AsiaInfo
亚信科技

亞信科技控股有限公司
AsiaInfo Technologies Limited

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 01675

2019
INTERIM REPORT

CONTENTS

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2019	2018	Changes
Number of customers			
Telecom operator customers	**225**	212	6.1%
Large enterprise customers	**43**	32	34.4%

Financial data – continuing operations	**RMB million**	RMB million	
Revenue	**2,479**	2,190	13.2%
Revenue from the software business	**2,477**	2,178	13.7%
Gross profit	**868**	662	31.2%
Gross margin (%)	**35.0%**	30.2%	4.8 percentage points
Adjusted net profit[1]	**255**	201	26.9%
Adjusted net profit margin[1] (%)	**10.3%**	9.2%	1.1 percentage points
Net cash used in operating activities	**(358)**	(190)	89.0%

Note 1: To facilitate comparisons of the overall operating performance of the Group (as defined below) in different periods, certain non-recurring, non-cash or non-operating items, which were not indicative of our operating performance, were excluded. Adjusted net profit and adjusted net profit margin from continuing operations are not measures required by, or presented in accordance with, Hong Kong Financial Reporting Standards ("**HKFRSs**") and are unaudited figures. The use of these measures has limitations as analytical tools, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial position as reported under HKFRSs. Please refer to "MANAGEMENT DISCUSSION AND ANALYSIS – Non-HKFRSs Measurement Indicators" for more details.

CHAIRMAN'S STATEMENT

Dear Shareholders,

During the first half of 2019, the Ministry of Industry and Information Technology of China issued 5G commercial licenses, which marks that China has formally stepped into the first year of commercial 5G, and that the technologies and business innovations for 5G have also entered into an important stage. As a close partner with telecom operators and a digital transformation enabler of large enterprises, AsiaInfo Technologies Limited (the "**Company**", or "**AsiaInfo Technologies**", together with its subsidiaries, the "**Group**") actively embraces the scientific and technological revolution and industrial transformation brought by the 5G era and seeks for new opportunities of development.

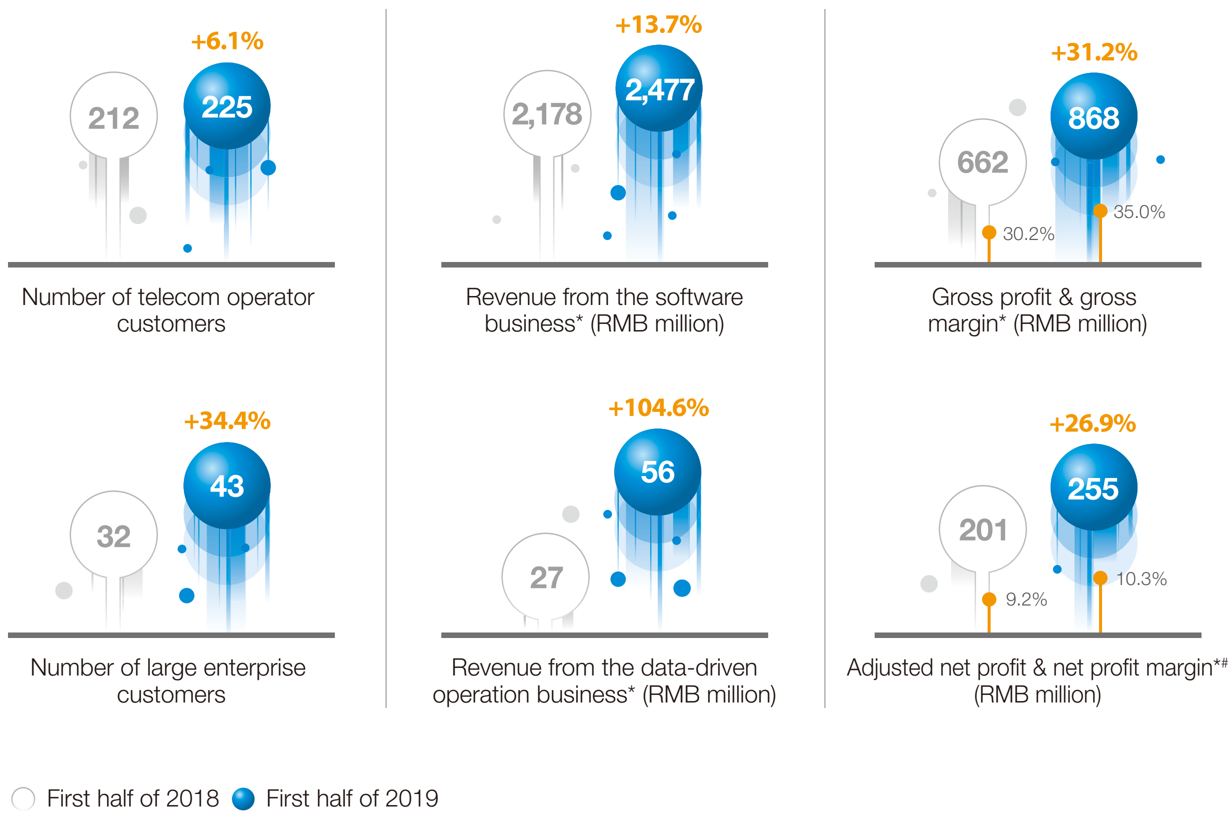
During the six months ended 30 June 2019 (the "**Reporting Period**"), the Company had adhered to the strategy of "Three New, Four Abilities" (三新四能) as its guideline, committed to leveraging its abilities in products, services, operation and integration to source new customers, create new businesses and explore new models, and adopted the business strategy of "One consolidation, Three developments" (一鞏固，三發展) as its growth driver, in order to continuously reinforce its leading position in the telecom software and service market, make a breakthrough in 5G intelligent network business, achieve scale development in data-driven operation business, realize focused development in software and service for large enterprise customers, accelerate the process of business development, and continuously and stably improve its profitability.

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I hereby present the interim report of the Company for the six months ended 30 June 2019 to the shareholders of the Company (the "**Shareholders**").

OVERALL RESULTS

During the first half of 2019, the Group's results of operation maintained a healthy growth and its revenue from software business also reached a double-digit growth, increased by 13.7% as compared with the corresponding period of last year to approximately RMB2,476.9 million, of which, revenue from data-driven operation services sustained a rapid growth by being more than doubled as compared with the corresponding period of last year. The adjusted net profit from continuing operations amounted to approximately RMB254.7 million, representing an increase of 26.9% as compared with the corresponding period of last year, and the adjusted net profit margin from continuing operations was 10.3%, representing an increase of 1.1 percentage points as compared with the corresponding period of last year, showing our continuous improvement in profitability. The use of adjusted net profit from continuing operations is to easily compare the operating performance of the Group between periods. In view of this, we have excluded the impacts of certain non-recurring, non-cash or non-operating items. Such impacts include share-based compensation expenses, amortization of intangible assets arising from acquisition, interest expenses from the privatization syndicated loan, exchange gain and loss, and the listing expenses. The adjusted net profit and adjusted net profit margin from continuing operations referred to in this interim report were adjusted pursuant to the principles as set out above.

The Board, after taking into full consideration of various factors including the profitability, cash flow level and future development capital needs of the Group, decided not to declare interim dividend for the Reporting Period and proposed to maintain the guideline of setting the dividend payout ratio of not less than 40% for the year 2019.



* Data of continuing operations

\# For details of adjusted items, please refer to "Non-HKFRSs Measurement Indicators" from page 7 to page 8

BUSINESS REVIEW

Solid leading position in the operators' market and helping the operators' transformation and upgrade towards 5G

During the first half of the year, the Company continued to expand its input on business support, 5G intelligent network, scenario charging and billing, big data and artificial intelligence ("**AI**"), and further strengthened our leading position in the operators' market. We deeply participated in the centralized reform of telecom operators, undertook more and more centralized construction projects, and strived to keep core competitiveness in the business support systems ("**BSS**") domain. We supported the operators' specialized companies in operation by offering them a variety of software products and services and helping them develop new business. The jointly developed "Phoenix Centralized Big Data PaaS platform" (梧桐集中化大數據PaaS平臺), assisted China Mobile in obtaining the honor of "Outstanding Use of TMF Assets Reward" (最佳TMF資產使用獎). We participated in 3 catalyst projects of the 2019 TeleManagement forum. We also deployed the business model of "platform + business application + operation" to support operators with the abilities in operating the Internet of Things platforms, continuously expanding the market of telecom operators. As of 30 June 2019, the Company provided services to 225 telecom operator customers, representing an increase of 6.1% as compared with the corresponding period of last year, and achieved a customer retention rate of over 99%.

Actively expanding large enterprise customer market and enabling different sectors for digital transformation

During the first half of the year, the Company actively enhanced its market shares in the non-telecom large enterprise customer market, continuously focused on the key industries such as postal, cable TV, banking, insurance, power grid and automobile, and assisted enterprises in building abilities in middle-end data platform to push forward the process of digital transformation. During the Reporting Period, the Company launched a customer relation management ("**CRM**") system for China Post and continuously obtained big data and other project orders from China Post's provincial company. It also successfully launched a customer center hub project and helped achieve stage milestones in its CRM system for insurance companies. We assisted banks in building middle-end data platforms, and had obtained DevOps platform building orders from several commercial banks. Moreover, the Company strengthened the strategic cooperation with a grid corporation, assisting it in building middle-end data platforms. The AISWare DataOS big data asset management platform of the Company was awarded the "Best Big Data Product (最佳大數據產品)" by the China Academy of Information and Communications Technology. As of 30 June 2019, the Company provided services to 43 non-telecom large enterprise customers, representing an increase of 34.4% as compared with the corresponding period of last year, and achieved a customer retention rate of over 99%.

Rapid growth in the scale of data-driven operation brings sustainable doubled growth in revenue

During the first half of the year, the Company had actively explored the innovative application of the business models of data-driven operation in different industries, and built an ecosphere of data-driven operation with operators and cross-sector customers, which helped to enrich data sources in different dimensions, dig up data value, contribute to the cooperation of various parties and achieve a win-win situation. During the Reporting Period, we explored not only customers from different sectors, but also service models such as the "platform + operation" model that had provided operators and several large enterprises with WeChat official account matrix operation service, bringing a significant increase in the number of customers of the platform. We provided specialized companies with data-driven operation value-added services, helping to develop new business. By joining hands with customers from industries such as "operator + insurance", "operator + IPTV (Internet Protocol Television)", we conducted accurate big data marketing. We obtained new energy digitalized project from the grid corporation. Furthermore, we offered data-driven operation service to automobile enterprises such as Changan Automobile and BYD Company Limited, helping them attract steadily growing users. During the Reporting Period, data-driven operating services achieved a revenue of approximately RMB55.5 million, and both the revenue and new orders were more than doubled as compared with the corresponding period of last year, representing our continuous scale expansion.

Developing OSS domain intelligent network products and securing our first order

With the virtualization of telecom operator network in the 5G era, works in traditional operations support systems ("**OSS**") domain such as network management, network maintenance and network optimization will be gradually planned and performed by software. In the future, the scenarios and data in the BSS domain and OSS domain will definitely be integrated. While cultivating the traditional BSS market, AsiaInfo Technologies is also actively seeking new opportunities for development. By combining its technological advantages in the coordinated field of AI in communications and BSS/OSS, the Company has launched 5G intelligent network products, including network mapping software, network optimization software, network customer experience (CEM) software and network functions virtualization (NFV) network management and planning software. In this way, we thoroughly connect the BSS domain with the OSS domain to assist telecom operators in improving the capabilities and values of their networks and optimizing service quality with focus on customer experience and network quality. We continue to collaborate with the research organizations or provincial companies under the three major operators to carry out pilot cooperation. So far, we have conducted 4/5G commercialization collaboration with operators in 9 pilot areas and secured our first order in the 5G intelligent network project.

Intensifying efforts in research and development ("R&D") and launching new products of the 5G series

With the advent of the 5G era, the Company continues to intensify R&D efforts, speed up technology and product innovation and build the leading 5G network and business supporting capabilities, laying a solid foundation for operators and other industries to upgrade and transform towards the 5G era. During the first half of the year, based on the technology philosophy of "full domain visualization, full domain intellectualization, full domain perceptual", the Company had developed leading 5G commercial software and application solutions, launched key products of the 5G series, including 5G full domain AI product (AISWare AI^2), 5G scenario charging and billing product (AISWare 5G Billing) and 5G PaaS platform product (AISWare AsiaInfo Infrastructure Foundations (AIF), 5G intelligent network product (AISWare Network Intelligence), 5G big data product (AISWare 5G BigData), and Open-source database product (AISWare AntDB). The two communication standard proposals submitted by the Company to the European Telecommunications Standards Institute (ETSI) had been reviewed and accepted by the international standardization organization. In addition, the Company has officially become a member of the Global System for Mobile Communications Alliance (GSMA), and will build a mobile ecosystem with joint efforts from global telecom operators and our partners in the industry.

LOOKING FORWARD

The 5G era is a new era full of new opportunities. After entering into this new era, AsiaInfo Technologies will continuously adhere to the business strategy of "One consolidation, Three developments", build the preemptive competitive edge based on its "full domain" technology philosophy, fully support telecom operators in 5G construction as well as facilitate the digital transformation of large enterprises with its accumulated technologies and experiences, focusing on and contributing to the construction of "Digital China".

TIAN Suning
Chairman

As at the date of this interim report, the Board comprises Dr. TIAN Suning, Mr. DING Jian and Mr. GAO Nianshu as executive Directors; Mr. ZHANG Yichen, Mr. XIN Yuesheng and Mr. ZHANG Liyang as non-executive Directors and Dr. GAO Jack Qunyao, Dr. ZHANG Ya-Qin and Mr. GE Ming as independent non-executive Directors.

OVERALL OPERATING RESULTS

In the first half of 2019, the Company continued to adhere to the strategic development direction of "Three New, Four Abilities" (三新四能), and has achieved a good momentum of development and operating results. In the first half of 2019, the revenue from continuing operations amounted to approximately RMB2,479.3 million (the corresponding period in 2018: approximately RMB2,189.7 million), representing a year-on-year increase of 13.2%, among which, our revenue from software business amounted to approximately RMB2,476.9 million (the corresponding period in 2018: approximately RMB2,177.6 million), representing a year-on-year increase of 13.7%, where our growth rate continued to reach new heights.

In the first half of 2019, our gross profit from continuing operations amounted to approximately RMB868.5 million (the corresponding period in 2018: approximately RMB661.9 million), representing a year-on-year increase of 31.2%, and our gross margin amounted to approximately 35.0% (the corresponding period in 2018: 30.2%), representing a year-on-year increase of 4.8 percentage points, where our profitability continued to improve.

In the first half of 2019, the adjusted net profit from continuing operations amounted to approximately RMB254.7 million (the corresponding period in 2018: approximately RMB200.7 million), representing a significant year-on-year increase of 26.9%, and the adjusted net profit margin from continuing operations was approximately 10.3% (the corresponding period in 2018: 9.2%), achieving a good profitability level.

In the first half of 2019, the Company had changed the employee supplemental insurance benefits from being an annual single premium to monthly payments, which resulted in the timing difference that caused a significant change in the cash flows from operating activities. The net cash outflow from operating activities amounted to approximately RMB358.2 million (the corresponding period in 2018: approximately RMB189.6 million), representing a year-on-year increase of 89.0%. After eliminating the said timing factor, the net cash outflow from operating activities was broadly stable year-on-year.

NON-HKFRSs MEASUREMENT INDICATORS

We believe that indicators such as adjusted net profit from continuing operations provide useful information for investors and others to compare operating performance across different periods and different companies by eliminating the potential impact of items which are, in the view of our management, not indicative of the business performance of the Company. Meanwhile, the management of the Company also adopts the same approach to understand and assess our operating results. Starting from 2019, the impact of reconciliation items will gradually decrease.

The adjusted net profit from continuing operations in the first half of 2019 increased significantly by 26.9% to approximately RMB254.7 million (the corresponding period in 2018: approximately RMB200.7 million). The following table reconciles our adjusted net profit from continuing operations for the periods indicated to the net profit from continuing operations in accordance with HKFRSs:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Reconciliation of net profit from continuing operations to adjusted net profit from continuing operations		
Net profit from continuing operations	**70,732**	86,837
Add:		
Share-based compensation	**175,608**	24,531
Amortization of intangible assets arising from acquisition	**7,566**	17,148
One-off listing expenses	**–**	20,862
Interest expenses for the privatization syndicated loan	**11,373**	24,069
Exchange (gain)/loss, net	**(10,613)**	27,240
Adjusted net profit from continuing operations	**254,666**	200,687

REVENUE

In the first half of 2019, our revenue amounted to approximately RMB2,479.3 million (the corresponding period in 2018: approximately RMB2,189.7 million), representing a year-on-year increase of 13.2%, primarily due to the increase of revenue from software business. Such increase was partly offset by the decrease in revenue from the divested network security business.

Among which, the revenue from software business in the first half of 2019 amounted to approximately RMB2,476.9 million (the corresponding period in 2018: approximately RMB2,177.6 million), representing a year-on-year increase of 13.7%, primarily due to the increase in revenue from the business of software products and related services and the data-driven operation business for operator customers.

COST OF SALES

In the first half of 2019, we incurred cost of sales of approximately RMB1,610.8 million (the corresponding period in 2018: approximately RMB1,527.8 million), representing a year-on-year increase of 5.4%, with share-based compensation expenses being excluded, the cost of sales amounted to approximately RMB1,545.6 million (the corresponding period in 2018: approximately RMB1,525.6 million), primarily due to the increase in labor cost in cost of sales.

GROSS PROFIT AND GROSS MARGIN

In the first half of 2019, our gross profit was approximately RMB868.5 million (the corresponding period in 2018: approximately RMB661.9 million), and our gross margin was approximately 35.0% (the corresponding period in 2018: approximately 30.2%). The continuous increase in gross margin in the first half of 2019 was primarily due to the ongoing positive effect from our business middle office strategy, which continued to improve the efficiency in project execution and delivery through continuous reinforcement of digitalized project management by enhancing the common application of intermediate components and promoting product collective unification.

SELLING AND MARKETING EXPENSES

In the first half of 2019, our selling and marketing expenses amounted to approximately RMB218.1 million (the corresponding period in 2018: approximately RMB185.2 million), representing a year-on-year increase of 17.8%, with share-based compensation expenses and amortization of intangible assets arising from acquisition being excluded, the selling and marketing expenses amounted to approximately RMB171.5 million (the corresponding period in 2018: approximately RMB163.3 million), primarily because we had carried out more sales and marketing activities to expand non-telecom market customers.

ADMINISTRATIVE EXPENSES

In the first half of 2019, our administrative expense amounted to approximately RMB149.8 million (the corresponding period in 2018: approximately RMB152.0 million), representing a year-on-year decrease of 1.4%, with share-based compensation expenses being excluded, the administrative expense amounted to approximately RMB113.0 million (the corresponding period in 2018: approximately RMB135.0 million), primarily due to the decrease in bank charges.

RESEARCH AND DEVELOPMENT EXPENSES

In the first half of 2019, our R&D expenses amounted to approximately RMB381.7 million (the corresponding period in 2018: approximately RMB181.1 million), representing a year-on-year increase of 110.7%, with share-based compensation expenses being excluded, the R&D expenses amounted to approximately RMB347.1 million (the corresponding period in 2018: approximately RMB180.5 million), primarily because we had continually carried out more R&D activities to enhance product standardization capabilities of general technology platforms, and focused on R&D activities in the areas of data-driven operation services and a series of 5G products that are in line with our development strategy.

INCOME TAX EXPENSES

In the first half of 2019, the income tax expenses amounted to approximately RMB52.8 million (the corresponding period in 2018: approximately RMB18.7 million), and the effective tax rate calculated based on the adjusted profit before tax was 17.2% (the corresponding period in 2018: 8.5%), primarily due to the combined effects of the increase in taxable income of the Group and the withholding tax on profits, which increased slightly as compared to the effective tax rate calculated based on the adjusted profit before tax of 15.3% for the year of 2018.

NET PROFIT FROM CONTINUING OPERATIONS

In the first half of 2019, our net profit amounted to approximately RMB70.7 million (the corresponding period in 2018: approximately RMB86.8 million), representing a year-on-year decrease of 18.5%. Such decrease was primarily due to the increase in recognition of share-based compensation expenses for employees in the first half of 2019.

NET CURRENT ASSETS

As at 30 June 2019, our net current assets amounted to approximately RMB1,015.7 million (31 December 2018: approximately RMB133.4 million), representing a year-on-year increase of 661.5%. The change was primarily due to the repayment of certain existing bank borrowings according to the repayment schedule in the first half of 2019, which resulted in the release of the loan guarantee deposits accounted for as non-current pledged bank deposits on 31 December 2018.

GOODWILL

As at 30 June 2019, our total goodwill amounted to approximately RMB1,932.2 million (31 December 2018: approximately RMB1,932.2 million), which was attributable to the business combination completed in 2010. During the Reporting Period, we had not identified any indication of impairment for goodwill and had not recorded any impairment loss for goodwill.

LIQUIDITY, FINANCIAL RESOURCES AND BORROWINGS

The Company's financial position remained healthy. As at 30 June 2019, our total assets amounted to approximately RMB6,515.2 million (31 December 2018: approximately RMB7,997.4 million), and our total liabilities amounted to approximately RMB3,005.9 million (31 December 2018: approximately 4,761.9 million), and we had total bank borrowings of approximately RMB585.7 million (31 December 2018: approximately RMB1,915.5 million), with a gearing ratio[1] of 16.7% (31 December 2018: 59.2%). The above changes were all primary due to the repayment of bank borrowings. None of our existing indebtedness included any material covenants or covenants that could potentially limit our ability to incur new indebtedness.

CASH FLOW

In the first half of 2019, net cash used in operating activities amounted to approximately RMB358.2 million (the corresponding period in 2018: approximately RMB189.6 million), representing a year-on-year increase of 89.0%. The increase in net cash used in operating activities was primarily because the Company changed the employee supplemental insurance benefits from being an annual single premium to monthly payments, which resulted in the timing difference that caused a significant change in the cash flows from operating activities. After eliminating the said timing factor, the net cash used in operating activities was broadly stable year-on-year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

GENERAL

Save as otherwise disclosed in this interim report, no other information relating to the Company's results and financial position had been changed materially from the information disclosed in the 2018 annual report of the Company.

Note:

1. A gearing ratio is calculated by dividing total bank borrowings by total equity and times 100%.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF ASIAINFO TECHNOLOGIES LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of AsiaInfo Technologies Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 12 to 39, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information 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 of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, 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 these condensed consolidated financial statements consists of making inquiries, 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
14 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June 2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Continuing operations			
Revenue	4	**2,479,331**	2,189,715
Cost of sales		**(1,610,848)**	(1,527,844)
Gross profit		**868,483**	661,871
Other income	5	**50,241**	41,516
(Impairment losses under expected credit loss model, net of reversal)/reversal of impairment losses under expected credit loss model, net of impairment	14	**(26,594)**	3,573
Other gains and losses		**12,629**	(28,568)
Selling and marketing expenses		**(218,091)**	(185,161)
Administrative expenses		**(149,831)**	(151,972)
Research and development expenses		**(381,692)**	(181,114)
Share of results of associates		**(1,637)**	120
Finance costs		**(29,990)**	(33,855)
Listing expenses		**–**	(20,862)
Profit before tax		**123,518**	105,548
Income tax expenses	6	**(52,786)**	(18,711)
Profit for the period from continuing operations		**70,732**	86,837
Discontinued operations			
Loss for the period from discontinued operations	7	**–**	(1,279)
Profit for the period	8	**70,732**	85,558
Profit (loss) for the period attributable to:			
Owners of the Company		**70,732**	86,737
Non-controlling interests		**–**	(1,179)
		70,732	85,558
Profit (loss) for the period attributable to the owners of the Company from:			
Continuing operations		**70,732**	88,016
Discontinued operations		**–**	(1,279)
		70,732	86,737
Loss for the period attributable to the non-controlling interests from:			
Continuing operations		**–**	(1,179)
Discontinued operations		**–**	–
		–	(1,179)
Earnings per share			
– Basic (RMB)	10	**0.10**	0.14
– Diluted (RMB)	10	**0.10**	N/A

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Profit for the period	**70,732**	85,558
Other comprehensive expense for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**–**	(8,680)
Total comprehensive income for the period	**70,732**	76,878
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**70,732**	78,057
Non-controlling interests	**–**	(1,179)
	70,732	76,878

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30/06/2019 RMB'000 (unaudited)	31/12/2018 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	11	**293,074**	300,869
Right-of-use assets	11	**154,680**	–
Prepaid lease payments		**–**	83,470
Intangible assets		**16,018**	24,021
Goodwill		**1,932,246**	1,932,246
Investments in associates		**53,380**	55,016
Deferred tax assets	12	**133,297**	163,292
Pledged bank deposits		**33,897**	635,736
Other non-current assets		**36,900**	35,025
		2,653,492	3,229,675
Current Assets			
Inventories		**1,992**	–
Trade and note receivables	13	**738,738**	764,909
Prepayments, deposits and other receivables		**107,663**	133,685
Prepaid lease payments		**–**	2,019
Financial assets at fair value through profit or loss		**–**	210,000
Contract assets		**1,563,235**	1,335,219
Amounts due from fellow subsidiaries	18	**20,665**	18,934
Pledged bank deposits		**187,973**	481,755
Term deposit		**150,000**	–
Bank balances and cash		**1,091,428**	1,821,182
		3,861,694	4,767,703
Current Liabilities			
Trade and note payables	15	**191,208**	356,316
Contract liabilities		**269,527**	300,918
Other payables, deposits received and accrued expenses		**1,535,137**	1,788,004
Amounts due to fellow subsidiaries	18	**32,615**	47,328
Income tax payable		**191,910**	226,268
Bank borrowings		**585,724**	1,915,484
Lease liabilities		**39,853**	–
		2,845,974	4,634,318
Net Current Assets		**1,015,720**	133,385
Total Assets less Current Liabilities		**3,669,212**	3,363,060
Non-current Liabilities			
Deferred tax liabilities	12	**129,732**	127,541
Lease liabilities		**30,157**	–
		159,889	127,541
Net Assets		**3,509,323**	3,235,519
Capital and Reserves			
Share capital	16	**–**	–
Reserves		**3,509,323**	3,235,519
Total Equity		**3,509,323**	3,235,519

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (note ii)	Other reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2018 (audited)	–	897,214	285,200	(15,129)	174,425	1,390,128	503,681	3,235,519	–	3,235,519
Effect arising from initial application of HKFRS 16 (note i)	–	–	–	–	–	–	111	111	–	111
Adjusted balance at 1 January 2019	–	897,214	285,200	(15,129)	174,425	1,390,128	503,792	3,235,630	–	3,235,630
Profit and total comprehensive income for the period	–	–	–	–	–	–	70,732	70,732	–	70,732
Recognition of equity-settled share-based payments	–	–	–	–	–	175,608	–	175,608	–	175,608
Lapse of share options and restricted stock units	–	–	–	–	–	(3,415)	3,415	–	–	–
Issue of new shares upon exercise of the over-allotment option (Note 16 (viii))	–	27,162	–	–	–	–	–	27,162	–	27,162
Share issuance costs	–	(681)	–	–	–	–	–	(681)	–	(681)
Vesting of restricted stock units (Note 16 (ix))	–	58,336	–	–	–	(58,336)	–	–	–	–
Exercise of share options	–	1,822	–	–	–	(950)	–	872	–	872
At 30 June 2019 (unaudited)	**–**	**983,853**	**285,200**	**(15,129)**	**174,425**	**1,503,035**	**577,939**	**3,509,323**	**–**	**3,509,323**
At 31 December 2017 (audited)	8	104,146	285,200	(5,762)	173,845	1,453,987	1,007,411	3,018,835	19,941	3,038,776
Effect arising from initial application of HKFRS 9 (note iii)	–	–	–	–	–	–	(19,576)	(19,576)	–	(19,576)
Adjusted balance at 1 January 2018	8	104,146	285,200	(5,762)	173,845	1,453,987	987,835	2,999,259	19,941	3,019,200
Profit (loss) for the period	–	–	–	–	–	–	86,737	86,737	(1,179)	85,558
Other comprehensive expense for the period, net of tax	–	–	–	(8,680)	–	–	–	(8,680)	–	(8,680)
Total comprehensive (expense) income for the period	–	–	–	(8,680)	–	–	86,737	78,057	(1,179)	76,878
Recognition of equity-settled share-based payments	–	–	–	–	–	24,531	–	24,531	–	24,531
Acquisition of additional equity interests in a subsidiary (note iv)	–	–	–	–	–	(191,238)	–	(191,238)	(18,762)	(210,000)
Cancellation of shares of the Company upon group reorganization	(8)	–	–	–	–	8	–	–	–	–
Dividend distribution	–	–	–	–	–	–	(693,447)	(693,447)	–	(693,447)
Lapse of share options and restricted stock units	–	–	–	–	–	(16,858)	16,858	–	–	–
At 30 June 2018 (audited)	–	104,146	285,200	(14,442)	173,845	1,270,430	397,983	2,217,162	–	2,217,162

Notes:

(i) Upon the adoption of HKFRS 16 Leases on 1 January 2019, an accumulated positive impact of RMB111,000 was recorded as an adjustment to the retained profits as at 1 January 2019, which represented the depreciation of right-of-use assets and interests of lease liabilities, net of deferred tax impact.

(ii) 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 owners 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.

(iii) Upon the adoption of HKFRS 9 Financial Instruments on 1 January 2018, an accumulated negative impact of RMB19,576,000 was recorded as an adjustment to the retained profits at 1 January 2018, which represented the impairment loss allowance, net of deferred tax impact.

(iv) On 15 March 2018, Beijing AsiaInfo Smart Big Data Co., Ltd. entered into investment termination agreements with its non-controlling shareholders who owned an aggregated equity interests of 7.977%. Pursuant to the agreements, Beijing AsiaInfo Smart Big Data Co. Ltd. acquired the non-controlling interests from the non-controlling shareholders with a total consideration amounting to RMB210,000,000 among which RMB160,000,000 was paid and RMB50,000,000 was offset with the amounts due from the non-controlling shareholder, Beijing AsiaInfo Voyager Consulting Co., Ltd. The carrying amount of non-controlling interest on the date of acquisition was RMB18,762,000 and the difference between the consideration paid and the carrying amount of the non-controlling interests was recorded as other reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(audited)
NET CASH USED IN OPERATING ACTIVITIES	**(358,242)**	(189,577)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(10,096)**	(10,616)
Purchases of intangible assets	**(1,296)**	(2,258)
Payments for right-of-use assets	**(695)**	–
Purchases of financial assets at fair value through profit or loss	**(84,000)**	–
Proceeds on disposal of property, plant and equipment	**211**	–
Proceeds on disposal of an unlisted equity investment	**–**	3,665
Proceeds on disposal of financial assets at fair value through profit or loss	**298,774**	–
Repayment from related parties	**–**	9,984
Placement of pledged bank deposits	**(286,796)**	(693,693)
Withdrawal of pledged bank deposits	**1,182,417**	264,931
Placement of term deposit	**(150,000)**	–
Interest received	**29,922**	4,512
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**978,441**	(423,475)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(1,310,122)**	(1,168,341)
New bank borrowings raised	**–**	1,183,859
Repayment of lease liabilities	**(17,251)**	–
Proceeds from issue of shares	**27,162**	–
Interest paid	**(31,591)**	(19,997)
Repayment to related parties	**–**	(15,905)
Acquisition of additional interests in a subsidiary	**–**	(160,000)
Payment of issue costs	**(3,010)**	(15,094)
Proceeds from issue of ordinary shares under share option schemes	**144**	–
NET CASH USED IN FINANCING ACTIVITIES	**(1,334,668)**	(195,478)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(714,469)**	(808,530)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,821,182**	1,450,588
Effect of exchange rate changes	**(15,285)**	(8,680)
CASH AND CASH EQUIVALENTS AT 30 JUNE REPRESENTED BY BANK BALANCES AND CASH	**1,091,428**	633,378

1. GENERAL INFORMATION

AsiaInfo Technologies Limited (the "**Company**") is incorporated in the British Virgin Islands ("**BVI**") as a company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 19 December 2018.

The Company is an investment holding company. The principal activities of the Group are provision of software products and related services.

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of land and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16:C8(b)(i) transition. The Group recognised lease liabilities of RMB64,393,000 and right-of-use assets of RMB150,005,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.6%.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	386,086
Less: Lease contracts of which the commencement dates will be effective after 1 January 2019	(281,677)
	104,409
Lease liabilities discounted at relevant incremental borrowing rates	91,301
Less: Recognition exemption – short-term leases	(26,908)
Lease liabilities as at 1 January 2019	64,393
Analysed as	
Current	32,213
Non-current	32,180
	64,393

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	**Right-of-use assets** RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	(a)	64,516
Reclassified from prepaid lease payments	(b)	85,489
		150,005
By class:		
Leasehold lands		85,489
Buildings		64,516
		150,005

(a) The Company recognised a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying HKAS 17. The Company measured the right-of-use asset at its carrying amount as if the standard had been applied since the lease commencement date, but discounted using the Company's incremental borrowing rate at the date of initial application.

(b) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB2,019,000 and RMB83,470,000, respectively were reclassified to right-of-use assets.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	RMB'000	RMB'000	RMB'000
Non-current Assets			
Prepaid lease payments	83,470	(83,470)	–
Right-of-use assets	–	150,005	150,005
Deferred tax assets	163,292	(12)	163,280
Current Assets			
Prepaid lease payments	2,019	(2,019)	–
Non-current Liabilities			
Lease liabilities	–	(32,180)	(32,180)
Current Liabilities			
Lease liabilities	–	(32,213)	(32,213)
Total effect on net assets		111	
Reserves	3,235,519	111	3,235,630
Total effect on equity		111	

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

4. REVENUE AND SEGMENT INFORMATION

The Group's revenue is primarily generated from project-based software development contracts, under which the Group develops software products and provides services at fixed prices and/or variable prices. Revenue is recognised net of sales related taxes.

The Group's operating segments are determined based on information reported to the chief executive officer of the Company, being the chief operating decision maker ("**CODM**") of the Group for the purpose of resource allocation and assessment of segment performance focuses on types of goods and services provided. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

Software business:	Representing (1) software products and related services; (2) data-driven operation services; and (3) others, including sale of third-party hardware and software, the provision of system integration services, business consulting services and corporate trainings.
Network security business:	Representing provision of network security related software products and services.

Disaggregation of revenue from continuing operations

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time	**9,810**	29,658
Over time	**2,469,521**	2,160,057
	2,479,331	2,189,715
Types of goods and services		
Provision of services[i]	**2,471,220**	2,164,929
Sales of goods	**8,111**	24,786
	2,479,331	2,189,715
Nature of goods and services		
Software business:		
Software products and related services	**2,366,572**	2,080,660
Data-driven operation services	**55,493**	27,119
Others[ii]	**54,834**	69,828
Network security business	**2,432**	12,108
	2,479,331	2,189,715

4. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from continuing operations (Continued)

Notes:

(i) The Group records contract liabilities when receiving consideration from customers prior to its provision of services upon entering into the contracts for rendering of services over the entire contract periods with an average of one year.

Respective transaction price allocated to the unsatisfied contracts, representing the contract liabilities, as at 31 December 2018 in the amount of RMB192,528,000 had been recognised as revenue over the contract periods for the six months ended 30 June 2019. The management expects such amount allocated to the unsatisfied contracts as at 30 June 2019 of RMB269,527,000 will be all recognised as revenue during the year ending 30 June 2020. All services provided and recognised overtime are with fixed-price contracts. The performance obligation of provision of services are satisfied within one year and the transaction price allocated to the unsatisfied contracts is not disclosed.

(ii) Others represent revenue primarily generated from the sales of third-party hardware and software, the provision of system integration services, business consulting services and corporate trainings.

Segment information

The following is an analysis of the Group's revenue and results from continuing operations by reportable operating segments:

Six months ended 30 June 2019

	Software business RMB'000	Network security business RMB'000	Total RMB'000
Revenue	2,476,899	2,432	2,479,331
Cost of sales	(1,608,464)	(2,384)	(1,610,848)
Gross profit	868,435	48	868,483
Other income	50,241	–	50,241
Impairment losses under expected credit loss model, net of reversal	(26,594)	–	(26,594)
Other gains and losses	12,629	–	12,629
Selling and marketing expenses	(218,091)	–	(218,091)
Administrative expenses	(149,821)	(10)	(149,831)
Research and development expenses	(381,692)	–	(381,692)
Share of results of associates	(1,637)	–	(1,637)
Finance costs	(29,990)	–	(29,990)
Profit before tax	123,480	38	123,518

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

The following is an analysis of the Group's revenue and results from continuing operations by reportable operating segments: (Continued)

Six months ended 30 June 2018

	Software business RMB'000	Network security business RMB'000	Total RMB'000
Revenue	2,177,607	12,108	2,189,715
Cost of sales	(1,515,977)	(11,867)	(1,527,844)
Gross profit	661,630	241	661,871
Other income	41,516	–	41,516
Reversal of impairment losses under expected credit loss model, net of impairment	3,573	–	3,573
Other gains and losses	(28,568)	–	(28,568)
Selling and marketing expenses	(185,161)	–	(185,161)
Administrative expenses	(151,901)	(71)	(151,972)
Research and development expenses	(181,114)	–	(181,114)
Share of results of associates	120	–	120
Finance costs	(33,855)	–	(33,855)
Listing expenses	(20,862)	–	(20,862)
Profit before tax	105,378	170	105,548

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods.

No segment assets and liabilities are presented as the CODM does not regularly review segment assets and liabilities.

Geographical information

The Group's operations are in the PRC. All revenue from continuing operations of the Group are generated from and non-current assets of the Group are located in the PRC.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the signing parties of the sales or service contracts. During the six months ended 30 June 2019 and 2018, there were no sales or service contracts with a signing party located outside the PRC.

5. OTHER INCOME

Continuing operations

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Government grants[(i)]	**22,457**	10,112
Income from management support services[(ii)]	**5,875**	7,861
Interest income from related parties	**–**	7,770
Bank interest income	**13,722**	14,041
Interest income from financial assets at fair value through profit or loss	**4,774**	–
Interest income from term deposit	**1,544**	–
Others	**1,869**	1,732
	50,241	41,516

Notes:

(i) Government grants amounted to RMB21,864,000 (2018: RMB9,490,000) have been recognised for supporting high-tech industrial development. Government grants amounted to RMB593,000 (2018: RMB622,000) have been recognised for environment protection and employee benefits. The amounts have been recognised as other income, and there was no unfulfilled condition attached to these government grants in the period in which they were recognised.

(ii) Income from management support services represents income generated primarily from the provision of management services in the areas of legal support, human resources and administration, etc. to the Group's related parties.

6. INCOME TAX EXPENSES

Continuing operations

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current tax:		
PRC enterprise income tax ("**EIT**")	**20,612**	20,989
Deferred tax (Note 12)	**32,174**	(2,278)
	52,786	18,711

6. INCOME TAX EXPENSES (Continued)

Under the Law of the PRC on enterprise income tax (the "**EIT Law**") and implementation regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the six months ended 30 June 2019 (2018: 25%).

The Group's subsidiaries operating in the PRC are eligible for certain tax credits of 175% (2018: 175%) deduction rates on certain research and development expenses for the six months ended 30 June 2019.

On 9 August 2012, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC and the State Administration of Taxation promulgated and implemented Trial Measures for the Administration over the Certification of Key Software Enterprises and Integrated Circuit Design Enterprises under State Planned Layout, pursuant to which key software enterprises under the state plan layout could go through tax reduction procedures with the competent tax authorities to enjoy preferential tax policies. During the six months ended 30 June 2019 and 2018, two of the Company's subsidiaries, including AsiaInfo Technologies (China), Inc. ("**AsiaInfo China**") and AsiaInfo Technologies (Nanjing), Inc. ("**AsiaInfo Nanjing**"), were identified as the key software enterprises with tax privileges and entitled to a preferential EIT rate of 10%, pursuant to the designation as a key software enterprise within National Programming Layout. Such tax preference was applied and entitled by performing the record filling to the tax authorities on a yearly basis. The directors of the Company consider that AsiaInfo China and AsiaInfo Nanjing will re-apply for such tax preference provided that their business operations will continue to be qualified as key software enterprises.

Pursuant to the EIT Law effective on 1 January 2008, Hunan AsiaInfo Software Co., Ltd. ("**Hunan Software**") and Nanjing AsiaInfo Software Co., Ltd. ("**Nanjing Software**") were designated as "High and New Technology Enterprise" in 2018 for a period up to 31 December 2020 and such qualifications could be re-applied every three years. As a result, Hunan Software and Nanjing Software were entitled to a preferential income tax rate of 15% (2018: 15%) for the six months ended 30 June 2019.

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% (2018: 16.5%). The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements.

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profit for the period ended 30 June 2019.

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

7. DISCONTINUED OPERATIONS

Disposal of a business operation

During the year ended 31 December 2017, the Group disposed of the e-public service business which was primarily engaged in the provision of big data services, tools and applications to governmental bodies and public institutions (the "**E-public Service Business**").

Through such disposal, substantial business of the E-public Service Business was disposed of with an insignificant amount of contracts completed during the six months ended 30 June 2018.

Details regarding the disposal was disclosed in the 2018 annual report.

Analysis of loss for the period from discontinued operations

The condensed consolidated statement of profit or loss and other comprehensive income have been presented the E-public Service Business as discontinued operations.

	Six months ended 30 June 2018 RMB'000
Loss for the period from discontinued operations	(1,279)

The results of the discontinued E-public Service Business for the six months ended 30 June 2018 are set out as follows:

	Six months ended 30 June 2018 RMB'000
Revenue	986
Cost of sales	(2,265)
Loss for the period	(1,279)

	Six months ended 30 June 2018 RMB'000
Loss for the period from discontinued E-public Service Business has been arrived at after charging:	
Staff cost	
Staff salaries and other benefits	1,470
Contribution to retirement benefit scheme	140
Total staff cost	1,610

8. PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit for the period from continuing operations has been arrived at after charging the following items:		
Staff costs, including directors' remuneration		
Directors' remuneration	**16,236**	8,304
Employee benefit expenses		
Other staff costs (salaries, wages, allowance, bonus and others)	**1,419,034**	1,337,156
Contribution to retirement benefits scheme	**136,137**	108,562
Share-based compensation expenses	**161,946**	18,798
Total staff costs	**1,733,353**	1,472,820
Cost of inventories recognised as expenses (included in cost of sales)	**7,470**	23,872
Depreciation of property, plant and equipment	**15,545**	12,633
Depreciation of right-of-use assets	**18,888**	–
Release of prepaid lease payments	**–**	1,010
Amortisation of intangible assets	**9,299**	19,679
Expense of short-term and low value lease	**19,658**	38,582

9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (2018: RMB693,447,000). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**70,732**	86,737
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**722,654,497**	624,348,176
Effect of dilutive potential ordinary shares: share options and restricted stock units ("**RSUs**")	**8,511,020**	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**731,165,517**	N/A

10. EARNINGS PER SHARE (Continued)

The calculation of basic earnings per share for the periods ended 30 June 2019 and 2018 was based on the profit for the period attributable to the owners of the Company.

The calculation of the number of shares for the purpose of basic earnings per share for the six months ended 30 June 2019 has taken into account the share subdivision into 8 shares of HK$0.0000000125 per share as if the new issuance and the share subdivision had been effective on 1 January 2018, the allotment and issuance with regard to the partial exercise of the over-allotment option granted to the Company's underwriters in the Company's global offering on 15 January 2019 and the allotment and issuance of ordinary shares with regard to the Pre-IPO restricted share units scheme ("**Pre-IPO RSU Scheme**") on 18 January 2019.

No diluted earnings per share for the six months ended 30 June 2018 was presented as there were no potential ordinary shares in issue for the first half of 2018.

The computation of diluted earnings per share for the six months ended 30 June 2019 has taken into account the share subdivision into 8 shares of HK$0.0000000125 per share as if the new issuance and the share subdivision had been effective on 1 January 2018, did not assume the exercise of the Company's over-allotment option granted to the Company's underwriters in the Company's global offering, share options under the 2014 plan and the Pre-IPO share option scheme since the exercise prices of those share options were higher than the average market price of the shares of the Company.

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

During the current interim period, the Group spent RMB7,823,000 on leasehold improvements and furniture, fixtures and equipment and disposed of certain assets of leasehold improvements and furniture, fixtures and equipment with an aggregate carrying amount of RMB73,000 for cash proceeds of RMB211,000, resulting in a gain on disposal of RMB138,000. During the six months ended 30 June 2018, the Group purchased assets for leasehold improvement, vehicle and furniture, fixtures and equipment amounting to RMB10,616,000 and disposed of certain assets of leasehold improvements and furniture, fixtures and equipment with an aggregate carrying amount of RMB1,585,000 for nil cash proceeds, resulting in a loss on disposal of RMB1,585,000.

During the current interim period, the Group entered into several new lease agreements for the use of buildings ranging from one year to three years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised RMB23,563,000 of right-of-use asset and RMB22,868,000 of lease liability.

12. 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 loss RMB'000	Accrued payroll and welfare RMB'000	Accrued expense RMB'000	ROU assets and lease liabilities RMB'000	Undistributed profits of the PRC subsidiaries RMB'000	Intangible assets RMB'000	Total RMB'000
As at 31 December 2018 (audited)	6,643	150,555	6,094	–	(125,509)	(2,032)	35,751
Effect arising from initial application of HKFRS 16	–	–	–	(12)	–	–	(12)
Credited (charged) to profit or loss	(220)	(28,342)	(1,490)	69	(2,947)	756	(32,174)
As at 30 June 2019 (unaudited)	6,423	122,213	4,604	57	(128,456)	(1,276)	3,565

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

	30/06/2019 RMB'000	31/12/2018 RMB'000
Deferred tax liabilities	**(129,732)**	(127,541)
Deferred tax assets	**133,297**	163,292
	3,565	35,751

As at the end of the current interim period, the Group has unused tax losses of RMB1,551,180,000 (31 December 2018: RMB1,535,889,000) available for offset against future profits. No deferred tax asset has been recognised of such tax losses as at 30 June 2019 and 31 December 2018 due to the unpredictability of future profit streams.

As at the end of the current interim period, the aggregate amount of taxable temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have been recognised amounted to RMB29,470,000 (31 December 2018: Nil). A deferred tax liability of RMB2,947,000 has been recognised in respect of these differences (31 December 2018: Nil).

13. TRADE AND NOTE RECEIVABLES

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

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

13. TRADE AND NOTE RECEIVABLES (Continued)

	30/06/2019	31/12/2018
	RMB'000	RMB'000
1-30 days	**402,045**	476,622
31-90 days	**166,053**	154,180
91-180 days	**94,683**	90,212
181-365 days	**63,707**	28,588
Over 365 days	**12,250**	15,307
	738,738	764,909

As at 30 June 2019, total note receivables amounting to RMB29,390,000 (31 December 2018: RMB21,453,000) are held by the Group for settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All note receivables of the Group are with a maturity period of less than one year.

14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS ("ECL") MODEL

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Impairment loss recognised (reversed) in respect of		
Contract assets	**16,547**	(9,312)
Trade and note receivables	**10,047**	5,739
	26,594	(3,573)

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

15. TRADE AND NOTE PAYABLES

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

	30/06/2019	31/12/2018
	RMB'000	RMB'000
1-90 days	**33,443**	175,362
91–180 days	**35,669**	24,848
181–365 days	**37,744**	25,603
366–730 days	**55,552**	77,922
Over 730 days	**28,800**	52,581
	191,208	356,316

16. 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
Authorized			
At 1 January 2018	500,000	US$0.1	US$50,000
Authorized during the period(i)	100,000,000,000	HK$0.0000001	HK$10,000
Cancelled during the period	(500,000)	US$0.1	US$(50,000)
At 30 June 2018	100,000,000,000	HK$0.0000001	HK$10,000
Share subdivision(vi)	(100,000,000,000)	HK$0.0000001	HK$(10,000)
	800,000,000,000	HK$0.0000000125	HK$10,000
At 31 December 2018	800,000,000,000	HK$0.0000000125	HK$10,000
At 30 June 2019	800,000,000,000	HK$0.0000000125	HK$10,000
Issued			
At 1 January 2018	9,288	US$0.1	US$928.8
Cancelled during the period upon the group reorganization(ii)	(9,288)	US$0.1	US$(928.8)
Issued and re-denominated par value during the period upon the group reorganization(iii)	9,288	HK$0.0000001	HK$0.0009288
Issued during the period upon the group reorganization(iii)	1	HK$0.0000001	HK$0.0000001
Cancelled during the period upon the group reorganization(iv)	(9,289)	HK$0.0000001	HK$(0.0009289)
Issued during the period(iv)	78,043,522	HK$0.0000001	HK$7.8
At 30 June 2018	78,043,522	HK$0.0000001	HK$7.8
Issue of share options and restricted share award(v)	472,001	HK$0.0000001	HK$0.05
Share subdivision(vi)	(78,515,523)	HK$0.0000001	HK$(7.85)
	628,124,184	HK$0.0000000125	HK$7.85
Issue of new shares upon listing(vii)	85,652,000	HK$0.0000000125	HK$1.07
At 31 December 2018	713,776,184	HK$0.0000000125	HK$8.92
Issue of new shares upon exercise of the over-allotment option(viii)	2,974,800	HK$0.0000000125	HK$0.03
Exercise of option	216,696	HK$0.0000000125	HK$0.01
Vesting of restricted share award(ix)	7,411,316	HK$0.0000000125	HK$0.09
At 30 June 2019	724,378,996	HK$0.0000000125	HK$9.05

16. SHARE CAPITAL (Continued)

	30/06/2019	31/12/2018
	RMB'000	RMB'000
Presented as	**–**	–

Notes:

(i) The Company was authorized to issue 500,000 ordinary shares of US$0.1 each since its incorporation. On 16 April 2018, the Company was further authorized to issue a maximum of 100,000,000,000 shares of HK$0.0000001 each.

(ii) On 16 April 2018, the 9,288 ordinary shares of US$0.1 each held by AsiaInfo Technologies (H.K.) Limited ("**AsiaInfo Technologies HK**") were cancelled as part of the group reorganization.

(iii) On 16 April 2018, the par value of the issued shares was re-denominated from US$0.1 per issued share to HK$0.0000001 per issued share. On the same date, 9,288 new ordinary shares were allotted and issued to AsiaInfo Technologies HK of HK$0.0000001 each. Subsequently on 29 April 2018, the 9,288 ordinary shares of HK$0.0000001 each held by AsiaInfo Technologies HK were transferred to AsiaInfo Holdings, LLC ("**AsiaInfo Holdings**"). On 30 April 2018, the Company further allotted and issued one ordinary share of HK$0.0000001 to AsiaInfo Holdings as a part of the group reorganization.

(iv) On 26 June 2018, the Company allotted and issued 78,043,522 ordinary shares at HK$0.0000001 each to all of the then existing shareholders of Skipper Holdings Limited. On the same day, AsiaInfo Holdings surrendered all of the then held 9,289 ordinary shares at HK$0.0000001 each, which were all cancelled immediately.

(v) On 11 July 2018, pursuant to the new share option scheme and the Pre-IPO RSU Scheme approved and adopted on 26 June 2018, the Company allotted and issued (i) 5,875 shares (being 47,000 shares after taking into account the share subdivision described in (vi) below) of HK$0.0000001 each to certain grantees upon the exercise of 5,875 share options granted under the share option scheme; and (ii) 466,126 shares (being 3,729,008 shares after taking into account the share subdivision) to certain restricted share award grantees which are vested immediately upon the grant.

(vi) On 26 November 2018, the shareholders of the Company resolved that each issued and unissued ordinary shares of HK$0.0000001 each of the Company be subdivided into 8 shares of HK$0.0000000125 each.

(vii) On 19 December 2018, 85,652,000 of new ordinary shares of HK$0.0000000125 each of the Company were issued at a price of HK$10.50 per share (equivalent to approximately RMB9.30) by way of global offering. The proceeds of HK$1.07 (equivalent to approximately RMB0.94) representing the nominal value of the new ordinary shares of the Company, were credited to the Company's share capital. The remaining proceeds of approximately HK$899,346,000 (equivalent to approximately RMB791,910,000), before offsetting issuance cost of RMB21,234,000, were credited to the Company's share premium reserve.

(viii) On 15 January 2019, the Company issued and allotted 2,974,800 ordinary shares, representing approximately 3.47% of the total number of ordinary shares initially offered as at 19 December 2018 at HK$10.50 pursuant to the partial exercise of the over-allotment option granted to the Company's underwriters in the Company's global offering.

(ix) On 18 January 2019, the Company issued and allotted 6,492,612 ordinary shares resulting from the vesting of restricted share awards to certain employees and a director pursuant to the Pre-IPO RSU Scheme approved and adopted on 26 June 2018. On 3 June 2019, the Company vested the last 25% of the RSUs under 2014 plan with a total number of 918,704 ordinary shares.

17. COMMITMENTS

As at the end of the current interim period, the Group was committed to acquire some property, plant and equipment and intangible assets for its business operation amounting to approximately RMB3,117,000 (31 December 2018: RMB7,971,000).

18. AMOUNTS DUE FROM (TO) RELATED PARTIES

(a) Amounts due from fellow subsidiaries

Amounts due from fellow subsidiaries as at 30 June 2019 and 31 December 2018 are trade in nature. The Group generally grants a credit period of 30 days to its fellow subsidiaries.

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

	30/06/2019 RMB'000	31/12/2018 RMB'000
1-30 days	**6,301**	508
31-90 days	**1,842**	11,100
91-180 days	**547**	1,251
181-365 days	**5,497**	1,173
Over 365 days	**2,582**	1,415
	16,769	15,447

Prepayments to fellow subsidiaries

	30/06/2019 RMB'000	31/12/2018 RMB'000
AsiaInfo Technologies (Chengdu) Limited	**2,295**	1,764
Beijing AsiaInfo Data Co., Ltd.	**479**	549
Beijing AsiaInfo Innovation Technologies Limited	**1,122**	1,174
Total	**3,896**	3,487

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

(b) Amounts due to fellow subsidiaries

Amounts due to fellow subsidiaries as at 30 June 2019 and 31 December 2018 are trade in nature. The average credit period granted by the fellow subsidiaries is 90 days.

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

	30/06/2019	31/12/2018
	RMB'000	RMB'000
1-90 days	**1,180**	33,395
91-180 days	**584**	7,353
181-365 days	**24,534**	6,580
Over 365 days	**6,317**	–
	32,615	47,328

(c) Compensation of key management personnel

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Salaries and other benefits	**4,120**	3,258
Discretionary bonus	**4,530**	4,030
Contributions to retirement benefits scheme	**143**	126
Share-based compensation expenses	**30,755**	19,367
Total emoluments	**39,548**	26,781

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.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as code of conduct regarding the securities transactions of the Directors. Upon specific enquiry, all Directors have confirmed that they have complied with the standards set out in the Model Code during the six months ended 30 June 2019.

AUDIT COMMITTEE

The audit committee of the Company has, together with the management and external auditor of the Company, reviewed the accounting standards and practices adopted by the Group and the unaudited interim results of the Group for the six months ended 30 June 2019. The audit committee has also reviewed the effectiveness of risk management and internal control systems of the Company and believed that the risk management and internal control systems are effective and adequate.

CHANGES IN DIRECTORS' INFORMATION

Dr. ZHANG Ya-Qin (independent non-executive Director) was honored as a member of American Academy of Arts and Sciences in April 2019. Dr. TIAN Suning (executive Director) retired as an independent non-executive director of Lenovo Group Limited whose shares are listed on the Stock Exchange (stock code: 0992) on 9 July 2019. Mr. GAO Nianshu (executive Director) was awarded the "2018 Outstanding Entrepreneur of the China Software Industry" by the China Software Industry Association in January 2019, and was awarded the "2018-2019 Leader in Communications Network Maintenance Services" by the China Association of Communications Enterprises in April 2019.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company strives to maintain high standards of corporate governance in order to safeguard the interests of its Shareholders and enhance the corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the Reporting Period, the Company has applied the principles of CG Code on the Company's corporate governance structure and operation in the manner as stated in this interim report, and has complied with all applicable code provisions of the CG Code. The Company will continue reviewing and overseeing the corporate governance practices to ensure its compliance with the CG Code.

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

As at 30 June 2019, the interests and short positions of Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its relevant corporations (within the meaning of Part XV of the Securities and Future Ordinance ("**SFO**")) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required under Section 352 of the SFO to be recorded in the register to be kept under that section, or which would be required under the Model Code to be notified to the Company and the Stock Exchange, are as follows:

Name of Director/chief executive	**Nature of interest** (Note 1)	**Number of shares**	**Percentage of total number of shares in issue** (Note 2)
Dr. TIAN Suning[1]	Beneficial owner (L)	40,275,976	5.56%
	Interest in controlled corporation (L)	20,302,368	2.80%
	Interest in controlled corporation (L)	31,209,360	4.31%
	Interest in controlled corporation (L)	39,442,000	5.44%
Mr. DING Jian[2]	Beneficial owner (L)	11,516,704	1.59%
	Interest in controlled corporation (L)	1,198,440	0.17%
Mr. GAO Nianshu[3]	Beneficiary of a trust (L)	8,943,216	1.23%
Mr. ZHANG Yichen[4]	Interest in controlled corporation (L)	213,924,952	29.53%

Notes:

1. (L) – Long position; (S) – Short position.
2. As at 30 June 2019, a total of 724,378,996 shares of the Company had been in issue.

[1] Dr. TIAN is the sole shareholder of Info Addition Limited which in turn is a general partner of Info Addition Capital Limited Partnership. As such, Dr. TIAN is deemed to be interested in the 20,302,368 shares in which Info Addition Capital Limited Partnership is interested. Dr. TIAN indirectly has full control over CBC Partners II L.P. which is the general partner of China Broadband Capital Partners II, L.P. which in turn is the sole shareholder of CBC TMT III Limited. Therefore, Dr. TIAN is deemed to be interested in the 31,209,360 shares in which CBC TMT III Limited is interested. PacificInfo Limited is wholly owned by Dr. TIAN and therefore Dr. TIAN is deemed to be interested in 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) 4,106,576 shares; (ii) 1,037,984 underlying shares in respect of the outstanding RSUs granted to Mr. GAO under the pre-IPO RSA Scheme (as defined on page 45); and (iii) 3,798,656 underlying shares in respect of the outstanding share options granted to Mr. GAO under the pre-IPO Share Option Scheme (as defined on page 45). All of the above interests were held by AsiaInfo Technologies Trust on trust for Mr. GAO, who is one of the beneficiaries of AsiaInfo Technologies 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.), CITIC Capital Partners Limited (as the sole shareholder of CCP LTD), CITIC Capital Holdings Limited and CP Management Holdings Limited (which hold 51% and 49% shareholding of CITIC Capital Partners Limited, respectively) and Mr. ZHANG Yichen (as the sole shareholder of CP Management Holdings Limited) is deemed or taken to be interested in all the 213,924,952 shares which are beneficially owned by Skipper Investment Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as at 30 June 2019, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange; or which would be required to be registered in the register to be kept pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2019, to the best of knowledge of the Directors of the Company, the following persons (other than Directors and chief executives of the Company) have interests or short positions in the shares or underlying shares of the Company which would fall under the Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which would be required to be recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	**Nature of interest** (Note 1)	**Number of shares**	**Percentage of total number of shares in issue** (Note 2)
Skipper Investment Limited[5]	Beneficial owner (L)	213,924,952	29.53%
Power Joy (Cayman) Limited[5]	Interest in controlled corporation (L)	213,924,952	29.53%
CITIC Capital China Partners II L.P.[5]	Interest in controlled corporation (L)	213,924,952	29.53%
CCP II GP, Ltd.[5]	Interest in controlled corporation (L)	213,924,952	29.53%
CCP LTD[5]	Interest in controlled corporation (L)	213,924,952	29.53%
CITIC Capital Partners Limited[5]	Interest in controlled corporation (L)	213,924,952	29.53%
CITIC Capital Holdings Limited[5]	Interest in controlled corporation (L)	213,924,952	29.53%
CP Management Holdings Limited[5]	Interest in controlled corporation (L)	213,924,952	29.53%
CA Software Investment Limited[6]	Beneficial owner (L)	62,418,728	8.62%

Notes:

1. (L) – Long position; (S) – Short position.
2. As at 30 June 2019, a total of 724,378,996 shares of the Company had been in issue.

5 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.), CITIC Capital Partners Limited (as the sole shareholder of CCP LTD), CITIC Capital Holdings Limited and CP Management Holdings Limited (which hold 51% and 49% shareholding of CITIC Capital Partners Limited, respectively) and Mr. ZHANG Yichen (as the sole shareholder of CP Management Holdings Limited) is deemed or taken to be interested in all the shares which are beneficially owned by Skipper Investment Limited for the purpose of Part XV of the SFO.

6 Each of CPEChina Fund, L.P. (as the sole shareholder of CA Software Investment Limited), CITIC PE Associates, L.P. (as the general partner of CPEChina Fund, L.P.), CITIC PE Funds Limited (as the general partner of CITIC PE Associates, L.P.) and CITICPE Holdings Limited (as the controlling shareholder of CITIC PE Funds Limited) is deemed or taken to be interested in all the shares which are beneficially owned by CA Software Investment Limited for the purpose of Part XV of the SFO.

Name of Shareholders	Nature of interest (Note 1)	Number of shares	Percentage of total number of shares in issue (Note 2)
CPEChina Fund, L.P.[6]	Interest in controlled corporation (L)	62,418,728	8.62%
CITIC PE Associates, L.P.[6]	Interest in controlled corporation (L)	62,418,728	8.62%
CITIC PE Funds Limited[6]	Interest in controlled corporation (L)	62,418,728	8.62%
CITICPE Holdings Limited[6]	Interest in controlled corporation (L)	62,418,728	8.62%
Noble (Nominees) Limited[7]	Custodian (L)	55,479,044	7.66%
The Core Trust Company Limited[7]	Custodian (L)	55,479,044	7.66%
Ellington Investments Pte. Ltd.[8]	Beneficial owner (L)	52,015,608	7.18%
Bartley Investments Pte. Ltd.[8]	Interest in controlled corporation (L)	52,015,608	7.18%
Tembusu Capital Pte. Ltd.[8]	Interest in controlled corporation (L)	52,015,608	7.18%
Temasek Holdings (Private) Limited[8]	Interest in controlled corporation (L)	52,015,608	7.18%
Al Gharrafa Investment Company[9]	Beneficial owner (L)	52,015,608	7.18%
Qatar Holding LLC[9]	Interest in controlled corporation (L)	52,015,608	7.18%
Qatar Investment Authority[9]	Interest in controlled corporation (L)	52,015,608	7.18%
InnoValue Capital Ltd.[10]	Beneficial owner (L)	52,015,608	7.18%
Ms. LIU Tzu-Lien[10]	Interest in controlled corporation (L)	52,015,608	7.18%

Save as disclosed above, as at 30 June 2019, to the best of the Directors' knowledge, there was no other person (other than the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company 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.

Notes:

1. (L) – Long position; (S) – Short position.
2. As at 30 June 2019, a total of 724,378,996 shares of the Company had been in issue.

[6] Each of CPEChina Fund, L.P. (as the sole shareholder of CA Software Investment Limited), CITIC PE Associates, L.P. (as the general partner of CPEChina Fund, L.P.), CITIC PE Funds Limited (as the general partner of CITIC PE Associates, L.P.) and CITICPE Holdings Limited (as the controlling shareholder of CITIC PE Funds Limited) is deemed or taken to be interested in all the shares which are beneficially owned by CA Software Investment Limited for the purpose of Part XV of the SFO.

[7] Noble (Nominees) Limited is the wholly-owned subsidiary of The Core Trust Company Limited. Such shares are held in the interest of certain participants of the Share incentive Scheme of the Company.

[8] Each of Bartley Investments Pte. Ltd. (as the sole shareholder of Ellington Investments Pte. Ltd.), Tembusu Capital Pte. Ltd. (as the sole shareholder of Bartley Investments Pte. Ltd.) and Temasek Holdings (Private) Limited (as the sole shareholder of Tembusu Capital Pte. Ltd.) is deemed or taken to be interested in all the shares which are beneficially owned by Ellington Investments Pte. Ltd. for the purpose of Part XV of the SFO.

[9] 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.

[10] Ms. LIU Tzu-Lien (as the sole shareholder of InnoValue Capital Ltd.) is deemed or taken to be interested in all the shares which are beneficially owned by InnoValue Capital Ltd. for the purpose of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

USE OF NET PROCEEDS FROM LISTING

Our shares were listed on the Stock Exchange on 19 December 2018. The net proceeds raised during the period of initial public offering (after deducting the underwriting commission and the issuance expenses from listing and prior to the exercise of the over-allotment option in January 2019) were approximately HK$871.1 million. Due to the issuance and allotment of over-allotment shares pursuant to the partial exercise of over-allotment options on 15 January 2019, additional net proceeds of approximately HK$30.5 million were raised. The net proceeds were intended to be used in accordance with the intended purposes disclosed in the prospectus of the Company dated 6 December 2018.

The following table sets forth the details of proceeds utilized by the Group up to 30 June 2019:

	Proceeds from initial public offering HK$'000	**Proceeds utilized up to 30 June 2019** HK$'000	**Unutilized funds as at 30 June 2019** HK$'000
Enhance R&D capabilities and expand data-driven operating services, Internet of Things and 5G intelligent network business (35%)	315,547	315,547	–
Repay bank loans (30%)	270,469	270,469	–
Strategic investments and acquisitions (25%)	225,391	–	225,391
Working capital and other general corporate purposes (10%)	90,156	–	90,156
Total	901,563	586,016	315,547

PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme (the "**Share Option Scheme**") was approved and adopted by our Shareholders on 26 June 2018, in order to grant eligible members of the management and employees such related share-based compensation. The remuneration committee of the Company will, from time to time, determine eligibility of participants to be granted any option as incentive pursuant to, including but not limited to, the current and expected contribution of such participant, the general financial position of the Group, the general business targets and future plans of the Group. The range of weighted average exercise price is from USD0.55 to USD1.92. Please refer to the prospectus of the Company dated 6 December 2018 for further information of the Pre-IPO Share Option Scheme.

Name of grantee of the option units	Number of shares in relation to outstanding option units as at 1 January 2019	Option units granted during the period from 1 January 2019 to 30 June 2019	Option units exercised during the period from 1 January 2019 to 30 June 2019	Option units lapsed during the period from 1 January 2019 to 30 June 2019	Number of shares in relation to outstanding option units as at 30 June 2019
Director					
GAO Nianshu	3,798,656	–	–	–	3,798,656
Other employees and advisors	115,089,616	–	216,696	1,814,552	113,058,368
Total of all grantees	118,888,272	–	216,696	1,814,552	116,857,024

PRE-IPO RESTRICTED SHARE AWARD SCHEME

Our Shareholders approved and adopted the Pre-IPO restricted share award scheme (the "**RSA Scheme**") on 26 June 2018, in order to grant eligible members of the management and employees such related share-based compensation. The remuneration committee of the Company will, from time to time, determine eligibility of participants to be granted any RSUs pursuant to, including but not limited to, the current and expected contribution of such participant, the general financial position of the Group, the general business targets and future plans of the Group. Please refer to the prospectus of the Company dated 6 December 2018 for further information of the RSA Scheme. The weighted average grant date fair value is USD1.21.

Name of grantee of RSUs	Number of shares in relation to outstanding RSUs as at 1 January 2019	RSUs granted during the period from 1 January 2019 to 30 June 2019	RSUs vested during the period from 1 January 2019 to 30 June 2019	RSUs lapsed during the period from 1 January 2019 to 30 June 2019	Number of shares in relation to outstanding RSUs as at 30 June 2019
Director					
GAO Nianshu	1,815,968	–	777,984	–	1,037,984
Other employees	14,825,256	–	6,633,332	170,936	8,020,988
Total of all grantees	16,641,224	–	7,411,316	170,936	9,058,972

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 at 30 June 2019, the total number of employees of the Group was 12,739 (31 December 2018: 12,332).

REMUNERATION AND BENEFITS

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

PERFORMANCE MANAGEMENT AND STAFF DEVELOPMENT

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

EVENTS AFTER THE REPORTING PERIOD

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.