) Group Limited, which is wholly owned by China Mobile Communications Group Co., Ltd. Hence, each of China Mobile (Hong Kong) Group Limited, China Mobile Communications Group Co., Ltd., China Mobile Hong Kong (BVI) Limited and China Mobile Limited is deemed or taken to be interested in the Shares owned by China Mobile International Holdings Limited for the purpose of Part XV of the SFO.
- ⁸ The above shareholding information is based on the information received by the Company pursuant to an investigation conducted under Section 329 of the SFO, the specified date of which is 31 March 2023. Sino Venture Capital 1B (as the sole shareholder of Ocean Voice Investment Holding Limited), Sino Venture Capital 1 VCC (as the sole shareholder of Sino Venture Capital 1B), Sino Capital Management Company Ltd. (as the management shareholder of Sino Venture Capital 1 VCC) and Mr. Liao Hsueh-Hsuan (holding 99% equity interest of Sino Capital Management Company Ltd.) are deemed or taken to be interested in all the Shares beneficially owned by Ocean Voice Investment Holding Limited for the purpose of Part XV of the SFO. In addition, Sino Suisse Financial Holding Limited (as the sole shareholder of Sino Suisse Capital Pte. Ltd. (as the manager of Sino Venture Capital 1 VCC)), A.M.Y. (Sinossuisse) Ltd. (holding 80% equity interest of Sino Suisse Financial Holding Limited) and Mr. Liu Chung Hsing (as the sole shareholder of A.M.Y. (Sinossuisse) Ltd.) are deemed or taken to be interested in all the Shares beneficially owned by Ocean Voice Investment Holding Limited.
- ⁹ Noble (Nominees) Limited is wholly owned by The Core Trust Company Limited which is the trustee, and Noble (Nominees) Limited is the custodian for the administration, of the Share Award Scheme. Noble (Nominees) Limited holds the award Shares granted by the Company under the Share Award Scheme for the benefit of eligible participants. Both Noble (Nominees) Limited and The Core Trust Company Limited are deemed or taken to be interested in such Shares for the purpose of Part XV of the SFO.
- ¹⁰ Each of Qatar Holding LLC (as the sole shareholder of Al Gharrafa Investment Company) and Qatar Investment Authority (as the sole shareholder of Qatar Holding LLC) is deemed or taken to be interested in all the Shares which are beneficially owned by Al Gharrafa Investment Company for the purpose of Part XV of the SFO.

Save as disclosed above, as at 30 June 2023, to the best of the Directors' knowledge, no other person (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

OTHER
INFORMATION

PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme was approved and adopted by the Shareholders on 26 June 2018, in order to grant eligible members of the management and employees related share-based compensation. The Pre-IPO Share Option Scheme has expired after 11:59 p.m. on the business day before the listing date. The Company will no longer grant options under the Pre-IPO Share Option Scheme. The provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary for the grant of any share options before the expiration of validity or other circumstances that may be required under the provisions of the scheme. Please refer to the Prospectus for further details of the Pre-IPO Share Option Scheme.

The particulars of outstanding options under the Pre-IPO Share Option Scheme during the Reporting Period, including number of options, date of grant, vesting period, exercise period and exercise price, are as follows:

Grantees	Date of Grant (Note 1)	Outstanding as at 1 January 2023	Number of options exercised/lapsed during the Reporting Period		Outstanding as at 30 June 2023 (Note 3)	Exercise Price (US\$)
			Exercised (Note 2)	Lapsed		
Director						
GAO Nianshu	11 July 2018	800,000	—	—	800,000	1.9225
	1 August 2018	2,998,656	—	—	2,998,656	1.2725
<i>Sub-total</i>		<i>3,798,656</i>	—	—	<i>3,798,656</i>	
Employees						
	1 August 2018	7,200	7,200	—	—	0.5525
	1 August 2018	16,000	16,000	—	—	0.8400
	1 August 2018	13,656,808	1,796,691	29,597	11,830,520	1.2725
	11 July 2018	24,020,064	784,000	231,976	23,004,088	1.9225
	1 August 2018	41,364,432	973,200	520,568	39,870,664	1.9225
<i>Sub-total</i>		<i>79,064,504</i>	<i>3,577,091</i>	<i>782,141</i>	<i>74,705,272</i>	
Total		82,863,160	3,577,091	782,141	78,503,928	

Notes:

- The validity period of all the options is ten (10) years from the date of grant.
- The weighted average closing price of the Shares immediately before the dates of the exercise of the options was approximately HK\$14.83.
- The options were fully vested and are exercisable upon vesting within the validity period.
- No option was being cancelled during the Reporting Period.

OTHER
INFORMATION

2019 SHARE OPTION SCHEME

The eligible participants of the 2019 Share Option Scheme include any director(s), employee(s) or consultant(s) of the Group who the Remuneration Committee considers, in its sole discretion, has/have contributed or will contribute to the Group. For further details of the 2019 Share Option Scheme, please refer to the circular of the Company dated 4 November 2019. As of 30 June 2023, the Company can further grant 46,122,341 share options under the 2019 Share Option Scheme (as of 31 December 2022: 62,328,909).

The share options granted by the Company on 14 June 2023 under the 2019 Share Option Scheme are conditional upon the grantees achieving their respective performance targets as determined by the Company, and the Group has established a standardized performance appraisal system in respect of the grantees for the purpose of evaluating their performance and contribution to the Group based on, amongst other factors, their performance results, and the Company will rely on the results of the performance appraisals of the grantees in the relevant years to decide whether they have achieved the individual performance targets.

The particulars of outstanding options under the 2019 Share Option Scheme during the Reporting Period, including number of options, date of grant, vesting period, exercise period and exercise price, are as follows:

Grantees	Date of Grant (Note 1)	Outstanding as at 1 January 2023	During the Reporting Period			Outstanding as at 30 June 2023	Exercise Price (HK\$)
			Granted (Note 2)	Exercised (Note 3)	Lapsed		
Directors							
Dr. GAO Jack Qun Yao	16 June 2020	112,000	—	—	—	112,000	9.56
Dr. ZHANG Ya-Qin	16 June 2020	112,000	—	—	—	112,000	9.56
Mr. GE Ming	16 June 2020	112,000	—	—	—	112,000	9.56
Ms. TAO Ping	25 March 2021	112,000	—	—	—	112,000	12.46
Employees							
	16 June 2020	9,494,700	—	1,445,700	227,640	7,821,360	9.56
	9 June 2021	11,847,200	—	494,000	259,912	11,093,288	12.54
	11 March 2022	14,130,500	—	458,800	156,520	13,515,180	13.24
	10 May 2022	3,648,277	—	—	217,000	3,431,277	13.32
	14 June 2023	—	16,840,000	—	—	16,840,000	11.72
<i>Sub-total</i>		<i>39,120,677</i>	<i>16,840,000</i>	<i>2,398,500</i>	<i>861,072</i>	<i>52,701,105</i>	
Total		39,568,677	16,840,000	2,398,500	861,072	53,149,105	

Notes:

- The closing prices were HK\$9.18 per Share, HK\$11.38 per Share, HK\$12.54 per Share, HK\$13.24 per Share, HK\$13.32 per Share and HK\$11.66 per Share, respectively, immediately before the dates of grant (i.e. 16 June 2020, 25 March 2021, 9 June 2021, 11 March 2022, 10 May 2022 and 14 June 2023).

OTHER
INFORMATION

2. The validity period of options is ten (10) years commencing from the date of grant. In terms of the options granted on 16 June 2020 and 25 March 2021, 50%, 20% and 30% of the options granted shall be vested on the date falling on the first, second and third anniversaries from the date of grant, respectively, which are exercisable upon vesting within the validity period; and in terms of the options granted on 9 June 2021, 11 March 2022, 10 May 2022 and 14 June 2023, 40%, 30% and 30% of the options granted shall be vested on the date falling on the first, second and third anniversaries from the date of grant, respectively, which are exercisable upon vesting within the validity period. The Company has used the Binomial Model to determine the fair value of the options as at the date of grant, which is recorded in profit or loss over the vesting period. Other than the exercise price mentioned above, the model inputs to determine the fair value of options include:

	Granted on 16 June 2020	Granted on 25 March 2021	Granted on 9 June 2021	Granted on 11 March 2022	Granted on 10 May 2022	Granted on 14 June 2023
Closing price as at the date of grant	HK\$9.05	HK\$12.46	HK\$12.54	HK\$13.24	HK\$13.20	HK\$11.72
Expected volatility	49%	49%	50%	51%	51%	52%
Risk-free interest rate	0.53%	0.53%	1.12%	1.74%	1.74%	3.33%
Expected dividend yield	2.50%	2.50%	2.80%	3.42%	3.42%	3.40%
Weighted average fair value of options as at the date of grant	HK\$3.51	HK\$3.51	HK\$4.86	HK\$4.97	HK\$4.97	HK\$3.91

The expected volatility is based on the historical share price movement of comparable companies for the period of time close to the expected time to exercise. The risk-free interest rate is based on the market yield rates of Hong Kong Sovereign bond with maturity date close to the life of options as of the valuation date. Expected dividends are based on the historical dividends and dividend distribution policy of the Company. Changes in the subjective input assumptions could materially affect the fair value estimate.

The fair value of option granted is recognized as expense over the vesting period according to the accounting policies of the Company, which is adjusted based on the review of the number of options expected to be vested. No expense is recognized for options forfeited prior to the expiry date.

3. The weighted average closing price of the Shares was HK\$14.58 immediately before the date of the exercise of the options.
4. No option was being cancelled during the Reporting Period.

2020 SHARE AWARD SCHEME

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

According to the 2020 Share Award Scheme, the Company may transfer to the trustee the necessary funds and instruct the trustee to acquire Shares through market transactions at the prevailing market price or through the over-the-counter markets at the price determined by the Company, so as to satisfy the awards. During the Reporting Period, the trustee purchased a total of 200,000 Shares on the market.

The maximum number of Shares underlying all grants to be made pursuant to the 2020 Share Award Scheme (excluding award Shares which have been forfeited in accordance with the 2020 Share Award Scheme) had been refreshed on 20 April 2021 and shall not exceed 46,013,946 Shares, representing 5.0% of the total number of issued Shares as at the date of refreshment (accounting for approximately 4.92% of the total number of issued Shares as at 30 June 2023). As of 30 June 2023, the Company can further grant 1,307,600 award Shares under the 2020 Share Award Scheme (as of 31 December 2022: 8,707,600).

OTHER
INFORMATION

The terms of the 2020 Share Award Scheme do not specify any amount required to be paid on acceptance of an award nor the payment period; and also do not provide for any basis of determining the purchase price of award Shares granted.

The Company has determined the vesting conditions of these award Shares granted during the Reporting Period based on the combined individual and group results and performance of the eligible persons.

On 30 December 2020, 26 May 2021, 11 March 2022 and 29 June 2023, the Company respectively granted a total of 21,270,897 award Shares, 15,260,449 award Shares, 1,000,000 award Shares and 7,400,000 award Shares to eligible persons. The closing prices of the Share immediately before the dates of grant (i.e. 30 December 2020, 26 May 2021, 11 March 2022 and 29 June 2023) are HK\$10.78, HK\$13.12, HK\$13.24 and HK\$10.8, respectively.

For further details of the 2020 Share Award Scheme, please refer to the announcements of the Company dated 8 January 2020 and 27 February 2020, respectively.

Grantee	Date of Grant	Number of Award Shares not yet vested as at 1 January 2023 ¹	Number of Award Shares granted during the Reporting Period ²	Number of Award Shares vested during the Reporting Period ³	Number of Award Shares lapsed during the Reporting Period	Number of Award Shares not yet vested as at 30 June 2023
Director						
GAO Nianshu	26 May 2021	2,904,179	—	1,452,090	—	1,452,089
Employees						
	30 December 2020	295,000	—	—	85,000	210,000
	26 May 2021	6,968,090	—	3,073,145	967,800	2,927,145
	11 March 2022	1,000,000	—	400,000	—	600,000
	29 June 2023	—	7,400,000	—	—	7,400,000
Total		11,167,269	7,400,000	4,925,235	1,052,800	12,589,234

Notes:

- For award Shares granted on 30 December 2020, 26 May 2021 and 11 March 2022, the vesting period shall commence from the date which is one year from the date of grant and end on the date which is three years from the date of grant. For further details, please refer to the announcements of the Company dated 30 December 2020, 26 May 2021 and 11 March 2022.
- For award Shares granted on 29 June 2023, the vesting period shall commence on the date which is one year from the date of grant and end on the date which is three years from the date of grant. Performance targets for such grants include the Company's financial performance indicators and the individual performance indicators of the grantees. The Company has determined the fair value of the award Shares on the date of grant under the basis of market price, taking into account the characteristics of the award, including expected dividends and charged the same to profit or loss during the vesting period. The fair value of the award Shares granted is approximately HK\$10.52 per Share. Details of the fair value of the award Shares at the time of grant and the accounting policies adopted are set out in note 17 to the interim financial report.
- The weighted average closing price of the Shares immediately before the vesting date of the award Shares held by Mr. GAO Nianshu and others are approximately HK\$13.10 and HK\$13.33, respectively.
- No consideration is required to be paid upon the vesting of award Shares.
- No award Shares were canceled during the Reporting Period.

OTHER INFORMATION

GENERAL

No new Share will be issued by the Company as a result of the above award Shares granted. The number of Shares that may be issued in respect of share options granted under all the share schemes of the Company during the Reporting Period divided by the weighted average number of shares of the relevant classes in issue during the Reporting Period is approximately 19.05%.

EMPLOYMENT MANAGEMENT

During the Reporting Period, the Group had strictly complied with the Labor Law of the PRC and the Labor Contract Law of the PRC and other applicable laws and regulations. The labor contracts were entered into on an equal and voluntary basis in order to protect the rights of both employees and employers and build an equal labor relationship. Meanwhile, the Group has strictly complied with the Provisions on the Prohibition of Using Child Labor and will not employ child labor under any circumstances. As of 30 June 2023, the total number of full-time employees of the Group was 13,235 (31 December 2022: 13,205).

REMUNERATION AND BENEFITS

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

RETIREMENT BENEFIT SCHEME

According to the PRC's regulations, the Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by governments or trustee-administered funds. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

PERFORMANCE MANAGEMENT AND STAFF DEVELOPMENT

To ensure the fulfillment of the strategic development goals of the Company, the Group continues to improve the performances of the Group and the staff by way of performance management and facilitates continuous improvement of the staff's capabilities.

Through position promotion measures, the Group effectively identifies potential talents and creates a career development platform for its employees. Aiming at enhancing the core competitiveness of the Group and cultivating excellent teams of employees and managers, the Group provides diverse opportunities of education and training to employees in line with the business growth needs and the staff's career development.

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 interim report.

REPORT ON REVIEW OF INTERIM FINANCIAL REPORT



TO THE BOARD OF DIRECTORS OF ASIAINFO TECHNOLOGIES LIMITED

(Incorporate in the British Virgin Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 31 to 52 which comprises the condensed consolidated statement of financial position of AsiaInfo Technologies Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with HKAS 34.

KPMG

Certified Public Accountants

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

2 August 2023

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, unless otherwise stated)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	4	3,281,994	3,109,285
Cost of sales		(2,137,887)	(2,055,758)
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	13	(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)	(5,730)
Profit before tax		220,716	213,755
Income tax expenses	6	(8,420)	(24,657)
Profit for the period	7	212,296	189,098
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)	(8,626)
Other comprehensive income for the period		6,062	(8,626)
Total comprehensive income for the period		218,358	180,472
Profit for the period attributable to:			
Equity holders of the Company		215,713	191,789
Non-controlling interests		(3,417)	(2,691)
Total comprehensive income for the period attributable to:			
Equity holders of the Company		221,079	183,163
Non-controlling interests		(2,721)	(2,691)
Earnings per share			
— Basic (RMB)	9	0.24	0.21
— Diluted (RMB)	9	0.23	0.20

The accompanying notes on pages 36 to 52 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 — unaudited
(Expressed in thousands of Renminbi)

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	10	274,117	291,690
Right-of-use assets	10	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")	18	22,181	22,135
Financial assets at FVOCI	18	61,021	47,929
Deferred tax assets	11	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	12	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	18	537,270	692,395
Amounts due from related parties	20	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
Current liabilities			
Trade and notes payables	14	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	20	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

The accompanying notes on pages 36 to 52 form part of this interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**As at 30 June 2023 — unaudited
(Expressed in thousands of Renminbi)

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
Non-current liabilities			
Deferred tax liabilities	11	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	15	—	—
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

Approved and authorised for issue by the board of directors on 2 August 2023.

Dr. TIAN Suning
DIRECTOR**Mr. GAO Nianshu**
DIRECTOR

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 17)	—	—	—	—	—	—	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 16)	—	(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
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 17)	—	—	—	—	—	—	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 16)	—	(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.

The accompanying notes on pages 36 to 52 form part of this interim financial report.

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
		RMB'000	RMB'000
	Note		
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

The accompanying notes on pages 36 to 52 form part of this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023 — 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 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 interim financial report 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 interim financial report 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 interim financial report 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 interim financial report 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 condensed consolidated interim 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 interim financial report are unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. KPMG’s independent review report to the Board of Directors of the Company is included on page 30.

3 PRINCIPAL ACCOUNTING POLICIES

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

NOTES TO THE INTERIM
FINANCIAL REPORT

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

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs

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

- 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 interim financial report. 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 RMB'000	2022 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
	3,281,994	3,109,285
<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
	3,281,994	3,109,285

Note:

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

NOTES TO THE INTERIM FINANCIAL REPORT

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

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.

Geographical information

The Group's operations are in the PRC. Substantially all revenue of the Group and non-current assets of the Group are generated from and located in the PRC. Information about the Group's revenue from external customers is presented based on the location of the signing parties of the sales or service contracts.

5 OTHER INCOME

	Six months ended 30 June	
	2023 RMB'000	2022 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
	55,835	75,007

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.

NOTES TO THE INTERIM
FINANCIAL REPORT

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

6 INCOME TAX EXPENSES

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Current tax:		
PRC enterprise income tax ("EIT") — Current year	6,329	4,314
Deferred tax (note 11)	2,091	18,037
	8,420	22,351
Tax filing differences in prior year:		
PRC EIT	—	2,306
	8,420	24,657

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%).

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 interim financial report. 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.

NOTES TO THE INTERIM FINANCIAL REPORT

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

7 PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2023 RMB'000	2022 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
Total staff costs	2,006,986	1,952,998
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

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

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.

NOTES TO THE INTERIM
FINANCIAL REPORT

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

9 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	215,713	191,789
Number of Shares:		
Weighted average number of shares for the purpose of calculating basic earnings per share	915,048,769	928,225,186
Effect of dilutive potential shares:		
Share options and RSUs	14,124,651	15,494,958
Weighted average number of shares for the purpose of calculating diluted earnings per share	929,173,420	943,720,144

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 and 2022 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.

NOTES TO THE INTERIM FINANCIAL REPORT

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

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

During the current interim period, the Group incurred expenditure on leasehold improvements and furniture, fixtures and equipment with a cost of RMB5,815,000 and disposed of certain assets of leasehold improvements and furniture, fixtures and equipment with an aggregate carrying amount of RMB454,000 for cash proceeds of RMB90,000, resulting in a loss on disposal of RMB364,000. During the six months ended 30 June 2022, the Group incurred expenditure on leasehold improvements and furniture, fixtures and equipment with a cost of RMB20,661,000 and disposed of certain assets of leasehold improvements and furniture, fixtures and equipment with an aggregate carrying amount of RMB627,000 for cash proceeds of RMB158,000, resulting in a loss on disposal of RMB469,000.

During the current interim period, the Group entered into several new lease agreements for the use of buildings ranging from one year to five years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised RMB26,345,000 of right-of-use asset and RMB21,850,000 of lease liability (six months ended 30 June 2022: right-of-use asset was RMB87,848,000, lease liability was RMB87,848,000).

11 DEFERRED TAX ASSETS AND LIABILITIES

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

	Impairment losses	Tax losses	Accrued payroll and welfare	Accrued expenses	Right-of-use assets and lease liabilities	Withholding tax on undistributed profits of the PRC subsidiaries	Fair value changes	Intangible assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022	16,294	13,204	89,823	6,237	(285)	(186,714)	(3,479)	(20,664)	(85,584)
Credited (charged) to profit or loss	2,661	16,886	(13,995)	(1,522)	523	(8,492)	1	1,847	(2,091)
Charged to other comprehensive income	—	—	—	—	—	—	(2,249)	—	(2,249)
At 30 June 2023	18,955	30,090	75,828	4,715	238	(195,206)	(5,727)	(18,817)	(89,924)
As at 31 December 2021	12,464	—	100,849	7,617	(548)	(155,264)	—	—	(34,882)
Acquisitions through business combination	8,350	8,766	—	901	—	—	(4,261)	(24,360)	(10,604)
Credited (charged) to profit or loss	(2,427)	14,955	(22,963)	(2,115)	(268)	(7,066)	—	1,847	(18,037)
Exchange Adjustment	—	—	—	—	—	(7,139)	—	—	(7,139)
At 30 June 2022	18,387	23,721	77,886	6,403	(816)	(169,469)	(4,261)	(22,513)	(70,662)

NOTES TO THE INTERIM
FINANCIAL REPORT

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

11 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	30 June 2023 RMB'000	31 December 2022 RMB'000
Deferred tax assets	129,846	125,815
Deferred tax liabilities	(219,770)	(211,399)
	(89,924)	(85,584)

Deferred tax assets are recognised if it is probable that all of the deferred tax assets will be realised through the recovery of taxes previously paid and/or future taxable income. The directors of the Company have reviewed the deferred tax assets of the Group at the end of the six months ended 30 June 2023 and considered that it is probable that the deferred tax assets of the Group will be realised through future taxable income based on directors' assessment of the probability that taxable profits will be available over the years which the deferred tax assets can be realised or utilised.

12 TRADE AND NOTES RECEIVABLES

	30 June 2023 RMB'000	31 December 2022 RMB'000
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)
	1,513,669	1,137,330

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 customer type, the current creditworthiness, the financial condition and the payment history to the Group.

**NOTES TO THE INTERIM
FINANCIAL REPORT**

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

12 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
	1,513,669	1,137,330

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.

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Impairment loss recognised, net of reversal	32,249	23,019
	32,249	23,019

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are materially the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

NOTES TO THE INTERIM
FINANCIAL REPORT

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

14 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
	613,647	523,091

15 SHARE CAPITAL

The Company

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

	Number of Shares	Nominal value per Share	Share capital
Authorised			
At 30 June 2023 and 2022	800,000,000,000	HK\$0.0000000125	HK\$10,000.00
Issued			
At 31 December 2022	929,315,321	HK\$0.0000000125	HK\$11.62
Exercise of share options ⁽ⁱ⁾	5,975,591	HK\$0.0000000125	HK\$0.07
Vesting of restricted stock units	—	HK\$0.0000000125	—
At 30 June 2023	935,290,912	HK\$0.0000000125	HK\$11.69
At 31 December 2021	924,944,850	HK\$0.0000000125	HK\$11.56
Exercise of share options ⁽ⁱ⁾	3,446,927	HK\$0.0000000125	HK\$0.04
Vesting of restricted stock units	—	HK\$0.0000000125	—
At 30 June 2022	928,391,777	HK\$0.0000000125	HK\$11.60

**NOTES TO THE INTERIM
FINANCIAL REPORT**

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

15 SHARE CAPITAL (Continued)

	30 June 2023 RMB'000	31 December 2022 RMB'000
Presented as	—	—

Note:

- (i) During the six months ended 30 June 2023, the Company issued and allotted 784,000 shares, 2,793,091 shares and 2,398,500 shares, respectively, resulting from the exercising of options to certain employees and directors pursuant to the stock share option under the 2014 Plan, the Pre-IPO Share Option Scheme, and 2019 Share Option Scheme.

During the six months ended 30 June 2022, the Company issued and allotted 520,000 shares, 77,600 shares, 2,362,527 shares and 486,800 shares, respectively, resulting from the exercising of options to certain employees and directors pursuant to the stock share option under the 2011 stock incentive plan (“**2011 Plan**”), 2014 Plan, the Pre-IPO Share Option Scheme, and 2019 Share Option Scheme.

16 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 HK\$	Lowest price paid per Share HK\$	Aggregate price paid HK\$'000
Mar 2023	200,000	15.38	13.84	2,921
				2,921
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	1,357
				5,429

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.

**NOTES TO THE INTERIM
FINANCIAL REPORT**

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

17 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).

NOTES TO THE INTERIM FINANCIAL REPORT

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

18 FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table presents the fair value of the Group's financial assets measured at the end of the Reporting Period on a recurring basis, which was categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value as at 30 June 2023 RMB'000	Fair value as at 31 December 2022 RMB'000	Fair value hierarchy	Valuation technique	Significant unobservable inputs
Financial assets at FVTPL					
— Wealth management products	537,270	692,395	Level 3	Market approach	Estimated return rate
— Investment funds	19,504	19,424	Level 3	Market approach	Discount for lack of marketability
— Unlisted equity investments	2,500	2,500	Level 3	Market approach	Discount for lack of marketability
— Listed equity investments	177	211	Level 1	N/A	N/A
Financial assets at FVOCI					
— Unlisted equity investments	61,021	47,929	Level 3	Market approach	Discount for lack of marketability

During the six months ended 30 June 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The financial assets categorized into Level 3 mainly represented wealth management products, investment funds, listed and unlisted equity investments. The fair value of wealth management products is determined based on their net asset value provided by the counterparty financial institutions as at the end of the Reporting Period, where the significant unobservable inputs are the net assets. The relationship of unobservable inputs to fair value is positive correlation. The fair value of investment funds and unlisted equity investments is measured using the market approach, where the significant unobservable inputs are the discount for lack of marketability. The relationship of unobservable inputs to fair value is negative correlation.

NOTES TO THE INTERIM
FINANCIAL REPORT

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

18 FINANCIAL INSTRUMENTS (Continued)**Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)**

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	As at 31 December 2022	Purchase	Disposal	Recognised in profit or loss	Recognised in other comprehensive income	As at 30 June 2023
Financial assets measured at FVOCI	47,929	—	—	—	13,092	61,021
Financial assets measured at FVTPL	714,319	1,004,966	(1,166,004)	5,442	551	559,274
	762,248	1,004,966	(1,166,004)	5,442	13,643	620,295

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the interim financial report approximate their fair values due to short maturity, initially recognised close to each reporting date, or with floating interest rates.

19 COMMITMENTS AND FINANCIAL GUARANTEES**(a) Capital commitments**

As at 30 June 2023, the Group was committed to acquire property, plant and equipment and intangible assets for its business operation amounting to approximately RMB3,056,000 (31 December 2022: RMB10,070,000).

(b) Financial guarantees issued

For the period ended 30 June 2023, the Group has issued several guarantees for an associate including banking facility, commercial acceptance bills and fulfilment of contract. The bank facility granted is with maximum exposure amounted to RMB90,000,000 (31 December 2022: RMB30,000,000) and the maximum liability of the Group under this guarantee is represented by the facilities drawn down by the borrowing amounting to RMB67,936,000 as at 30 June 2023 (31 December 2022: RMB1,490,000). The guarantees issued for commercial acceptance bills and fulfilment of the contract are with maximum exposure amounted to RMB9,423,000 in total and no such liability was undertaken by the Group as at 30 June 2023 (31 December 2022: RMB8,468,000).

**NOTES TO THE INTERIM
FINANCIAL REPORT**

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

20 RELATED PARTY BALANCES AND TRANSACTIONS**(a) Balances with related parties**

The outstanding balances related to transactions with related parties are included in the following accounts captions summarised as follows:

(i) Balances due from related parties

	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade and notes receivables⁽ⁱ⁾	879,636	584,732
Contract assets⁽ⁱ⁾	1,252,650	1,302,302
Amounts due from related parties:		
Amounts due from a shareholder ⁽ⁱ⁾	13,383	11,304
Amounts due from entities controlled by a director	3,329	2,294
Amounts due from an associate ⁽ⁱⁱ⁾	97,760	83,028
Sub-total	114,472	96,626
Total	2,246,758	1,983,660

Notes:

- (i) Trade receivables and contract assets are arising from the software business services provided to a shareholder, China Mobile Group. The carrying amount of trade receivables from China Mobile Group as at 30 June 2023 included the original value and the loss allowance amounting to RMB884,619,000 (31 December 2022: RMB589,303,000) and RMB4,983,000 (31 December 2022: RMB4,571,000), respectively. The carrying amounts of contract assets from China Mobile Group as at 30 June 2023 included the original value and the loss allowance amounting to RMB1,255,309,000 (31 December 2022: RMB1,305,215,000) and RMB2,659,000 (31 December 2022: RMB2,913,000), respectively.

Amounts due from a shareholder mainly represents deposits for performance of the contract placed with China Mobile Group.

- (ii) This item mainly includes the loan to an associate amounted to RMB91,898,000 as at 30 June 2023 (31 December 2022: RMB83,028,000). This one-year loan is of principal RMB97,101,000, the loss allowance amounting to RMB7,263,000, and related interest receivable RMB2,060,000 (31 December 2022: principal RMB90,001,000, the loss allowance RMB7,263,000, interest receivable RMB290,000). The loan is unsecured and bears interest at 3.8% per annum.

The balances, excluding the loan to an associate, are unsecured, interest-free and repayable on demand.

NOTES TO THE INTERIM
FINANCIAL REPORTFor the six months ended 30 June 2023 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)**20 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)****(a) Balances with related parties (Continued)**

(ii) Balances due to related parties

	30 June 2023 RMB'000	31 December 2022 RMB'000
Contract liabilities⁽ⁱ⁾	145,730	122,030
Amounts due to related parties:		
Amounts due to a shareholder ⁽ⁱⁱ⁾	6,273	12,552
Amounts due to entities controlled by a director	1,100	4,642
Total	153,103	139,224

Note:

- (i) Contract liabilities represent the receipt in advance from China Mobile Group in relation to the provision of software business services.

Amounts due to a shareholder mainly represents payables arising from telecommunication services purchased from China Mobile Group.

(b) The significant transactions with related parties during the six months ended 30 June 2023 and 2022 are listed out below

For the six months ended 30 June 2023 and 2022, the Group had the following major transactions with related companies, other than those disclosed elsewhere in the interim financial report:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
A shareholder of the Group:		
— Software business services provided to	2,080,097	1,934,324
An associate of the Group:		
— Loan provided to	47,700	90,001
— Repayment of loan provided to	40,600	—
— Interest Income from loan provided to	1,669	1,778

**NOTES TO THE INTERIM
FINANCIAL REPORT**

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

20 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)**(c) Financial guarantees provided by the Group for a related party**

	30 June 2023 RMB'000	31 December 2022 RMB'000
Financial guarantees issued	77,359	9,958

As at 30 June 2023, the balance of the financial guarantees issued represents the banking facility drawn down by an associate, amounted to RMB67,936,000 (31 December 2022: RMB1,490,000), and the guarantees issued for commercial acceptance bills and fulfilment of the contract amounted to RMB9,423,000 at 30 June 2023 (31 December 2022: RMB8,468,000).

(d) Compensation of key management personnel

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	7,353	5,841
Discretionary bonus	4,794	4,794
Contributions to retirement benefits scheme	126	102
Share-based compensation expenses	16,809	34,378
Total emoluments	29,082	45,115

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