



AsialInfo
亚信科技

(Stock Code: 1675.HK)

2018 Annual Results

2019.3



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Executive Director & Chairman

TIAN Suning



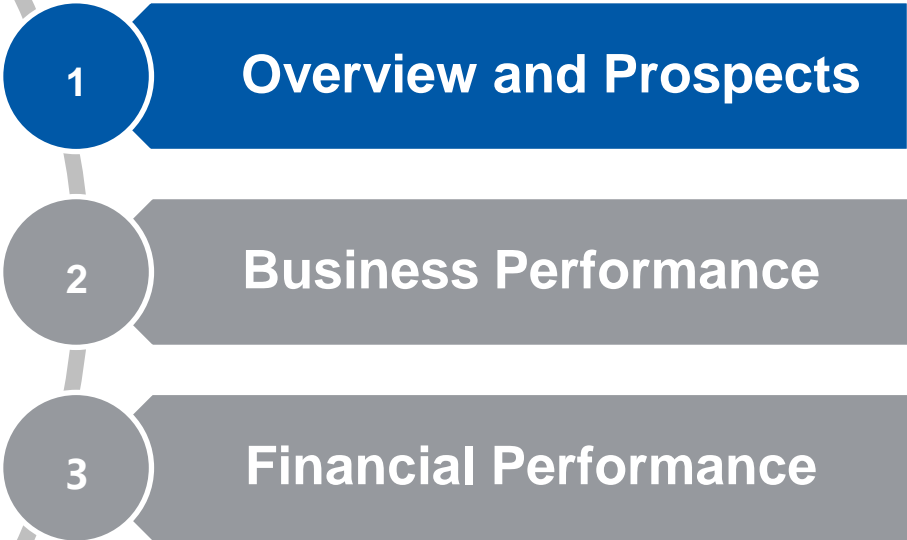
Executive Director & CEO

GAO Nianshu



Senior Vice President & CFO

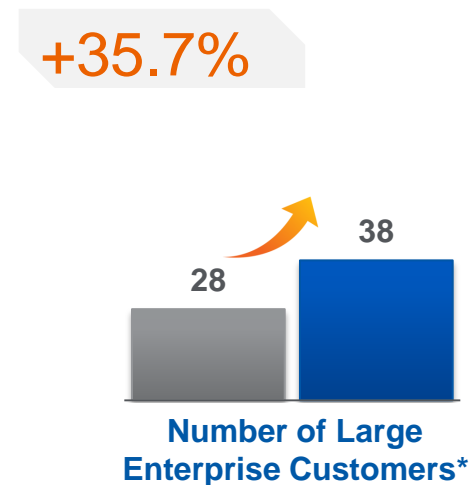
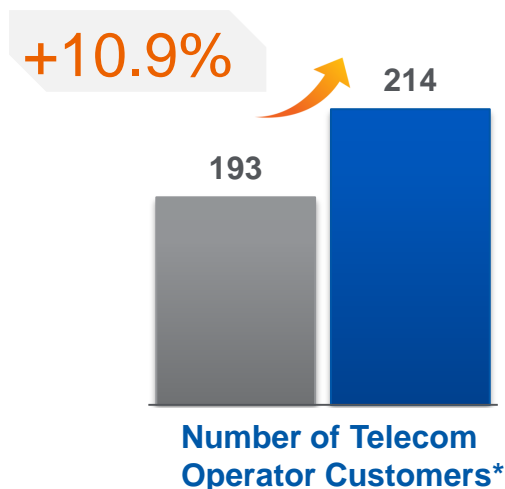
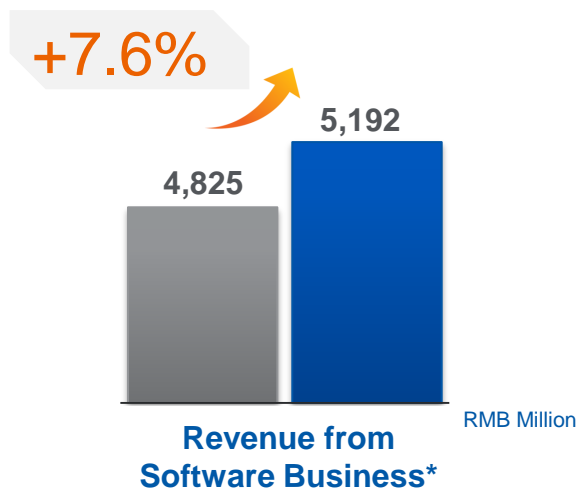
HUANG Ying



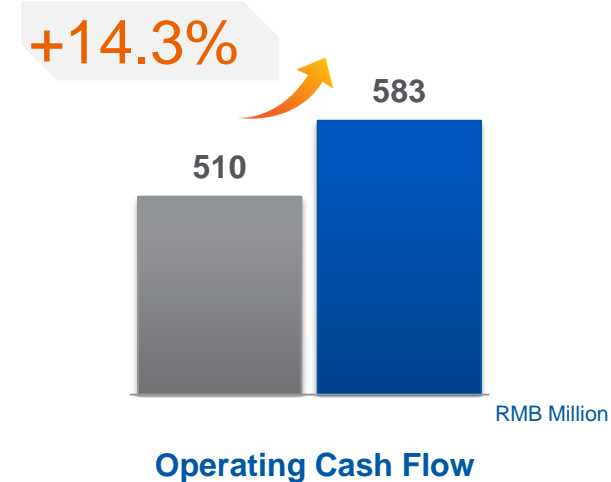
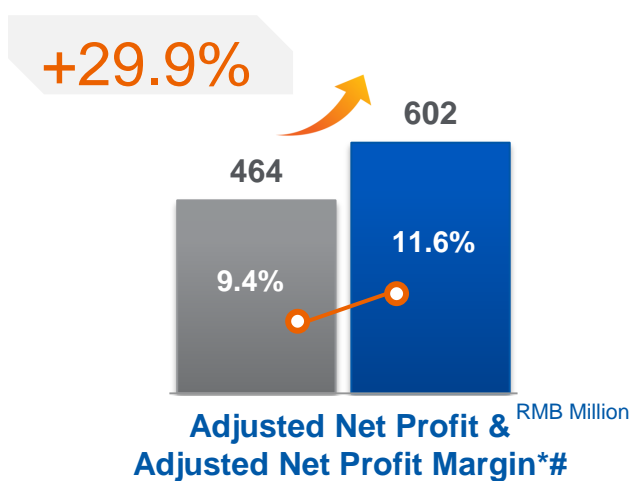
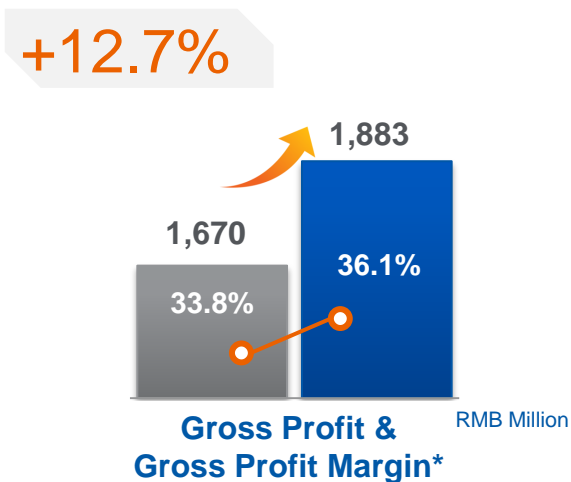
Key Operating Highlights

Continuous and Healthy Growth of Revenue

■ 2017
■ 2018



Continuous and Significant Growth of Benefits



Corporate Profile

- We are the largest software products and related service provider in China, committed to providing telecom operators and other large enterprise customers with software products and related service of business transformation and digitalization.
- On December 19, 2018, successfully listed on the Main Board of the Stock Exchange of Hong Kong

Over **20** Years
Experience in
Providing Telecom
Operators Service



25.3%
Market Share in Terms
of Telecom Software
Product and Related
Services in China in
2017

214 Telecom Operator
Customers at Different Levels
in 2018



38 Large Enterprise Customers in 2018

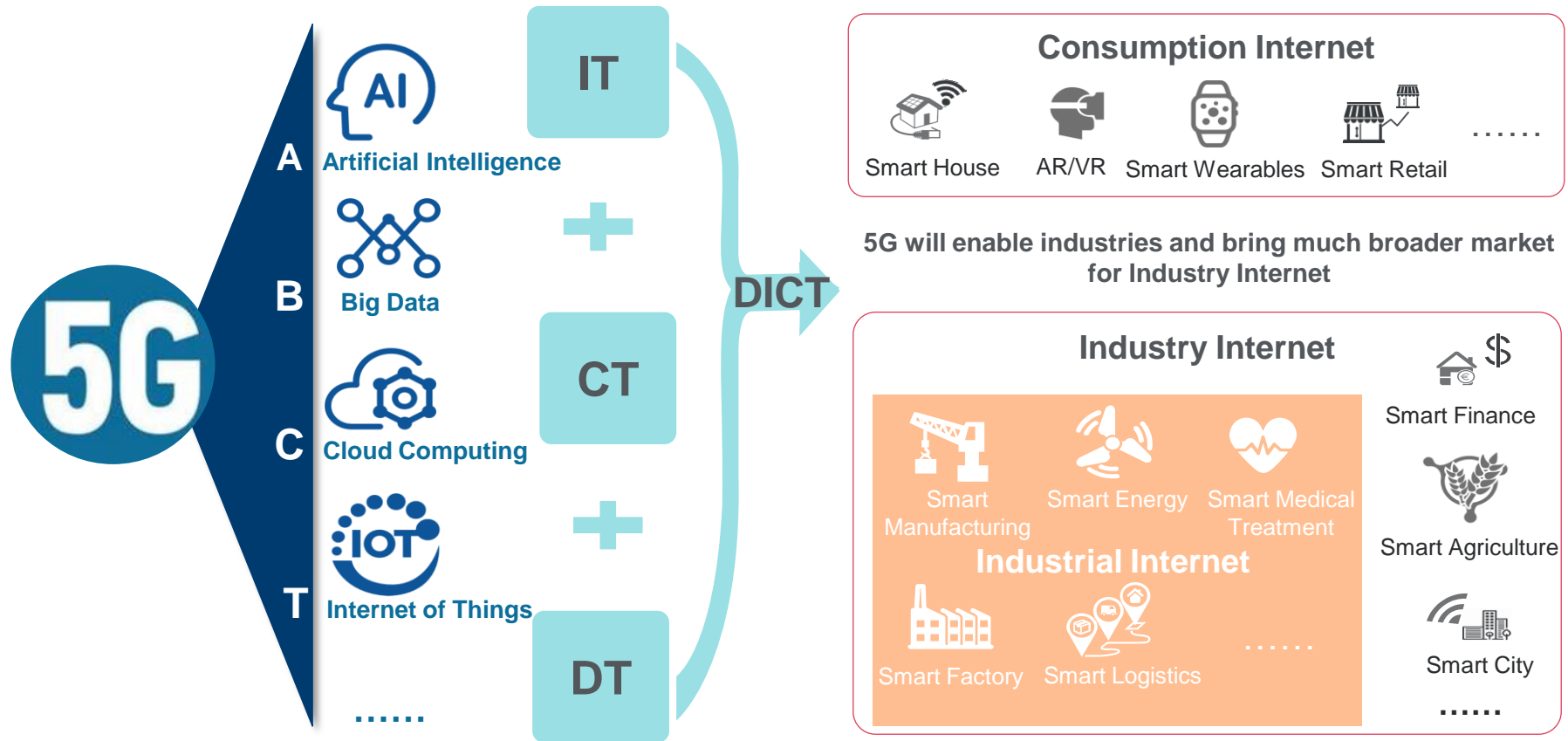


50.0%
Market Share in Terms of
BSS Software Products
and Related Services in
China in 2017

⁵ Note(1) BSS: Business Support System; OSS: Operation Support System; MSS: Management Support System.

Development Trend of the Industry We Operate in

- With gradual integration of IT, CT and DT development, new technologies such as artificial intelligence, big data, cloud computing, IoT and 5G are becoming key engines driving traditional industries upgrading and the economic transformation. AsialInfo works closely with the top three operators in China to help them succeed in digitalization transformation and jointly to support traditional industry enterprises during such transformation.



5G, Revolution Based on the Integration Technology and Business Model

Manufacturing Agriculture Energy & Utilities Retail Financial Services

Public Transport Automotive Healthcare Media & Entertainment

Open

Ecosystem

Collaboration

Security



We will actively seize new opportunities created by 5G development

- ❑ **5G Business Support Software**
 - Customer relations management
 - Real-time/Scenario-based charging
 - Big data in business domain
- ❑ **5G Intelligent Network**
 - NFV and telecom cloud
 - Network slicing management
 - Big data analysis in network domain
 - Network self-organizing management
 - Customer experience management
- ❑ **5G Vertical Industry Application**
 - Industrial Internet
 - Smart Internet of Vehicles
 - Smart Retail
 - Smart Finance
 - Smart Community



1

Overview and Prospects

2

Business Performance

3

Financial Performance

“Three New, Four Abilities” Strategy Producing Prominent Results

- In 2018, guided by the strategy of “Three New, Four Abilities”, AsialInfo continued a healthy Year-on-Year growth in its revenue and achieved a significant Year-on-Year increase in its adjusted net profit.

Three New, Four Abilities



Actively acquiring **New Clients**



Creating **New Business**



Exploring **New Models**



Consolidating **Service Ability**



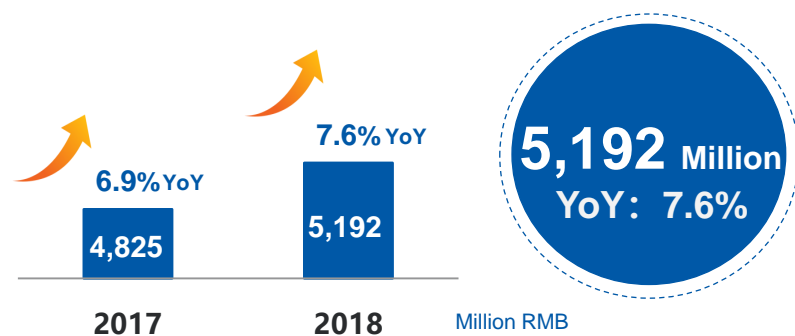
Increasing **Product Ability**



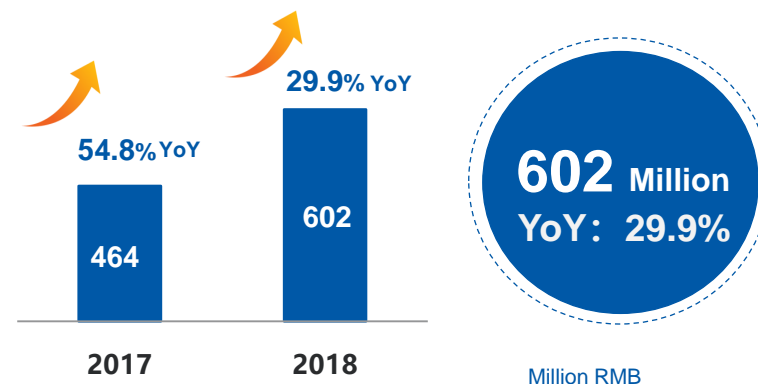
Advancing **Operation Ability**



Strengthening **Integration Ability**



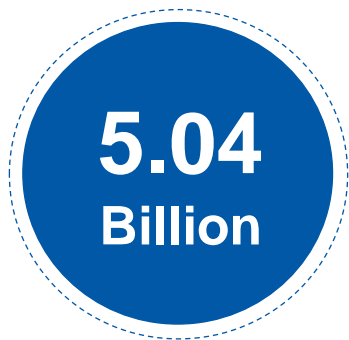
Revenue from Software Business



Adjusted Net Profit

Telecom Software Product and Service Market Maintaining Positive Growth

Revenue from Telecom Operator



8.6 %

Number of Telecom Operator Customers



10.9%

Retention Rate of Customers



500+ Professional Software Products



1

Actively grasped opportunities of IT centralization



- Regional centralized project
- Centralized big data platform
- Centralized channel platform;
- Business-support system 3.0 pilot project
-

2

Actively sourced new customers from operator market



- IoT and IoV professional companies
- Contents operating companies, such as video, games and music
- International business firms
- Centralized customer service companies
-

3

Actively explored new business in operator market



- IoT connect/equipment and operation management platform
- Stock/data plan/interests/channel operation
- 5G intelligent network pilot project
- Intelligent customer service platform
- Innovative application of big data

Rapid Growth in Data-driven Operation Business

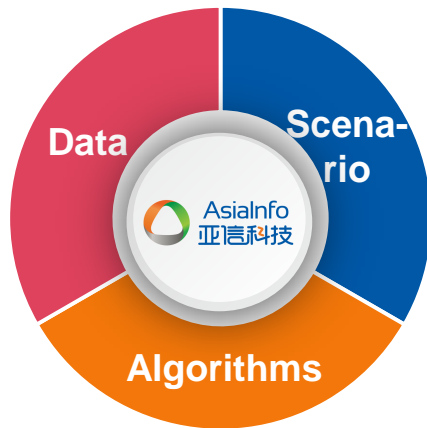
Revenue from Data-driven Operating Services

82.5
Million

97.6%

Established data-driven innovative laboratories jointly with several telecom operators Headquarters and their subsidiaries

SaaS Data-driven Operation Service Tools



Data

- External data from multiple channels
- Enterprise's self-owned data
- Secure and Legal data

Algorithms

- Precise marketing Algorithms**
- Smart recommendation
 - Intelligent prediction
 - Risk identification
- Customers experience model**
- over one hundred industrial data mining algorithms and models

Scenario

- Scenario-based customer insights
- Scenario-based precise marketing
- Scenario-based credit risk control
- Scenario-based stock operation
- Scenario-based content operation



Serving Segments

Operators



Banks



Insurance



Utilities



Automobile Enterprises



SaaS Service Scenario

- Stock customer value operation
- Enhancing revenue from emerging markets
- Industry analysis report
- Precise customer acquisition in marketing scenario
- Long tail customers operation
- Customer retention
- Identity verification and credit rating
- Marketing focused on small and micro enterprises
- Population statistics
- Population monitoring
- Safety control for dense population
- Membership operations
- Ecology operations

Making Breakthroughs in the Large Enterprise Customer Market

Revenue from Large Enterprise Customer Market



Number of Large Enterprise Customers



Retention rate of Customers



Core products developed for the telecom industry that can be used across industries



CRM products



Big data products

Universal Technology Platform Products

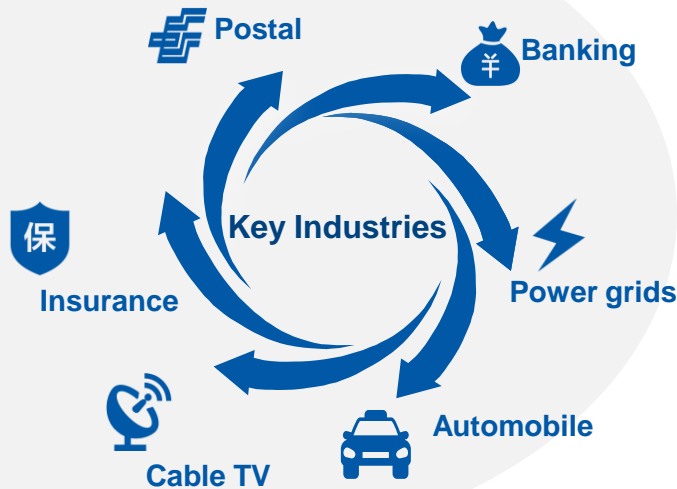


DevOps quick development, operation and maintenance platform



Carrier-grade PaaS platform with high stability

Expanding Enterprise Customers in Key Industries



Industrial Expansion

Steady advancement in postal industry

China Post CRM program successfully launched

New expansion in insurance industry

Securing CRM programs of leading enterprises

Entering power grid industry

Securing programs of the State Grid and its subsidiaries

Making breakthroughs in automobile industry

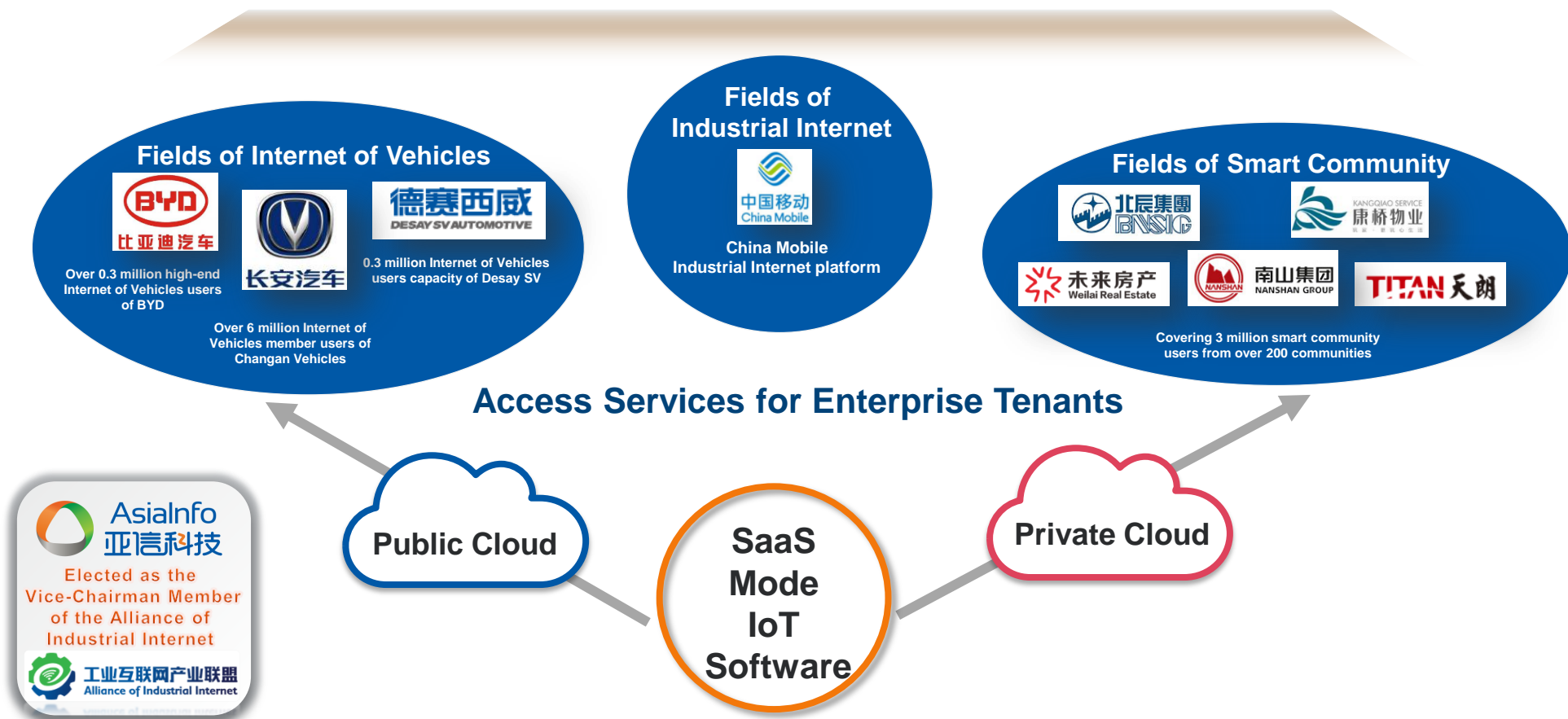
Securing major customers such as Changan Vehicles

Steady expanding in banking industry

DevOps platform cooperating with a number of banks

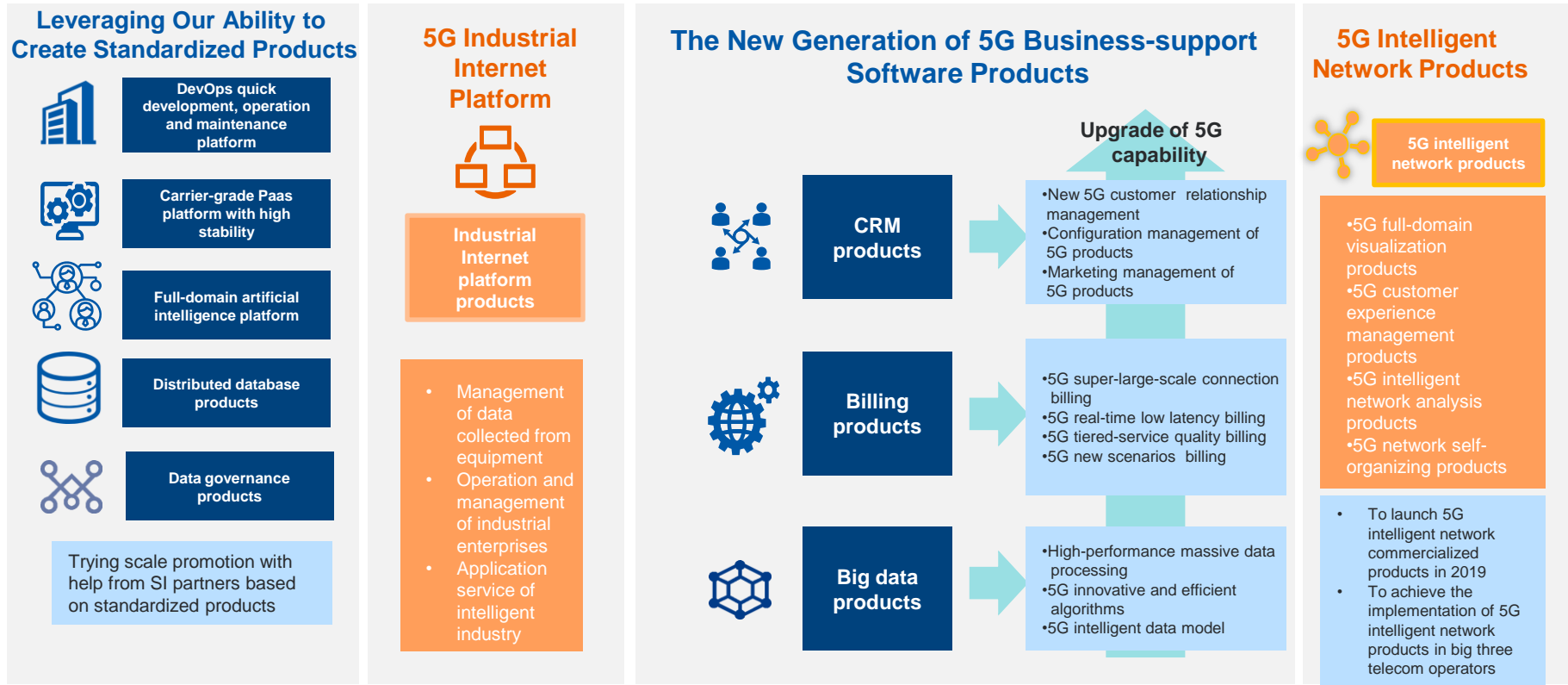
Actively Exploring Vertical Industries of IoT Applications

IoT Platform + IoT Industrial Application + IoT Operation



Fully Launching R&D on 5G Products

- In 2018, our middle office strategy of products began to unlock value, further realizing the intensive R&D of products and enhancing the overall efficiency of R&D and delivery. In addition, the Company continued to increase its efforts in the R&D of 5G products. Company invested **RMB585 million** in R&D for the year, representing an increase of **35.9%** as compared with last year



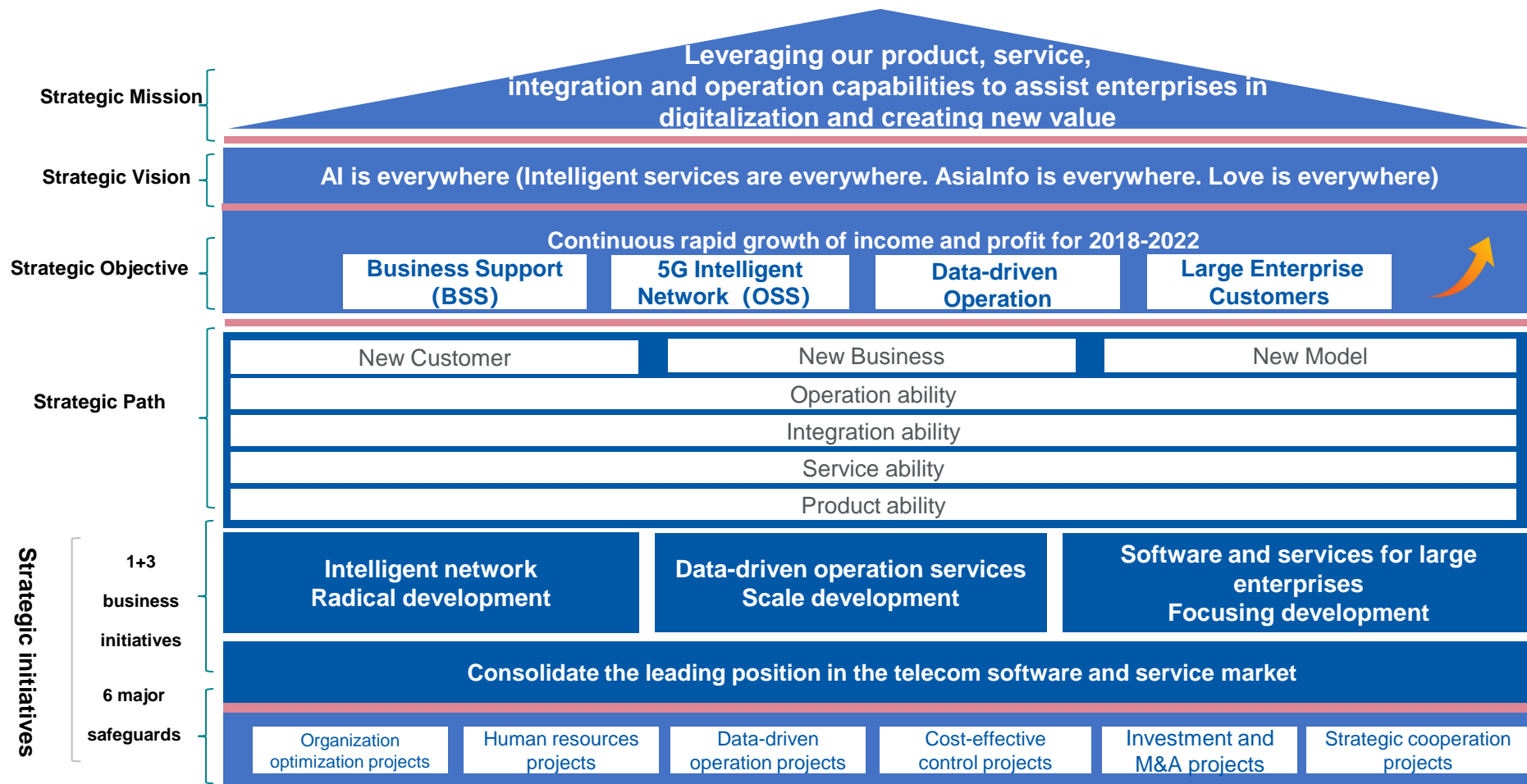
Middle Office Strategy of Products

Build Strategic Cooperation to Create Synergy at Business Level



Prospect: Driving Continuous Business Growth with “One Consolidation, Three Developments”

- The era of commercial application of 5G has already fastened its pace, the Company will seize development opportunity and assist telecom operators in 5G network building and business operation. We will apply our over 20 years experiences accumulated in telecom industry into the enterprise market, striving to become the enabler of digital transformation for large enterprises.





1

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Business Performance

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Financial Performance

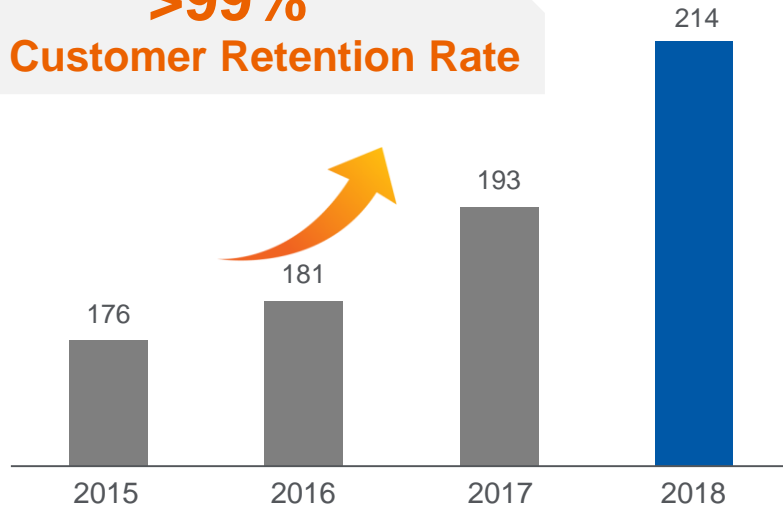
Financial Highlights

RMB million, unless otherwise indicated	2018	2017	Fluctuation
Number of customers			
Telecom operator customers	214	193	10.9%
Large enterprise customers	38	28	35.7%
Financial data – continuing operation			
Revenue	5,211	4,948	5.3%
Includes: Revenue from software business	5,192	4,825	7.6%
Gross profit	1,883	1,670	12.7%
Gross profit margin(%)	36.1%	33.8%	2.3pp
Operating expenses	(1,426)	(1,316)	8.4%
Other gains and losses	(144)	70	(305.7%)
Income tax expenses	(109)	(89)	22.9%
Net profit	204	335	(39.1%)
Net cash from operating activities	583	510	14.3%
Adjusted data*:			
Adjusted net profit	602	464	29.9%
Adjusted net profit margin (%)	11.6%	9.4%	2.2pp
Adjusted earnings per share(RMB)	0.96	0.73	31.5%

Long-term Stable and Expanding Customer Base

Continuous in-depth Development in Telecom Industry Market

>99%
Customer Retention Rate

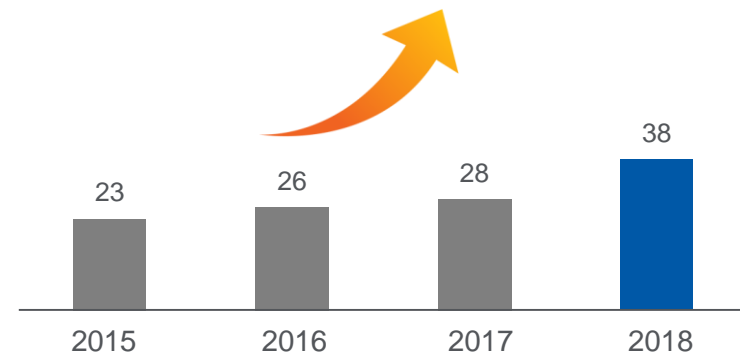


Number of Telecom Operator Customers*

* Telecom operator customers include the headquarters, provincial, municipal and specialized companies of telecom operators which were separately negotiated and entered into contract with

Actively engaging in Large Enterprise Customers from Non-Telecom Industry

>99%
Customer Retention Rate

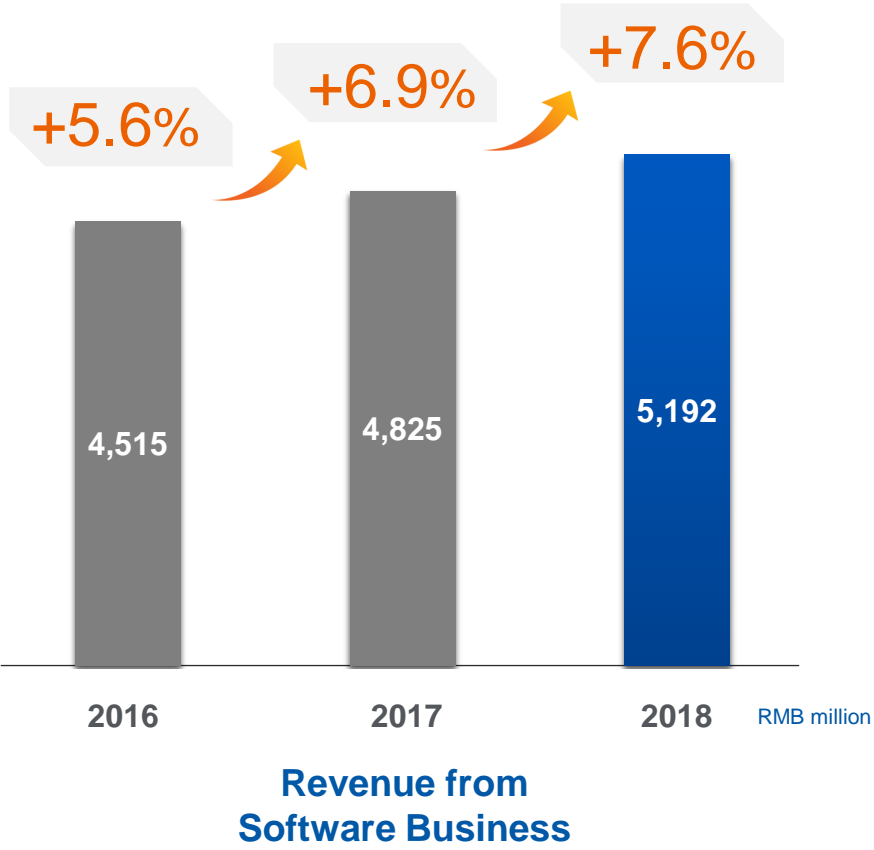


Number of Large Enterprise Customers*

* Large enterprise customers represent non-telecom operator customers with annual revenue exceeding RMB1 billion

1. Continuous in-depth development in the telecom industry market, expanding to new customers and maintaining a leading position in the telecom industry market
2. Actively engaging in large enterprise customers from non-telecom industry with focus on the postal, power grid, automotive, banking and insurance industries
3. Solid foundation of customer cooperation, customer retention rate remains extremely high

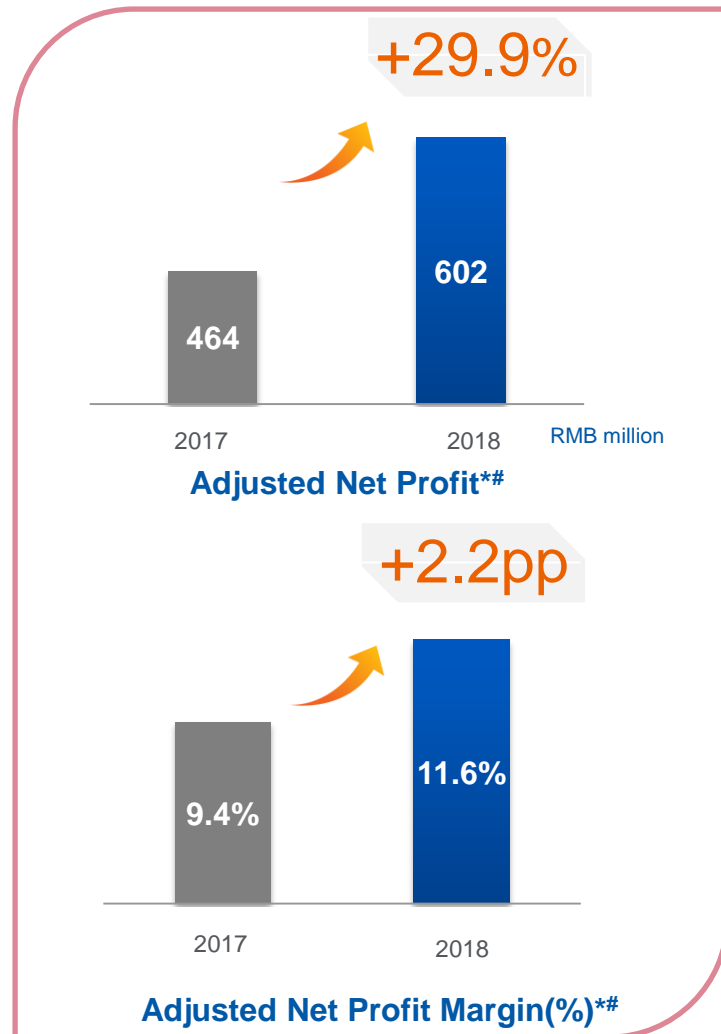
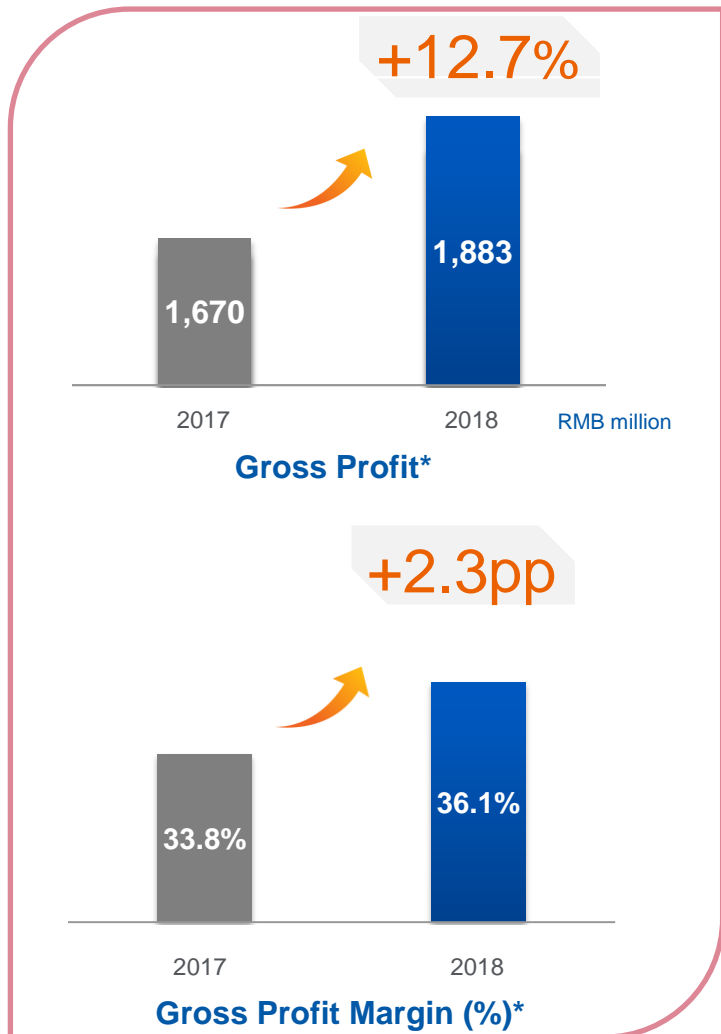
Overall Continuous and Healthy Growth of Revenue with Highly Predictable Income in the Future



>12%
Increase of new orders in 2018

>5 months
Predictability of backlog orders in 2018

High Profitability and Continuous Improvement



The middle office strategy of products is gradually implemented, empowering the front office, improving efficiency, and maintaining a continuous and significant growth of gross profit and adjusted net profit.

Impacts of Non-GAAP Items Will Decrease Year by Year

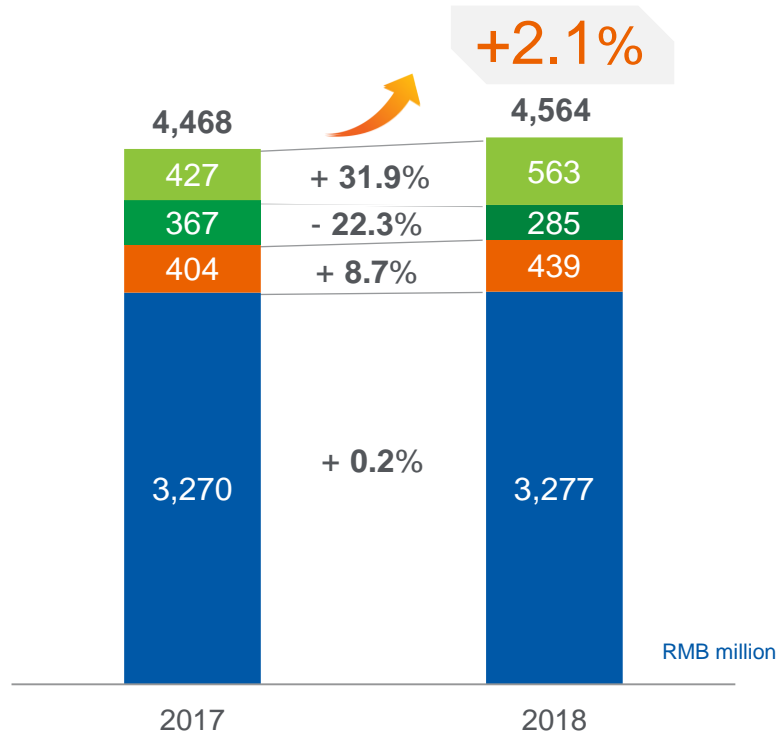
To facilitate comparisons of the Company's overall operating performance from year to year and company to company, certain non-recurring, non-cash or non-operating items, that are not indicative in relation to our operating performance, are excluded as follows:

RMB'000	For the year ended December 31				notes
	2017	2018	2019*	2020*	
Reconciliation of net profit from continuing operations to adjusted net profit from continuing operations					
Net profit from continuing operations	335,176	204,234			
Add:					
Share-based compensation	73,489	155,502	242,924	54,852	Related to the employee incentive scheme adopted before listing and almost all expenses will be recognized by the end of 2020
Amortization of intangible assets resulting from acquisition	52,331	34,295	15,131	5,184	The intangible assets resulting from the business combination in 2010 will be fully amortized in 2020
One-off listing expenses	30,603	54,096	-	-	No occurring since 2019
Interest expenses for the Privatization Syndicated Loan	56,031	49,514	26,000	-	The Privatization Syndicated Loan is scheduled to be fully repaid by the end of 2019
Exchange gain or loss	(84,029)	104,517	-	-	In line with the repayment of the Privatization Syndicated Loan, the impact of exchange gain or loss will be decreased significantly. Due to the unpredictability, no specific amount is estimated
Subtotal	128,425	397,924	284,055	60,036	
Adjusted net profit from continuing operations	463,601	602,158			

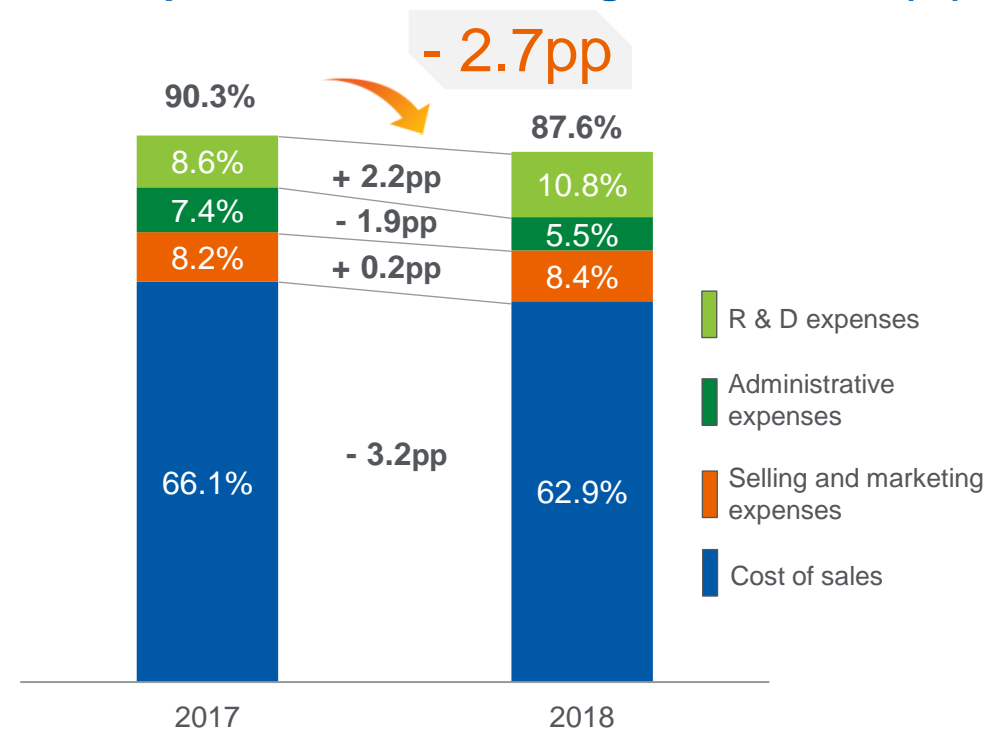
* The aforementioned amounts are estimated based on the vesting schedule of the employee incentive scheme, the intangible assets amortization plan and the bank loans repayment schedule, and may be different from the actual results.

Keeping Control of Costs and Strengthening Strategy-oriented Investments

Cost and Expenses*



Cost and Expenses as a Percentage of Revenue (%)



Operating Costs:

- ※ Effects of the middle office strategy of products gradually coming into being
- ※ Continuously enhancing the digitalized project management

Selling Expenses:

- ※ Devote greater effort to explore new business and new market

Administrative Expenses:

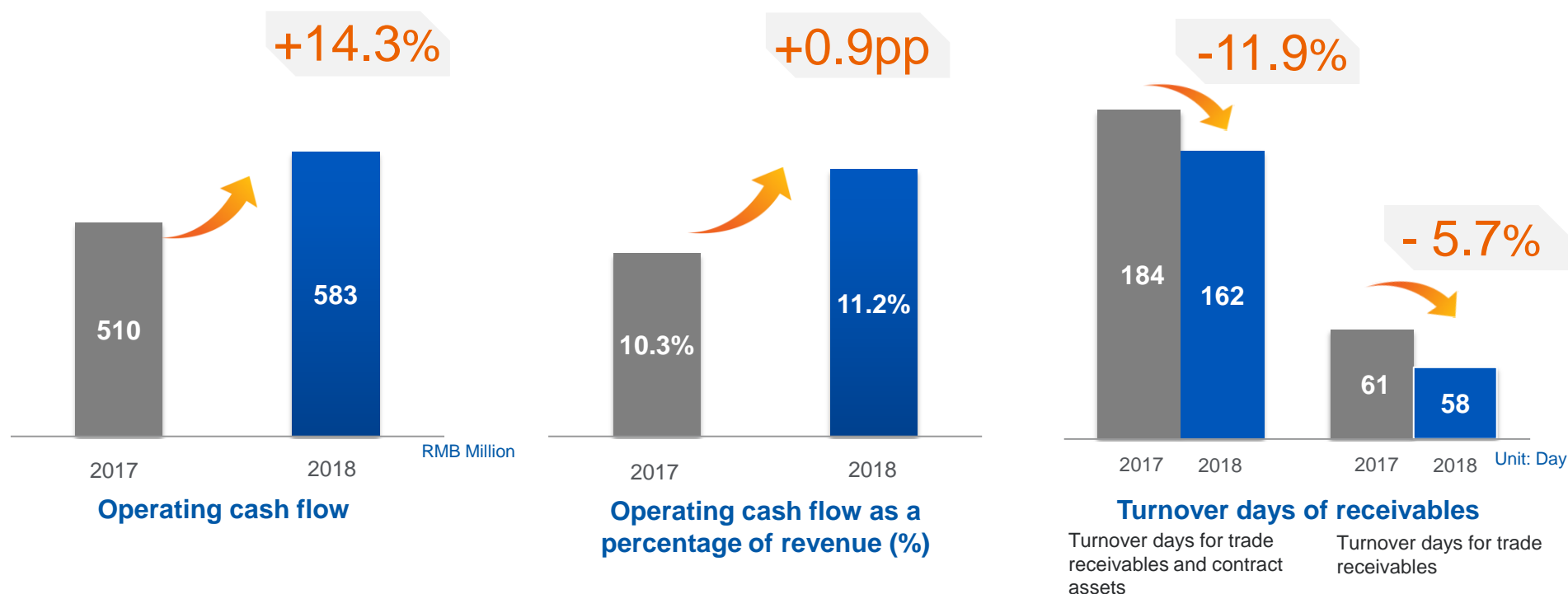
- ※ Severance payment occurred due to organizational optimization in 2017
- ※ Excluding such impact, the percentages of revenue are at the relatively same level for both years

R & D Expenses:

- ※ R&D cost for each year is fully expensed
- ※ Substantial investments under the middle office strategy
- ※ The research and development of data-driven operation, intelligent network and IoT products based on the Company's strategy

* The aforementioned amounts of costs and expenses exclude the share-based compensation and amortization of intangible assets resulting from acquisitions, which are not indicative to our operations.

Continuing Cash-generating Capabilities and Sound Cash Flow



- The Board has resolved not to declare final dividend for the year of 2018 after fully considering various aspects of the Company
- The Company will continue adopt the profit appropriation guideline of no less than **40%** of annual available net profits starting from the fiscal year of 2019

Thank You



Appendix I: Summary of Consolidated Statement of Profit or Loss

RMB'000	<u>2018</u>	<u>2017</u>	<u>YOY</u>	<u>YOY%</u>
Continuing operations				
Revenue	5,210,977	4,948,324	262,653	5.3%
Include: Revenue from software business	5,191,963	4,824,879	367,084	7.6%
Revenue from network security business	19,014	123,445	(104,431)	(84.6%)
Cost of sales	(3,328,353)	(3,277,896)	(50,457)	1.5%
Gross profit	1,882,624	1,670,428	212,196	12.7%
Selling and marketing expenses	(508,402)	(481,831)	(26,571)	5.5%
Administrative expenses	(332,825)	(403,800)	70,975	(17.6%)
Research and development expenses	(584,681)	(430,246)	(154,435)	35.9%
Finance costs	(70,594)	(83,986)	13,392	(15.9%)
Exchange gains and losses	(104,517)	84,029	(188,546)	(224.4%)
Other income, gain and loss	86,863	99,511	(12,648)	(12.7%)
Share of results of associates	(1,242)	258	(1,500)	(581.4%)
Listing expenses	(54,096)	(30,603)	(23,493)	76.8%
Profit before tax	313,130	423,760	(110,630)	(26.1%)
Income tax expenses	(108,896)	(88,584)	(20,312)	22.9%
Net profit	204,234	335,176	(130,942)	(39.1%)
Adjusted net profit	602,158	463,601	138,557	29.9%

Appendix II: Summary of Consolidated Statement of Financial Position

RMB'000	<u>2018/12/31</u>	<u>2017/12/31</u>	<u>YOY</u>	<u>YOY%</u>
Total non-current assets	3,229,675	3,314,868	(85,193)	(2.6%)
Include: Goodwill	1,932,246	1,932,246	-	-
Amounts due from related parties-long term	-	637,489	(637,489)	(100.0%)
Pledged bank deposits-long term	635,736	39,669	596,067	1,502.6%
Total current assets	4,767,703	4,947,316	(179,613)	(3.6%)
Include: Trade and notes receivables	764,909	888,445	(123,536)	(13.9%)
Contract assets	1,335,219	1,632,039	(296,820)	(18.2%)
Pledged bank deposits-short term	481,755	537,089	(55,334)	(10.3%)
Bank balances and cash	1,821,182	1,450,588	370,594	25.5%
Total current liabilities	4,634,318	4,484,998	149,320	3.3%
Include: Trade and notes payables	356,316	612,500	(256,184)	(41.8%)
Contract liabilities	300,918	387,913	(86,995)	(22.4%)
Other payables, deposits received and accrued expenses	1,788,004	1,890,500	(102,496)	(5.4%)
Bank loans-short term	1,915,484	1,154,593	760,891	65.9%
Total non-current liabilities	127,541	738,410	(610,869)	(82.7%)
Include: Bank loans-long term	-	592,744	(592,744)	(100.0%)
Total equity	3,235,519	3,038,776	196,743	6.5%