



AsialInfo Technologies Limited

(Stock Code: 1675.HK)

2019 Interim Results

15 August 2019

Global
Intelligentization





**Overview and
Prospects**



**Performance
Overview**



**Financial
Performance**



**Overview and
Prospects**



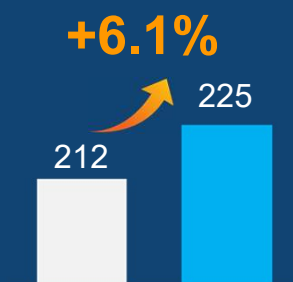
Performance
Overview



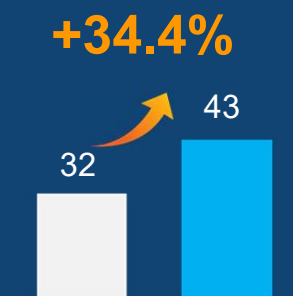
Financial
Performance

PRINCIPAL OPERATIONS HIGHLIGHTS

Continual increase in number of customers

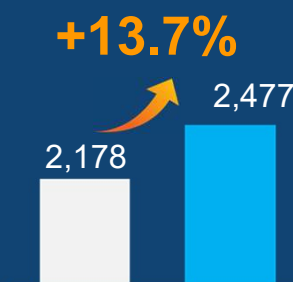


Number of Telecom operator customers

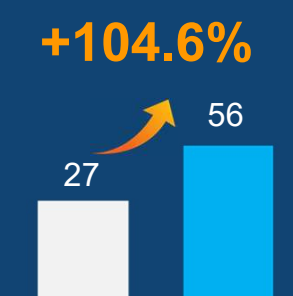


Number of large enterprise customers

Double-digit growth in revenue Doubled growth in revenue of data-driven operations

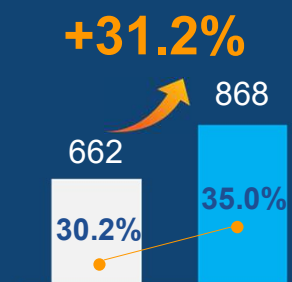


Revenue from the software business*(RMB million)

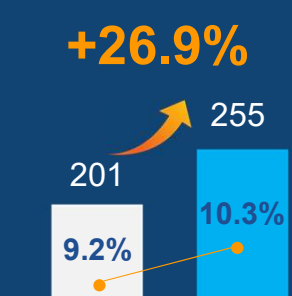


Revenue from the data-driven operation business(RMB million)

Performance continued to improve substantially



Gross profit & gross profit margin*(RMB million)



Adjusted net profit & net profit margin*#(RMB million)

■ 1H2018
■ 1H2019

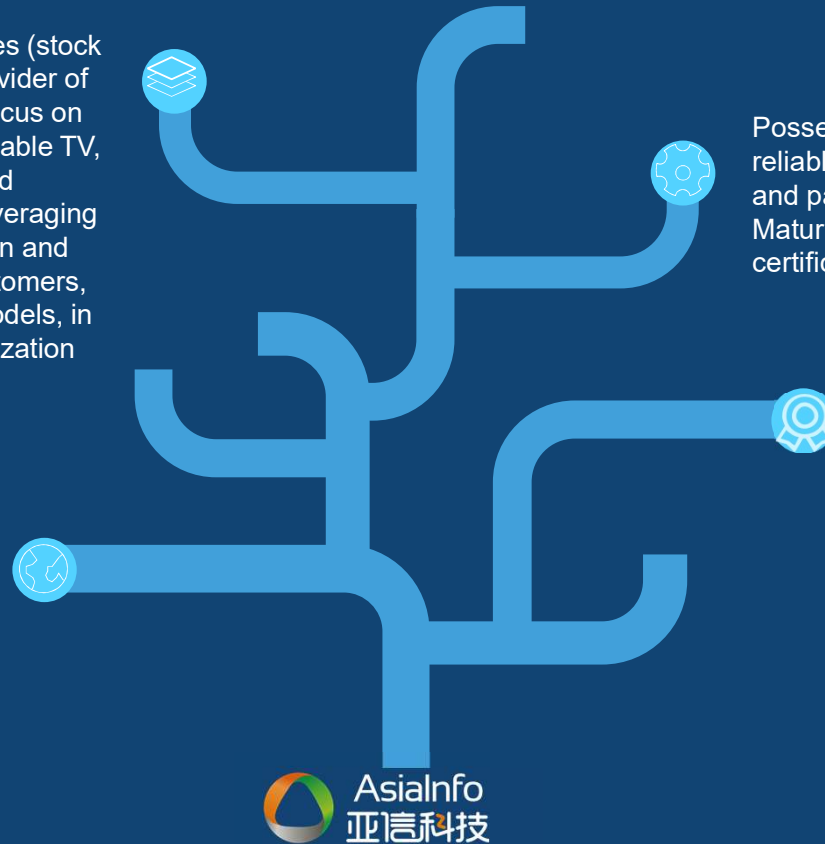
* Data of continuing operations # Details of adjusted items please refer to P.23

CORPORATE PROFILE



Established in 1993, AsialInfo Technologies (stock code: 01675.HK) serves as a leading provider of software products and services with its focus on the industries such as communications, cable TV, postal, finance, insurance, automobile and energy. The Company is committed to leveraging its abilities in products, services, operation and integration to continually source new customers, create new business and explore new models, in order to assist different sectors for digitalization transformation.

Member of international standard-setting organizations such as 3GPP, GSMA and TMF and the vice-chairman member of the Alliance of Industrial Internet (工业互联网产业联盟)



Possessing a software portfolio of over 500 highly reliable, stable and practical “carrier-grade” products, and passed the CMMI Level 5 (Software Capability Maturity Model Integration Level 5) international certification

Receiving a number of awards, including the Most Influential Software and Information Service Enterprise in China (中国最具影响力软件和信息服务企业), the Outstanding Enterprise in Electronic Information Industry (电子信息行业卓越企业), 5G Innovation Award (5G创新先锋奖), and the Top 100 Enterprises with Comprehensive Competitiveness in Software & Information Technology Service (软件和信息技术服务综合竞争力百强企业).

Largest Telecom Software Product and Related Service Provider in China

5G + AI are sparking a wave of digital transformation of large enterprises

With the integrated development of IT、CT and DT and the acceleration of the smart connection era, enterprises need to establish their own digital middle office to adjust to the new business mode of the ever-changing digitalization world against the backdrop of expediting digitalization transformation driven by 5G, cloud computing, big data, AI and other technologies. It is expected that 60% of the global GDP will be generated from digitalization activities by 2022.*

AsialInfo Technologies will seize this historical opportunity to become the digitalization transformation enabler of the 5G operators on one hand, and to cooperate operators to assist the vertical industries for digitalization transformation on the other hand.



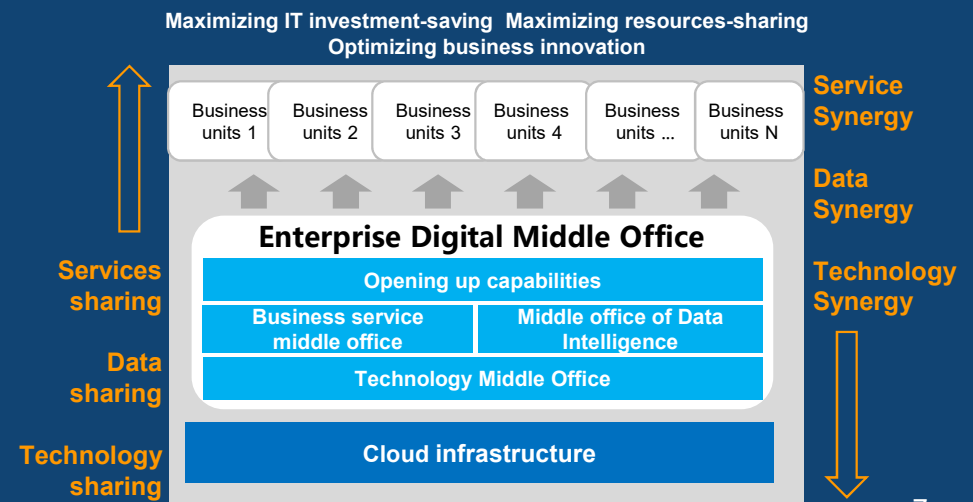
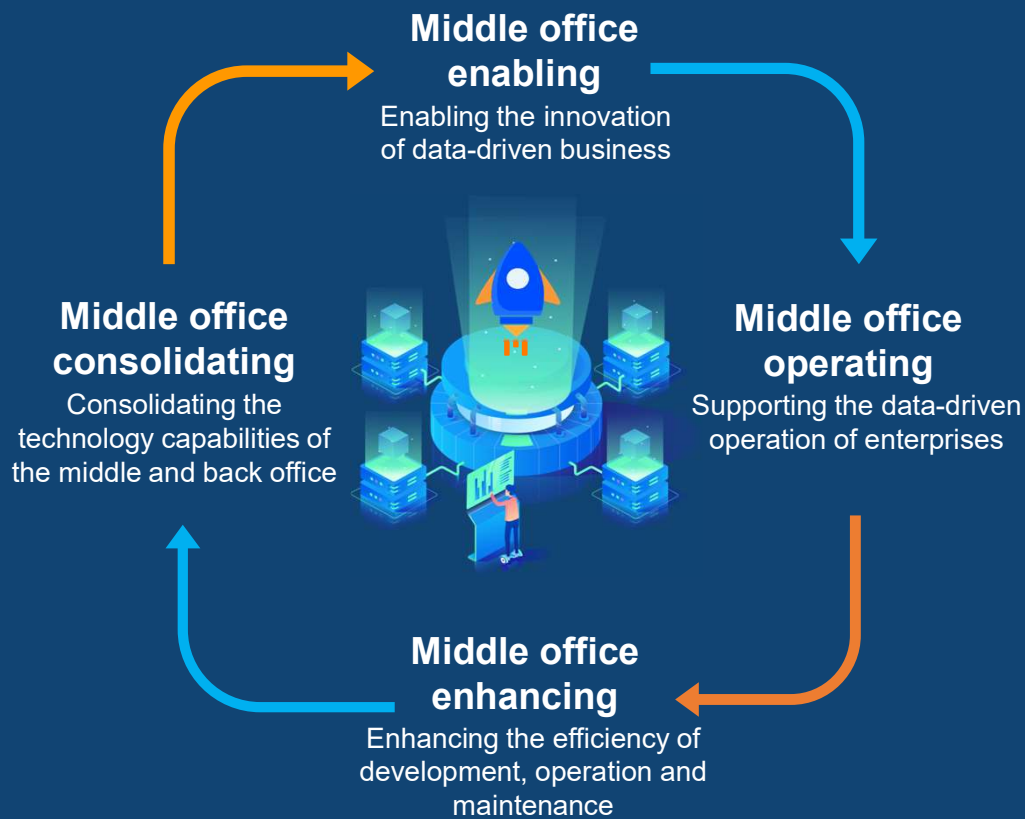
* IDC forecasts the top 10 IT trends for 2019: the digital economy will contribute 60% of the global GDP in the next three years

Swift and efficient digital middle office is the key to digitalization transformation of large enterprises

Being customer-focused and plenty response to the customers' need promptly, the Company is facilitating plenty of enterprises to establish digital middle office.

Both operator market and non-operator market players are actively cooperating with software products and services providers to establish the corporate digital middle office, forming the key abilities required by digitalization transformation of enterprises

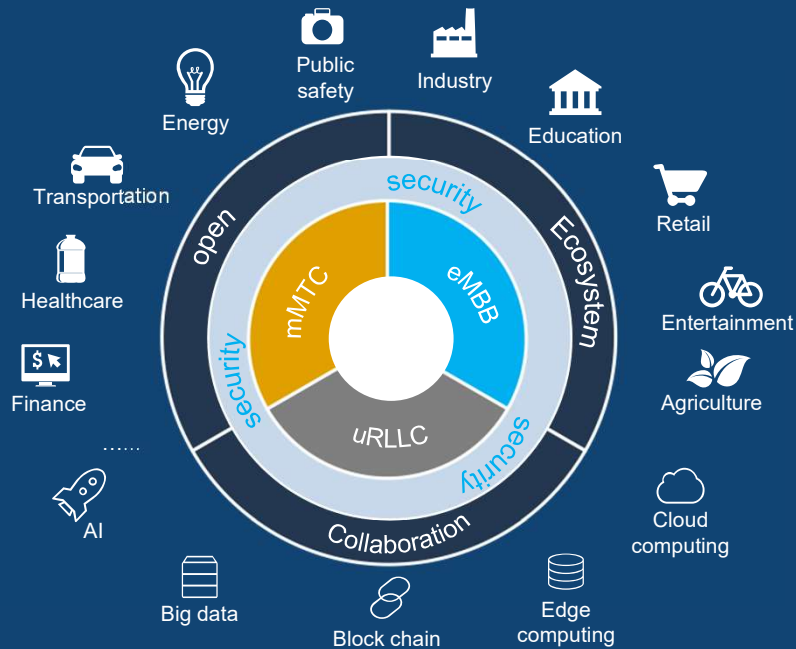
- Adopting the technology model of microservice components with flexible scalability
- Supporting swift development model from waterfall mode to agile mode
- Implementing data governance and big data technology so as to form data middle office
-



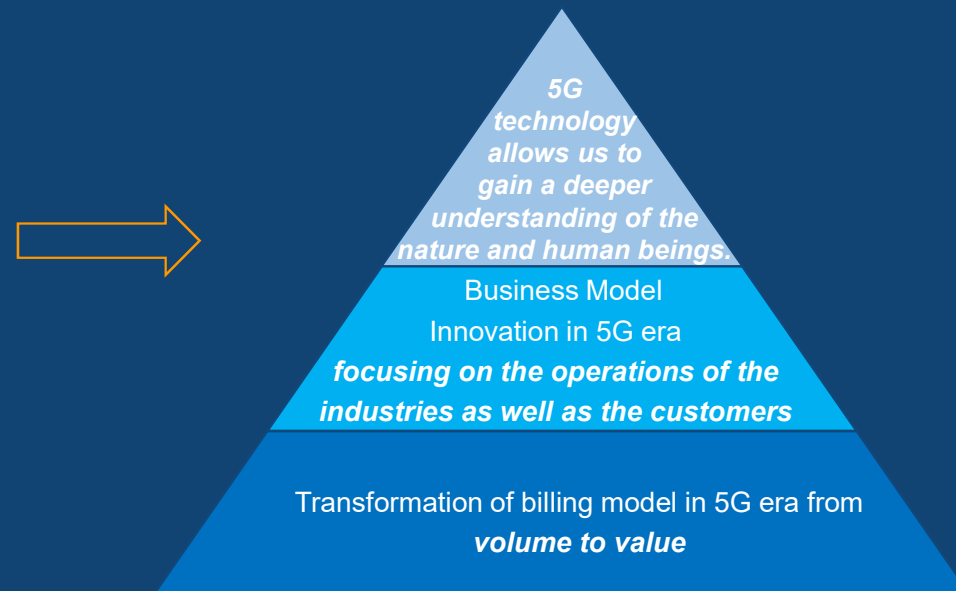
The new communication infrastructure represented by 5G will continue to facilitate the disruptive innovation in the future society

- 5G era officially started: 6 June 2019 , following the Ministry of Industry and Information Technology of China officially issued the 5G commercial licenses
- The number of mobile users will continue to increase: over 5 billion global mobile users in 2018 and the number is expected to increase to 5.8 billion by 2025*
- The number of IoT connections will see an explosive increase: over 9.2 billion global IoT connections in 2018 and the number is expected to increase to 25.2 billion by 2025 *

5G technology enabling vertical industries

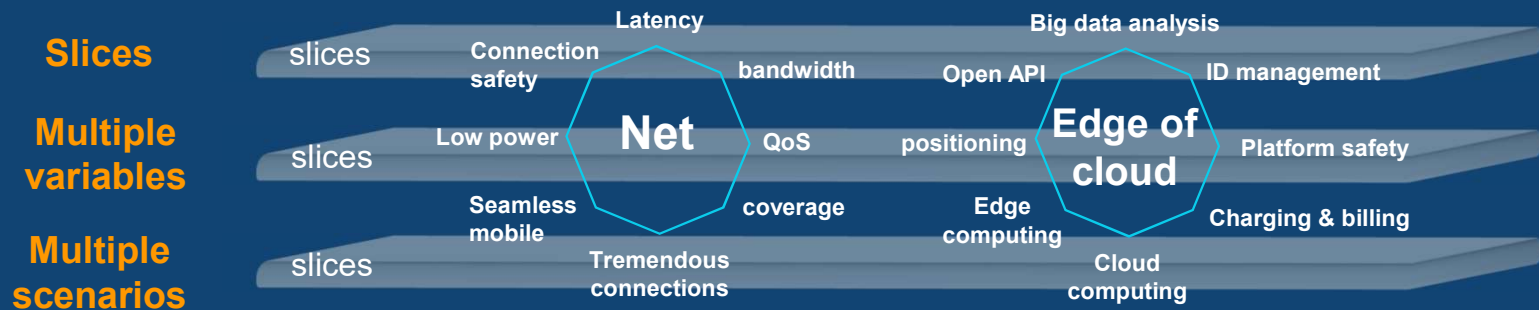
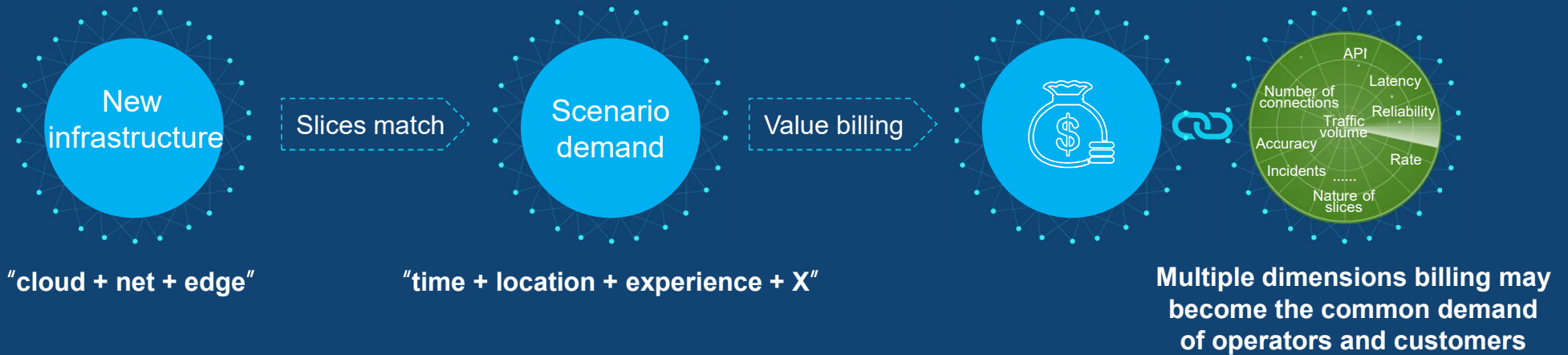


5G technology bringing disruptive innovation



* The Mobile Economy 2019 published by GSMA

5G scenarios, ecology and multidimensional billing will be the key path for operators to achieve value reconstruction





Overview and
Prospects



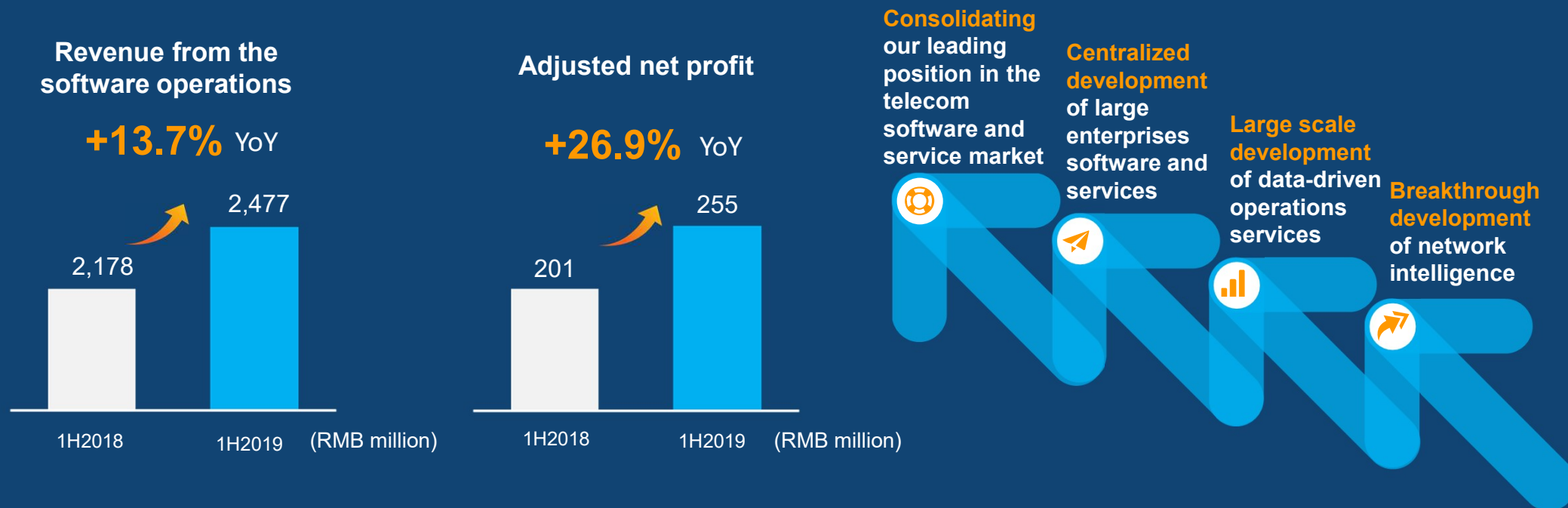
Performance
Overview



Financial
Performance

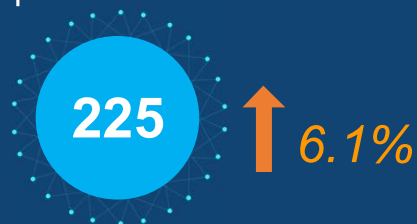
A healthy growth driven by the strategy of “One consolidation, Three developments”

In the first half of the year, as AsialInfo Technologies continued to adhere to the strategic guideline of “Three New, Four Abilities”, and implement the business strategy of “One consolidation, Three developments”, the business development and operating results presented a momentum of healthy growth.



The telecom software products and service market achieves sustainable growth

Number of customers in operator market



Customer retention rate



Strictly following the direction of customers



Focusing on customer's transformation requirements



Consolidating the core market—BBS and sustained growth in orders

- Regional centralization
- Centralized big data platform
- Centralized channel platform
- 5G billing function upgrading
-



Servicing specialized company of telecom Operators and helping new business development

- Specialized companies including Internet of Vehicles, Consumer Internet and others
- Videos, games, music and other content operation companies
-



Establishing IoT platform for operators and IoT applications collaboratively

- IoT Connectivity Management Platform and Equipment Management Platform, Operation Support Platform, Application Enabling Platform, and IoT Industry Application
-



Rapid expansion of data-driven operations Focusing on customer operation

- Inventory/traffic/interest/touch points operation
- Operation of Wechat public account
-

Doubled growth in revenue of data-driven operations

Revenue from the data-driven operations services **55.5 million**  **104.6%**

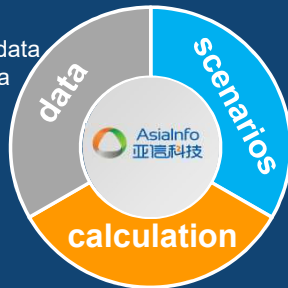


Business model of data-driven operators
 Innovative solutions+ scenarios of SaaS application + operation platform+ expert services

Service industry customers
 From single industry customers operation to forming a data-driven operation ecosystem

Industry-leading solution

- Multiple channels external data
- Enterprise in-house data
- Safe and eligible data sources



- Customer insight scenario
- Precision marketing scenario
- Credit risk control scenario
- Inventory operation scenario
- Content operation scenario



Paid by results


Industry experts

- Calculation of precision marketing: Wise recommendations/Intelligent forecast
- Customer experience model
- Over 100 industry data mining algorithms and models

Specialized operation platform

Connecting customers across industries to achieve a win-win situation

- Industry analysis report
- Winning clients by precision marketing scenario
- Long tail customer operation
- Resume contact with customers

- Inventory customer value operation
- New operation for new customers
- Increased revenue from new market

- Community security management
- Anti-deception of telecom
- Transportation network management
- E-police system



- Identification authentication
- Credit assessment
- Small- and mid-size enterprise marketing
- Online customer marketing design promotion services

- Membership operation
- Ecological operation

- Wechat operation of IPTV customer
- Big data precision marketing of IPTV customer

- Population statistic
- Population monitoring
- Safety control of dense crowd

Proactively exploring the large enterprise customers market in focus industries

Number of large enterprise customers



Customer retention rate



Customized products for industrial use

(feature carrier-grade stability and can be used across industries)

- Data middle office products
- Business middle office products

Standardized products

(highly recognized in the industry and developed in-house)

- AntDB big data products
- DevOps agile development and operation platform
- DataGo data assets management products

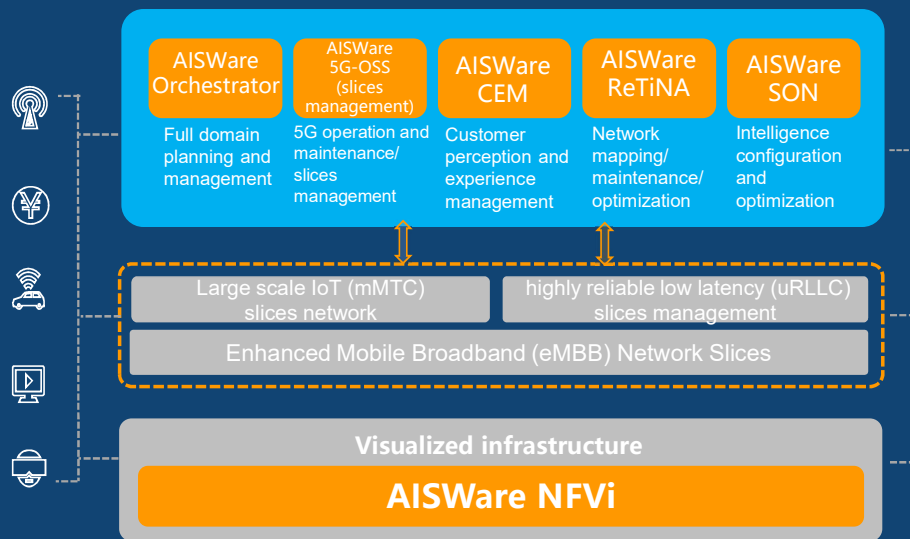
- Launching the customers center hub system online for insurance company
- Upcoming CRM system for insurance company
- Establishing data middle office for banks
- The success in launching the CRM system and securing provincial corporate projects continuously
- Establishing data middle office for grid company and obtaining the new energy project of electric vehicles
- Strengthening project cooperation with cable TV and commencing the digitalization operation of IPTV



- DevOps platform signed contracts with a number of commercial banks successfully
- Enabling the data and assets management of grid company, providing data governance and other services

Deploying 5G intelligent network products in 9 projects and achieving its initial breakthrough

↔ 5G intelligent network products: realizing support in business and network



Joint laboratories of 5G intelligent network

AsialInfo Technologies collaborated with the research organizations or provincial companies under the three major operators to establish innovation laboratories of 5G intelligent network



Deploying 5G intelligent network products in 10 projects of the operators

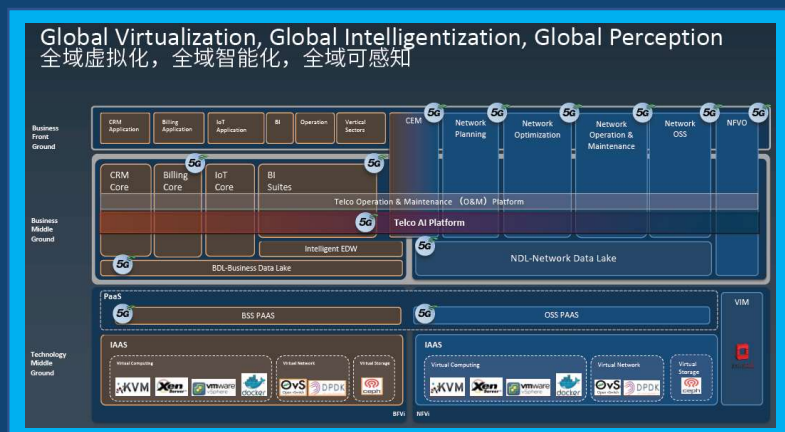


Initial breakthrough of 5G intelligent network

- **AISWare NFV (NFVi + Orchestrator) product:** enabler of basic platform and business of future 5G network for achieving the visualization and intelligent planning of network and business.
- **AISWare 5G-OSS product:** Comprehensive intelligent operating system of 5G network slices, core network, IP bearer network, communication network.
- **AISWare CEM (Customer Experience Management) product:** Customer experience management platform integrated by business and network.
- **AISWare ReTiNA (Real Time Network Analytics) product:** Network mapping and optimization platform based on communication and AI.
- **AISWare SON (Self Organization Networks) product:** Intelligent organization network platform adapted to different manufacturers and elements, achieving RAN operation intelligence.

Launching 5G strategy and 5G series product with intelligent network building concept of "Global"

Based on the technology idea of "Global visualization, Global intellectualization, Global perceptual", the official launch of six brand new products of 5G era created the pioneer advantage in the 5G era.



Also applicable in non-operator market in the 5G era

Network Intelligence

5G Billing

- Highway ETC billing
- Billing of new energy vehicle charging stations

AIF

- Technology middle office for insurance industry
- Technology middle office for banking industry

AI²

- Intelligent loss assessment for insurance industry
- Intelligent retail portion for retailing industry

5G BigData

- Data middle office for energy industry
- Data middle office for insurance industry

AntDB


- Finance/government safe and manageable database

Global visualization | The products and solutions for 5G network intelligence and visualization, assisting the operators to realize the automation and visualization of network and business functions within the network system.

Global intellectualization | Helping the operators to establish a set of universal AI platform by leveraging machine learning, data mining, AI and other abilities.

Global perceptual | Aiming at optimizing and improving the perception and experience of consumer users of the operators and vertical industry users at the business level. The ultimate goal of all products is to optimize the experience and perception of 5G users.

Collaborating with peers to lead industry future development

 In the first half of 2019, the Company voiced its opinion at the international organization for standardization, while joining the industry associations, and actively enhancing the Company's soft power and brand influence.



The Most Influential
Software and
Information Service
Enterprise in China



The Outstanding
Enterprise in the
Electronic
Information Industry



Ranked 21st in the
100 Most
Competitive
Enterprises in
Software and
Information
Technology Industry



5G Innovation
Award -Innovation
of Intelligent
Perception and
Experience
Management in 5G
Technology



Co-developed
program "Phoenix
Tree: Centralized Big
Data PaaS Platform"
being awarded TMF
Catalyst Team
Award-Outstanding
use of TM Forum
assets



2 communication
standards
proposal was
passed



Member of GSMA



Vice-chairman
member of the
Alliance of Industrial
Internet



Passed the CMMI
Level 5 (Capability
Maturity Model
Integrated Level 5)
certification



**Overview and
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**Performance
Overview**



**Financial
Performance**

Performance Highlights

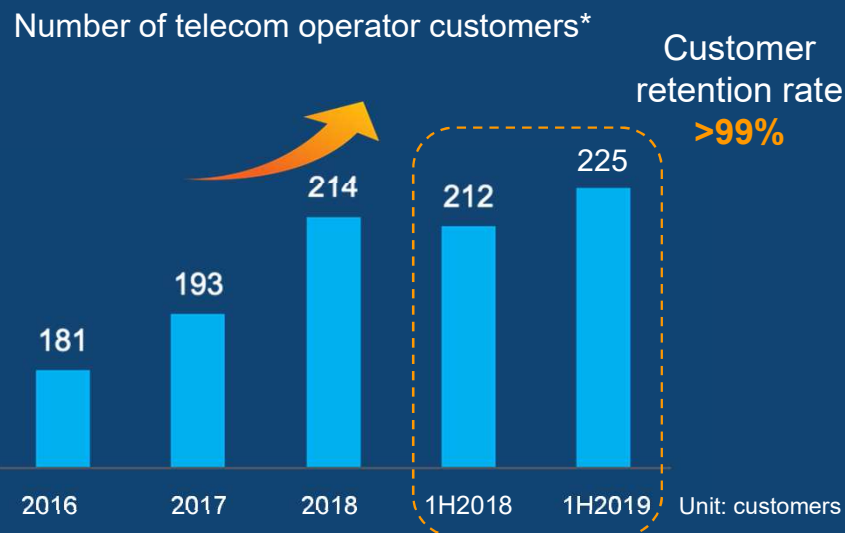


RMB million, unless otherwise stated	January – June 2019	January – June 2018	Changes
Number of customers			
Telecom operator customers	225	212	6.1%
Large enterprise customers	43	32	34.4%
Financial data – continuing operations			
Revenue	2,479	2,190	13.2%
Including: Revenue from the software business	2,477	2,178	13.7%
Gross profit	868	662	31.2%
Gross profit margin (%)	35.0%	30.2%	4.8pp
Operating expenses	(749)	(518)	44.6%
Other profit or losses	5	(38)	(112.2%)
Income tax expenses	(53)	(19)	182.1%
Net profit	71	87	(18.5%)
Net cash used in operating activities	(358)	(190)	89.0%
Adjusted data*:			
Adjusted net profit	255	201	26.9%
Adjusted net profit margin (%)	10.3%	9.2%	1.1pp
Adjusted earnings per share (RMB)	0.35	0.32	9.4%

* Details of adjusted items please refer to P.23

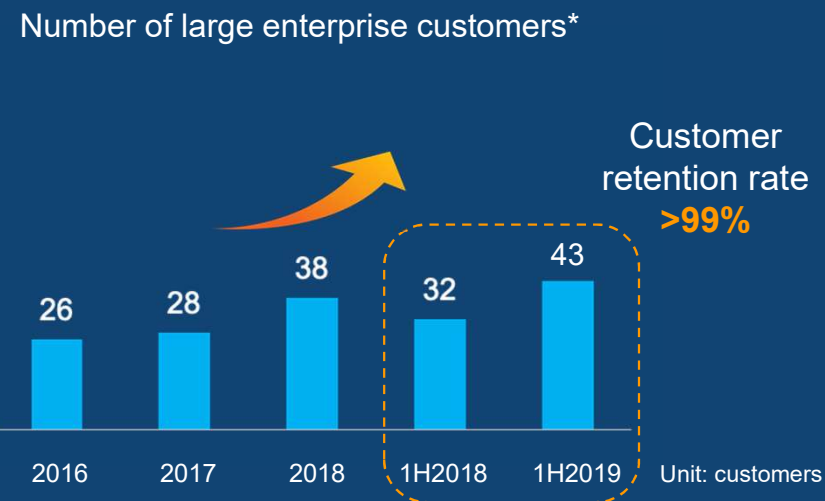
Long-term stable and expanding customer base

Continually cultivating the telecom industry market






* Telecom operator customers include telecom operator headquarters, provincial companies, municipal companies and specialized companies that have been independently and directly negotiated and contracted

Actively deploying large enterprise customers in non-telecom industries

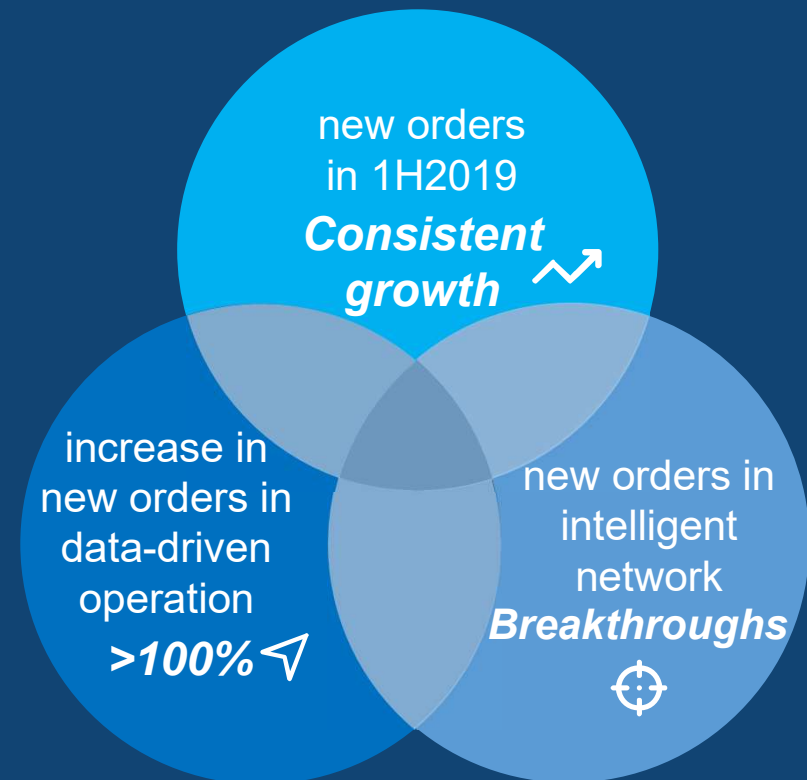
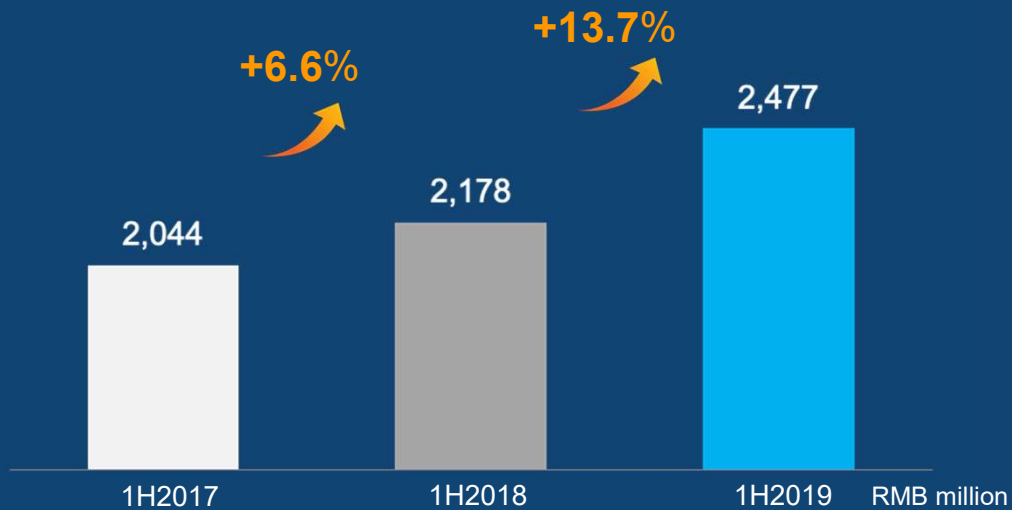


* Large enterprise customers are non-telecom operator customers with annual revenue exceeding RMB1 billion

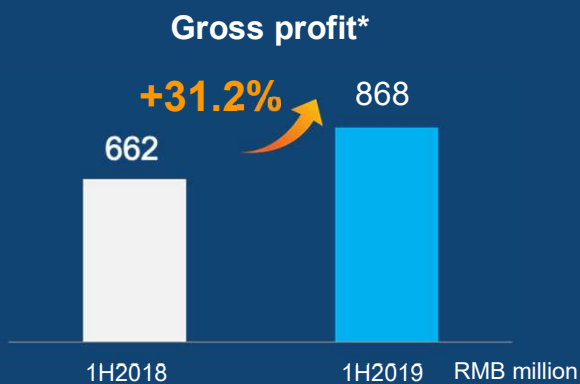
-  Continually cultivating the telecom industry market and increasing customer base to maintain our leading position in the telecom industry market
-  Actively deploying large enterprise customers in non-telecom industries, focusing on industries such as postal, power grid, automobile, banking and insurance
-  Maintaining an on-going high customer retention rate with a strong foundation in customer cooperation


Revenue in general achieved double-digit growth

Revenue from the software business



Good profitability and continuous improvement



 The product middle office strategy is achieved gradually, empowering the front office, reducing costs and increasing efficiency, and maintaining a steady and sustainable growth in gross profit and adjusted net profit

* Data of continuing operations # Details of adjusted items please refer to P.23

Impact of non-operational events will be reduced year by year

To facilitate comparisons of the operating performance of the Company in different periods, non-recurring, non-cash or non-operating items, which were not indicative of the operation of the Company, were excluded, and are listed as follows:

RMB'000	As at 30 June		For the year ended 31 December			Details of adjustment
	1H2018	1H2019	2018	2019*	2020*	
Reconciliation of net profit from continuing operations to adjusted net profit from continuing operations						
Net profit from continuing operations	86,837	70,732	204,234			
Add:						
Share-based compensation	24,531	175,608	155,502	242,924	54,852	The relevant expenses of the Employee Share Incentive Scheme implemented before the listing will be substantially recognized in 2020
Amortization of intangible assets due to acquisition	17,148	7,566	34,295	15,131	5,184	The intangible assets from business combination in 2010 will be fully amortized in 2020
One-off listing expenses	20,862	-	54,096	-	-	Had not occurred after 2019
Interest expenses for the Privatization Syndicated Loan	24,069	11,373	49,514	11,373	-	The Privatization Syndicated Loan was repaid in the half of 2019
Exchange gains and losses	27,240	(10,613)	104,517	-	-	With the repayment of the bank loan, the effect of exchange gains and losses will be significantly reduced. Due to the unpredictability of exchange rate changes, future impact cannot be estimated
Subtotal of adjusted items	113,850	183,934	397,924	269,428	60,036	
Adjusted net profit from continuing operations	200,687	254,666	602,158			

Subtotal of adjusted items

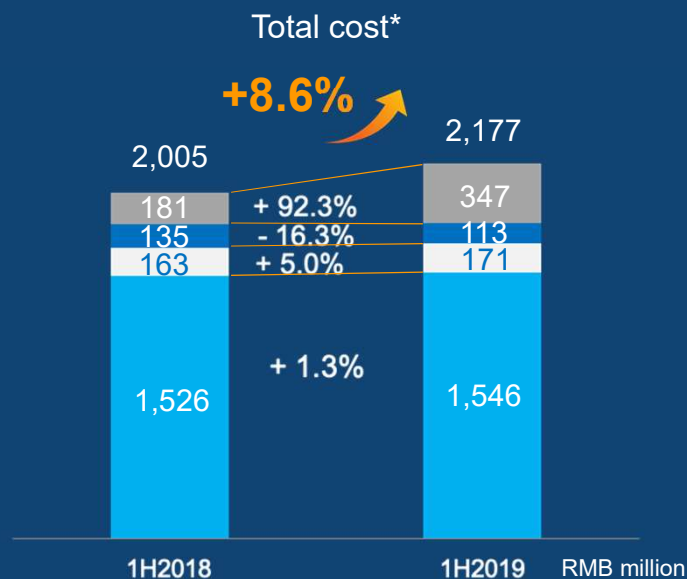


* The annual data for 2019 and 2020 are estimated based on the share incentive scheme arrangement, intangible assets amortization plan, which may differ from the actual occurrence

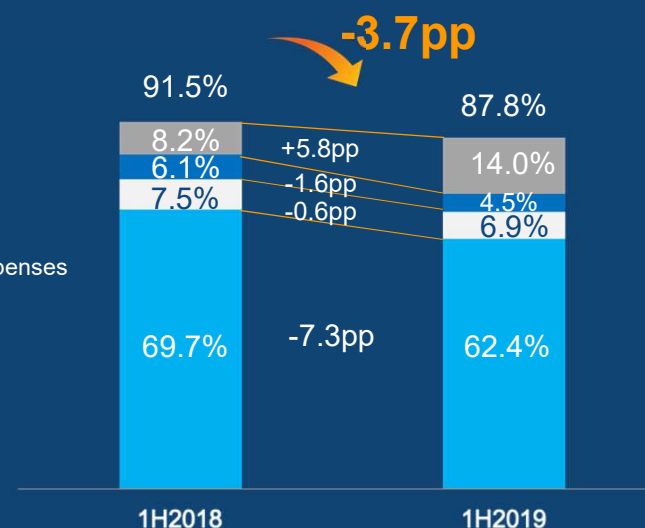
Maintain good control over cost and strengthen strategic orientation

👑 Good control over cost

📄 Proportion of cost to revenue continued to improve



Proportion of total cost to revenue (%)



Cost of sales
*Ongoing positive effect from our product middle office strategy
 Continuous reinforcement of digitalized project management*

Selling expenses
*Strengthen efforts to continuously increase as expenses in the
 new markets and new businesses*

Administrative expenses
Continuously enhance the back office and improve management efficiency

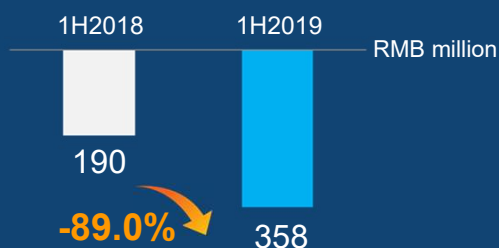
R&D expenses
*The investments in R&D were accounted as full expensing for the responding period
 Continuously strengthen investments in product middle office
 Increase investment in data-driven operation according to the direction and the R&D
 in 5G products*

* The total cost is the sum of cost of sales, selling expenses, administrative expenses and R&D expenses, with share-based compensation expenses and amortization of intangible assets due to acquisition being excluded

Healthy cash position and stable dividend plan

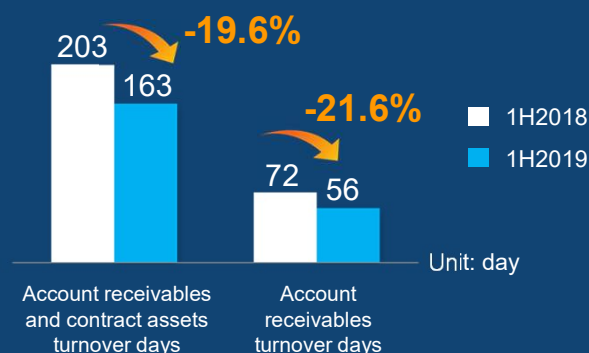
Cash flow remains robust compared to pervious year with the same caliber

Net cash generated from operating activities



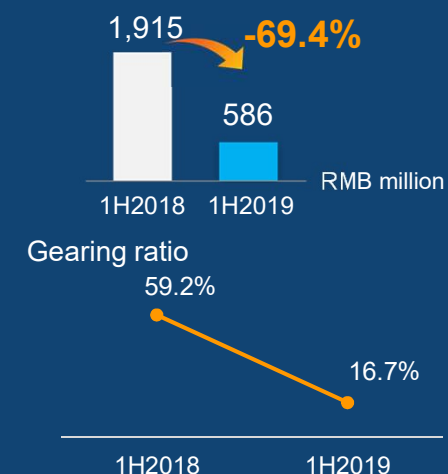
Enhance account receivables turnover efficiency

Account receivables turnover days



Enhance repayment capability

Loan balance



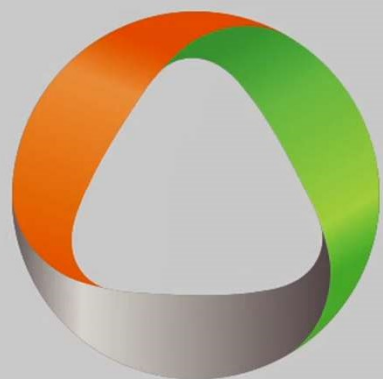
Employee insurance benefits changed from being an annual premium to monthly payments, which resulted in the timing difference that caused a significant change in the half-year operating cash flow. After eliminating this factor, it was broadly stable year-on-year and it is expected to have little impact on the cash flow from operating activities throughout the year

Accounts receivable turnover days continued to decrease, return efficiency had improved, and operational capabilities are improving

Made repayment of bank loans of 1.3 billion as committed, gearing ratio decreased significantly, and solvency increased



It is not recommended to declare interim dividend for the first half of 2019 and maintain the guideline of setting the dividend payout ratio of no less than **40%** of our annual distributable net profits



AsialInfo
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Thank you!

Appendix 1: Summary of consolidated income statement



RMB'000	January - June 2019	January – June 2018	YOY	YOY%
Continuing operations				
Revenue	2,479,331	2,189,715	289,616	13.2%
Including: Revenue from software business	2,476,899	2,177,607	299,292	13.7%
Revenue from network security business	2,432	12,108	(9,676)	(79.9%)
Cost of sales	(1,610,848)	(1,527,844)	(83,004)	5.4%
Gross profit	868,483	661,871	206,612	31.2%
Selling and marketing expenses	(218,091)	(185,161)	(32,930)	17.8%
Administrative expenses	(149,831)	(151,972)	2,141	(1.4%)
R&D expenses	(381,692)	(181,114)	(200,578)	110.7%
Finance cost	(29,990)	(33,855)	3,865	(11.4%)
Exchange gain and loss	10,613	(27,240)	37,853	(139.0%)
Other income, revenue and losses	25,663	43,761	(18,098)	(41.4%)
Share of results of associates	(1,637)	120	(1,757)	(1,464.2%)
Listing expenses	-	(20,862)	20,862	(100.0%)
Profit before tax	123,518	105,548	17,970	17.0%
Income tax expenses	(52,786)	(18,711)	(34,075)	182.1%
Net profit	70,732	86,837	(16,105)	(18.5%)
Adjust net profit	254,666	200,687	53,979	26.9%

Appendix 2: Summary of consolidated balance sheet

RMB'000	2019/06/30	2018/12/31	YOY	YOY%
Total non-current assets	2,653,492	3,229,675	(576,183)	(17.8%)
Including: Goodwill	1,932,246	1,932,246	-	-
Pledged bank deposits – non-current	33,897	635,736	(601,839)	(94.7%)
Total current assets	3,861,694	4,767,703	(906,009)	(19.0%)
Including: Trade and notes receivables	738,738	764,909	(26,171)	(3.4%)
Contract assets	1,563,235	1,335,219	228,016	17.1%
Pledged bank deposits – current	187,973	481,755	(293,782)	(61.0%)
Bank balances and cash	1,091,428	1,821,182	(729,754)	(40.1%)
Total current liabilities	2,845,974	4,634,318	(1,788,344)	(38.6%)
Including: Trade and notes payables	191,208	356,316	(165,108)	(46.3%)
Contract liabilities	269,527	300,918	(31,391)	(10.4%)
Other payables, deposits received and accrued expenses	1,535,137	1,788,004	(252,867)	(14.1%)
Bank borrowings - current	585,724	1,915,484	(1,329,760)	(69.4%)
Total non-current liabilities	159,889	127,541	32,348	25.4%
Total equity	3,509,323	3,235,519	273,804	8.5%