AsiaInfo

AsiaInfo Technologies Limited

Stock Code: 01675

2024 Interim Results
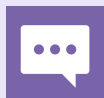
August 2024

01

Operating Performance

Results under Significant Pressure as Operators Strictly Controlled Cost and Uncertainty in External Environment Continued to Unfold

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Substantial price suppression from the operator customers

The telecommunications industry growth slowed down, the investment cycle reached a trough and the operators stepped up cost control efforts sharply, resulting in significant pressure on order prices, increased difficulty in commercial negotiations, significant delays in order progress, and hance, a notable decline in BSS traditional businesses etc.
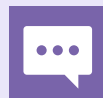
Uncertainty in external environment

Uncertainty in external environment impacted the budgets of enterprises across industries and led to reduction in investment
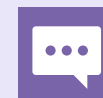
Adjusting the pace of development of new businesses

Attached stronger importance on the high-quality development of new businesses, appropriately controlled the pace of development, leading to the decelerated growth of revenue from new businesses

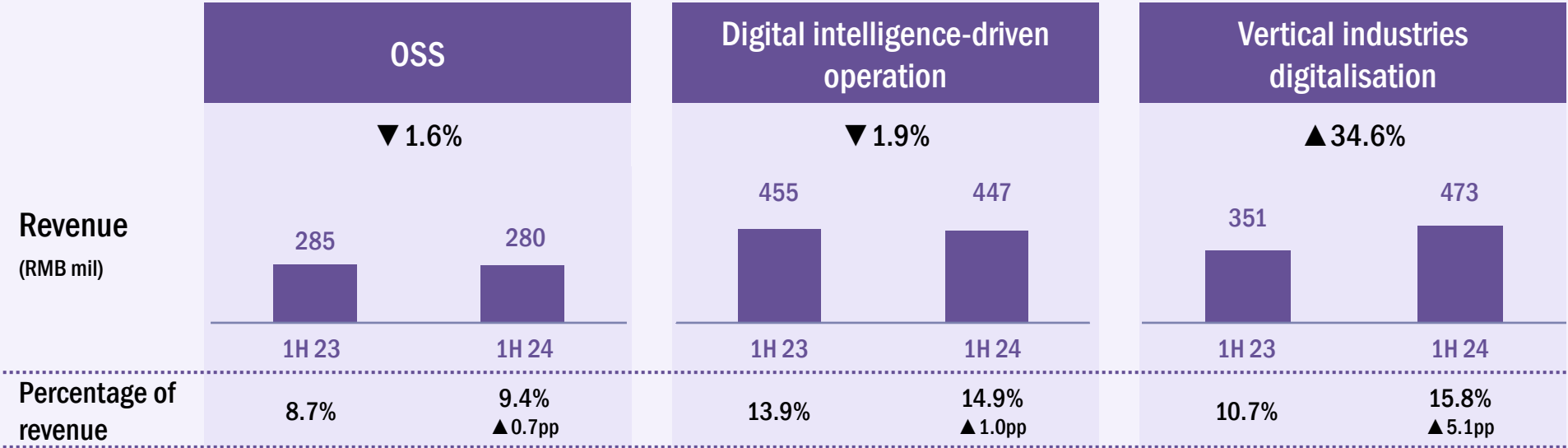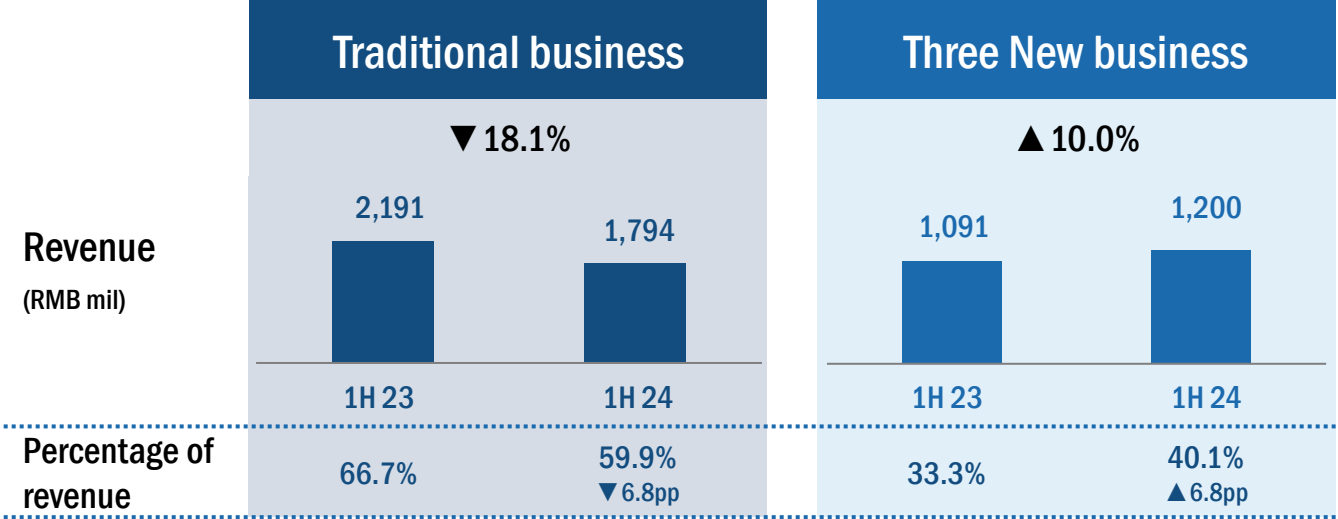| (RMB Mil)	Revenue	Gross Profit	Gross Profit Margin	Net Loss
	2,994	738	24.7%	70
	▼ 8.8% yoy	▼ 35.5% yoy	▼ 10.2pp yoy	

Traditional Business under Pressure, while Three New Business Maintained Double-digit Growth

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Traditional business

▼18.1%

2,191 (1H 23) 1,794 (1H 24)

Revenue (RMB mil)

Percentage of revenue: 66.7% (1H 23) 59.9% ▼6.8pp (1H 24)

Three New business

▲10.0%

1,091 (1H 23) 1,200 (1H 24)

Percentage of revenue: 33.3% (1H 23) 40.1% ▲6.8pp (1H 24)

OSS

▼1.6%

285 (1H 23) 280 (1H 24)

Revenue (RMB mil)

Percentage of revenue: 8.7% (1H 23) 9.4% ▲0.7pp (1H 24)

Digital intelligence-driven operation

▼1.9%

455 (1H 23) 447 (1H 24)

Percentage of revenue: 13.9% (1H 23) 14.9% ▲1.0pp (1H 24)

Vertical industries digitalisation

▲34.6%

351 (1H 23) 473 (1H 24)

Percentage of revenue: 10.7% (1H 23) 15.8% ▲5.1pp (1H 24)

4

Maintained Leading Position in Traditional Business with AI-powered BSS and OSS

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"AI+" and "LLM+" innovative projects saw rapid growth in demand

Contract value growth in the "AI+" projects in the telecommunications industry
55%+

- Pressure on order pricing
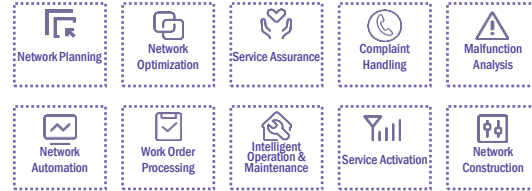- Substantial delay in commercial progress

BSS Revenue
▼ **17.0%**

OSS Revenue
▼ **1.6%**

Large-language Model (LLM)+

BSS

Customer Insight	Customer Management	Grid Marketing	Online Marketing	Product Management
Customer Service	Anti-Fraud Communication	BSS	Business Analysis	Acceptance of Business

OSS

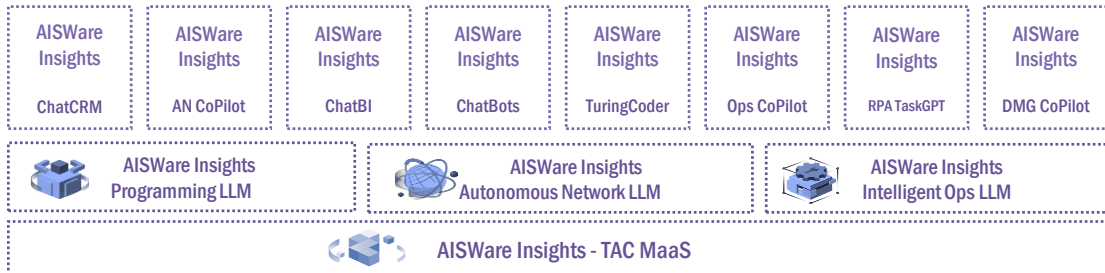|				
Network Planning	Network Optimization	Service Assurance	Complaint Handling	Malfunction Analysis
Network Automation	Work Order Processing	Intelligent Operation & Maintenance	Service Activation	Network Construction

AISWare Insights Domain-specific LLM
1 General AI & Augmented Cognition Platform TAC MaaS, 3 Domain-specific LLMs, 8 Augmented Cognition Tools

AISWare Insights ChatCRM	AISWare Insights AN CoPilot	AISWare Insights ChatBI	AISWare Insights ChatBots	AISWare Insights TuringCoder	AISWare Insights Ops CoPilot	AISWare Insights RPA TaskGPT	AISWare Insights DMG CoPilot

AISWare Insights Programming LLM

AISWare Insights Autonomous Network LLM

AISWare Insights Intelligent Ops LLM

AISWare Insights - TAC MaaS

66+ Commercial cases in the telecommunications industry

LLM + BSS: 56+ cases

- Based on ChatCRM tools, offered 20 settings, such as business self-service, self-service number selection, package change, convergence package acceptance, group business, business contract acceptance, for operators in number of provinces
- Based on RPA TaskGPT tools, built service assistant, for a carrier's provincial companies to empower the first-line managers of government and enterprises
- Based on ChatBI tools, built a LLM to support business analysis capabilities for an operator's provincial company
- Based on AI²-TAC MaaS products, supported the construction of a LLM foundation for the online companies of number of provincial companies of an operator
- Based on Turing Coder tools, built a code generation LLM for an operator to improve code development efficiency
- Based on ChatBots tools, built intelligent customer service robots for customer service of an operator's headquarters
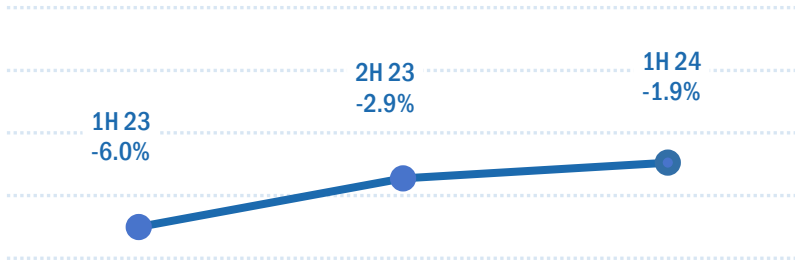
LLM + OSS: 10+ cases

- Based on AN CoPilot tool, built a autonomous network co-pilot platform for an operator's provincial company to improve the network automation capabilities
- Based on AN CoPilot tool, built a conversation based data query and analysis service for the network department of an operator's headquarters, achieving high efficiency in indicators acquisition and intelligent analysis of the entire network
- Based on AN CoPilot tool, provided guided knowledge conversation, network problem analysis and solution service for an operator's provincial company
- An operator's headquarters- network data department support project (AN CoPilot)
- An operator's provincial company - smart cloud network brain project (AN CoPilot)
- An operator's provincial company - operation and maintenance brain project (Ops Copilot)

Digital Intelligence-driven Operation Business Continued to Improve

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Digital intelligence-driven operation revenue

Yoy change

1H 23
-6.0%

2H 23
-2.9%

1H 24
-1.9%

Revenue (RMB mil)

1H 24   447   ▼1.9%

1H 23   455

- **Organisational restructuring basically completed:** strengthened regional market coverage with more efficient answer to customer needs
- **Business recovered gradually:** continued expansion in customer base in telecoms, consumer, finance, and automobiles indsutries, etc. with wide recognition and revenue from non-telecoms industries up by nearly 10%
- **Further optimised business model:** revenue from the results-based and commission-based model increased by 3.7pp year-on-year to 26.7%

Telecoms industry	Non-telecoms industry		
Retention Management & Value Enhancement	**Consumption** Data Insights & Digital Intelligence-driven Marketing	**Finance** Marketing & Risk Management	**Automotive** Media, Live Streaming & Leads
Innovative business model, focusing on the replication and promotion of 2 types of digitalized products and operation services, namely, retention management and value enhancement	Leveraging telecom's big data to create **data insight and digital intelligence-driven marketing solutions** for **FMCG, tobacco, and pan-literature travel industries** Focus on membership marketing, private domain operation, customer flow insight, crowd profiling, store insight, and business district insight	Providing financial customers with **precise marketing and risk assessment services**, e.g. marketing score, customer data platform, SCRM, activity cube, fan matrix, etc., based on multiple data sources	Provided precise marketing services based on telecom big data, creating solutions for incremental and replacement purchase, lead modeling score and precise promotion spending of leads etc. Introduced Alibaba, Volcano Engine and other partners to further improve data source

Case study

|			
• Centralised management of WeCom in Guizhou, Shaanxi, etc. • Privileges & traffic promotion: scale replication in operators and specialized companies in 16 provinces, including Yunnan, Tibet, Fujian, etc.	• Assisted a leading FMCG client to achieve a membership base exceeding 30 million, while empowering more than 10,000 salespersons • Created a cultural tourism digital marketing benchmarking project for a SOE in Hainan	• Introducing telecom data and opening up legal & compliance data channels on demand • Landing of big data operation capabilities in the financial industry and realising breakthrough in customer acquisition	• A commercial NEV brand-user insight project • A leading NEV brand marketing digitalization platform project • A leading independent auto brand customer incremental and replacement purchase • A JV auto brand - lead rating POC project

Double-digit Growth Continued in Vertical Industries Digitalisation Business

Double-digit growth in revenue

(RMB mil)

1H 24	473 ▲34.6%
1H 23	351
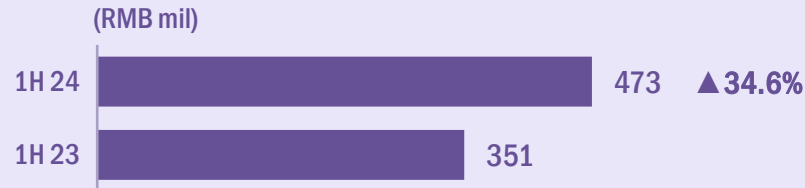
Adhere to "standardised product + solution" high-quality development model

Energy	Transportation	Government Affairs
Energy 5G Private Network continuously expanded market coverage	Steady progress in business with tangible results driven by multiple setting deployment	Deeply explored the opportunities of government big data and continuous promotion of intelligent park / building

Intelligent station	Integrated energy management	Intelligent mine	Intelligent highway	Smart transportation hub	Digital intelligent logistics	Government affairs big data	Public data	Intelligent parks/ buildings

Cloud Networks Products

- 5G Private Network
- Network intellectualization
- Network Cloud Management
- ....

Digital Intelligence Products

- Data platform and MPC
- xGPT
- Edge Intelligence
- ....

IT Products

- Database
- Digital twin
- GIS
- ......

亚信科技软硬一体产品集 2024

5G/6G 网络   边缘智能   隐私计算

Energy 5G Private Network Continued to Expand Market Coverage

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Continued to win customers with

>30

new projects signed

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Further expansion of 5G private network coverage in the energy market

	Nuclear Power	Photovoltaic	Wind Power	Mining
Market Potential	**79+** units in operation + under construction As at the end of 2023, there were 79 units in operation + under construction in China and 11 units approved for construction	**5,000+** Large and medium-sized photovoltaic stations	**5,000+** Wind farms	**1,000+** Intelligent coal mines
Progress	• The nuclear 5G private network covered 23 units in 5 major nuclear power bases, with a coverage rate of ~30%; Further won equipment expansion and application innovation opportunities in the existing markets	Photovoltaic stations covered **600+** station data connected ▲ ~200	Wind power private network covered **~200** wind farms ▲ ~100	• Explored the intelligent mining market with standardised product + solution and won several mine projects
Benchmark Cases	• Obtained production wireless network construction project of Fuqing Nuclear Power Plant • Signed contract on 5G integrated intelligent production information management and control system for CNNC Qinshan	• Won 5G wireless private network project of CEIC New Energy • Won CGN New Energy wind power wireless network project • Signed 5G network coverage project of Datang Photovoltaic station in Hunan Province		• Won the bid for the intelligent construction and upgrading project of an open coal mine of CCTEG • Signed the planning and design project of the intelligent construction of a coking company
Future Plan	• Continuously follow up the units under construction and in operation of CNNC etc. to further expand the coverage of 5G private network • Explore opportunities for innovative applications in the existing markets	• Continue to expand market coverage of new energy stations • Actively explore offshore wind power business		• Accelerate the replication and promotion of intelligent mining cases • Accelerate industry-academia-research cooperation and ecological construction around industry access

Steady Progress in Transportation Business with Remarkable Results Driven by Multiple Settings Deployment

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Rapid growth in 1H 24 revenue

▲ **2.9x**

yoy

	Intelligent Highways		Intelligent Transportation Hubs		Digital Intelligent Logistics
🏬 Market potential					
	>100 bil market size of smart highway industry	**>7,000** companies in the highway industry	**~20** international integrated transportation hub cities	**~80** national integrated transportation hub cities	**>500,000** companies from industries such as ports, electricity, coal, steel, as well as logistics and freight forwarding companies
📦 Progress					
	• Obtained a number of highway digitalisation projects • Promote proprietary LLM products to be integrated to the system of customers, forming a benchmark application of "LLM + intelligent CRM" in the field of intelligent highway		• Intelligent transportation hubs, rail transport and other large-scale projects implemented in an orderly manner • Equipped with comprehensive intelligent transportation hubs solution		• Further improved logistics data sources, completed the access of the four major data sources of railroads, water transportation, highways and aviation • Successful signing of anchor clients in ports and steel industries, etc.
📋 Benchmark Cases					
	• Signed a new highway informatisation construction management system in Sichuan Province • Signed an intelligent cross network toll collection CRM based on LLM for a customer in Yunnan Province		• Chongqing East Railway Station intelligent transportation hubs project delivered in orderly progress • Renewal of Shanghai Railway Transportation Phase III project		• Obtained the railway freight information service project of Jiangsu Trans Union • Signed the project of upgrading the information service and multimodal transport capacity of Tiejie Logistics
📊 Future Plan					
	Promote to existing customers in >10 provinces and cities nationwide, including Hunan, Yunnan, Jiangsu, Guangdong, etc.		Promote to similar customers in Zhejiang, Shaanxi and other provinces		Promote to leading enterprises in the steel, coal, port and aviation sectors

Expanding International Business with Focus on Middle East and Southeast Asia Markets

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Market Potential

Overseas DICT market potential

> RMB100 bil

Products/Strategy

Products: Focus on software-hardware integration products, edge AI and 5G private network
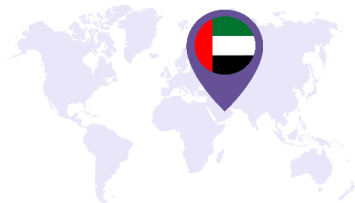Strategy: Direct sales and joint development with SOEs

Target Market

Middle East: UAE, Saudi Arabia, Qatar, Oman, etc.
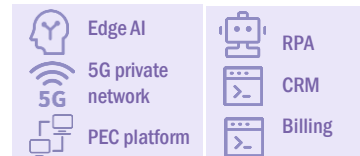Southeast Asia: Singapore, Indonesia, Malaysia, etc.

Progress and plan

Direct sales	Joint development

Direct sales

Dubai branch office was officially set up in June 2024

- Leads in business sales opportunities exceeded USD10 mil
- Developed ~10 local channel partners

  - Edge AI
  - 5G private network
  - PEC platform
  - RPA
  - CRM
  - Billing

- Edge AI products successfully completed POC validation for various customers in Middle East and Southeast Asia, etc.

Joint development

中国移动 China Mobile

In June 2024, entered into a strategic cooperation with **China Mobile International** on the construction of 5G private network for the energy industry in overseas markets such as Middle East, Africa, etc.

中国联通 China unicom

In July 2024, reached a strategic cooperation with **China Unicom Global** on overseas market development, strengthening cooperation in 5G, cloud computing, big data and AI for win-win overseas expansion

中国电信 CHINA TELECOM

In March 2024, a strategic meeting was held with **China Telecom Global** to support its digital transformation and create new value, strengthening cooperation in AI, cloud computing etc., and business development for Southeast Asia and other markets

Continuously Strengthened Innovation and Technology R&D Capabilities

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In 1H2024, R&D expenses amounted to RMB436 million, accounting for 14.6% of revenue, continuously strengthening its capacity for R&D innovation and technology

AISWare Insights Domain-specific LLM was released to empower the digital intelligence transformation of the industry

Focus on industries such as telecommunications, energy, transportation, and government affairs, and promote the integration and evolution of the product system to AI Native based on proprietary LLM

- 1 General AI and Cognitive Enhancement Platform: TAC MaaS
- 3 Industry specific LLM
- 8 Cognition enhancement toolkit

Standard Organizations

Participated deeply in 20 international/national technical standard setting organizations such as 3GPP, ITU, ETSI, IEEE, TMF, O-RAN, etc., with cumulative participation in the formulation of 243 international/domestic standards, of which 30 were newly joined in 1H2024

Products Awards

Cloud Network	Internationally influential	• Selected for the OMDIA's Best Practice Report on 5G Private Network in Nuclear Power Sector • 5G intelligent network products system was selected for Gartner's "Network Intelligence Global Mainstream Vendor Matrix" for 3 consecutive years and was newly selected for "Network infrastructure Global Mainstream Vendor Matrix" and "Network IT Intelligence Global Mainstream Vendor Matrix" • GenAI-powered Computing Network project, jointly created with telecom operators and partners awarded "Outstanding Innovation and Future Impact Award"
Digital Intelligence	Domestic leadership with selected international advancement	• **Awarded "Leaders" quadrant in Gartner's "Magic Quadrant for AI in CSP Customer and Business Operations** • Selected for Gartner's "2024 Global Operator Customer and Business Operations Critical Capabilities Mainstream Vendor Matrix," "2024 Enterprise Communications Services Data, Analytics and Artificial Intelligence Mainstream Vendor Matrix," and "2024 Communications Industry Customer Experience and Monetisation Mainstream Vendor Matrix" reports • Jointly published the "AI Native Technology Reconstruction Software Product White Paper" with Tsinghua University and Intel
IT	Tier-1 position in China	• Digital twin products once again selected for IDC report: "China Digital Twin Solution Market Share, 2023" and "China Intelligent Park Solution Market Share, 2023" • AntDB database included in the "List of Products for Empowering the Development of Central and State-owned Enterprises' Digital Intelligence in 1H2024" by CAICT • AntDB database won "Best Database Application Award" at 13th PostgreSQL China Technical Conference

Intellectual Property Rights

1,515 cumulative software copyright registrations, 491 cumulative patent applications, 169 cumulative patents owned

Software copyright	Domestic patents	Cumulative number of domestic patent applications	International patents	Cumulative number of international patent applications
1,515	167	482	2	9
New addition in 1H 24 ▲ 58	New addition in 1H 24 ▲ 44	New addition in 1H 24 ▲ 58		New addition in 1H 24 ▲ 1

Results Expected to Rebound in 2H 2024 with Full-year Profit to Surpass Last Year

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2H 2024

Revenue relatively stable with the decline in BSS revenue narrowing significantly and new business continuing to grow

Step up cost control to drive notable rebound of profit

Outlook

Maintain steady development with traditional business maintaining industry-leading position and new business continuing to grow with high quality

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Profit
Notable rebound in 2H 2024

Full-year profit surpasses the previous year

Expend revenue
Strive for a relatively stable revenue in 2H 2024

- Strive for the significant narrowing of the decline of BSS business revenue
  - Accelerate the progress of commercial negotiation of BSS orders to mitigate the impact of order price pressure and signing delays
  - Grasp the opportunities for technological upgrades brought by "AI+" and "LLM+" etc., and actively participated in joint R&D with operators, ensuring the leading position in BSS traditional business
- Firmly expand Three New Business and maintain continuous growth in revenue
  - Accelerate the promotion and replication of digital intelligence-driven operations, and expand the scale of revenue from results-based and revenue-sharing charging models
  - Strengthen joint development in government-enterprise and international business with operators to strive for a larger share of cooperation and expand revenue scale
  - Continue to deeply explore key industries, e.g. energy, transportation, government affairs, consumption, automobiles and finance, in order to achieve sustained and high-quality growth in the non-telecommunications markets

Reduce expenses
Cost control efforts will be stepped up in 2H 24

- Rigorously controlling staff scale, strengthening the process management and the linkage of compensation and performance, and rationally allocating resources
- Expand centralised procurement and a one-stop platform for business spending in full coverage, effectively controlling daily costs and expenses

Dividend
Committed to providing shareholders with decent cash returns

- 2024 final dividend guidance: actively consider maintaining the amount of the final dividend per share at a relatively stable level year-on-year, on the basis of 40% of the profit attributable to the equity holders of the Company
- Dividend yield reached 9%*

* Dividend yield is calculated based on the amount of the last financial year's final dividend of HK$0.412 per share distributed in July 2024 and the closing price of the Company's shares as at 31 July 2024
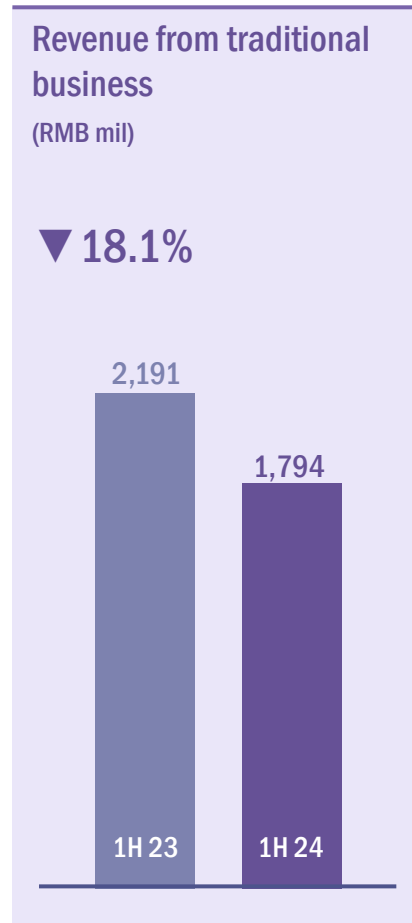
02

Financial Performance

Financial Overview

RMB'000	1H 24	1H 23	Change (%)
Revenue	2,994,262	3,281,994	(8.8%)
Incl: Revenue from Three New Business	1,200,082	1,091,417	10.0%
Proportion of revenue from Three New Business	40.1%	33.3%	6.8pp
Gross profit	738,281	1,144,107	(35.5%)
Gross profit margin (%)	24.7%	34.9%	(10.2pp)
Operating expenses	(839,870)	(955,061)	(12.1%)
Other incomes or losses	10,197	31,670	(67.8%)
Income tax credit / (expenses)	21,261	(8,420)	(352.5%)
Net (loss) / profit	(70,131)	212,296	(133.0%)
Net (loss) / profit margin (%)	(2.3%)	6.5%	(8.8pp)
Basic (loss) /earnings per share (RMB)	(0.06)	0.24	(125.0%)
Cash used in operating activities	(919,009)	(470,551)	95.3%

Decline in Traditional Business Pressured on Overall Revenue, while Revenue of Three New Business Continued to Increase
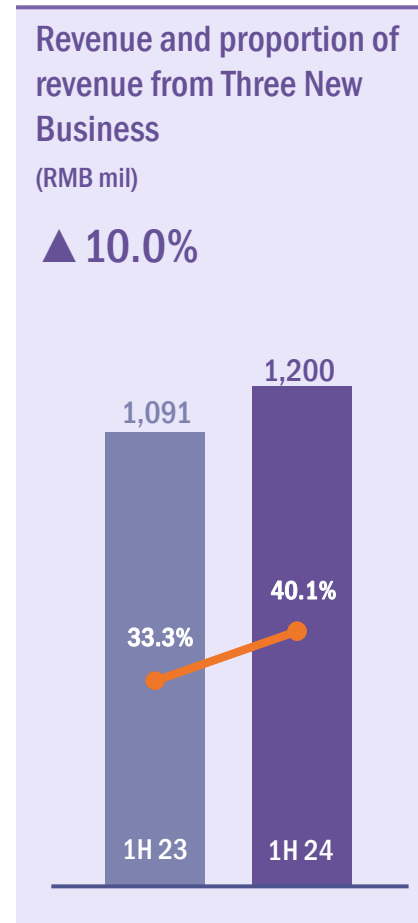
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Significant pressure on revenue
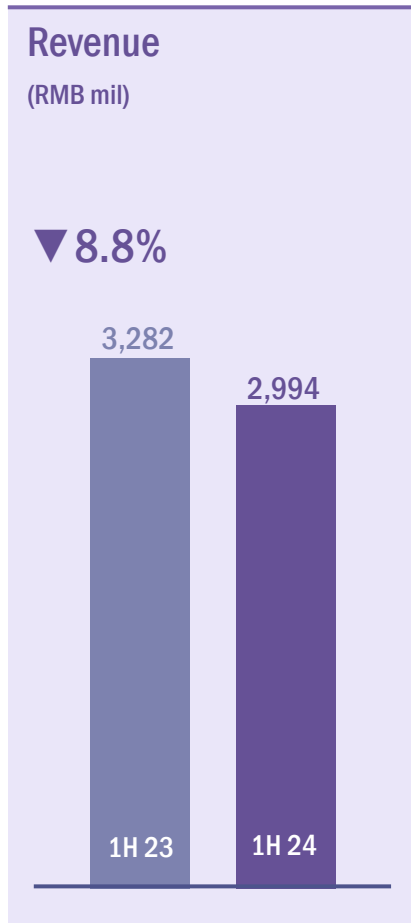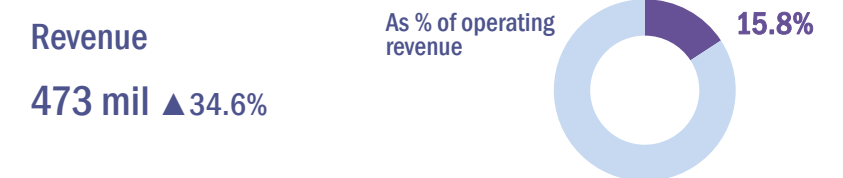
Double-digit decline in traditional business in the short-term

Three New Business continued to grow, accounting for 40% of the revenue

Revenue
(RMB mil)

▼8.8%

1H 23	1H 24
3,282	2,994

Revenue from traditional business
(RMB mil)

▼18.1%

1H 23	1H 24
2,191	1,794

Revenue and proportion of revenue from Three New Business
(RMB mil)

▲10.0%

1H 23	1H 24
1,091	1,200
33.3%	40.1%

Digital intelligence-driven operation

Revenue

447 mil ▼1.9%

As % of operating revenue 14.9%

Vertical industries digitisation

Revenue

473 mil ▲34.6%

As % of operating revenue 15.8%

OSS

Revenue

280 mil ▼1.6%

As % of operating revenue 9.4%

15

Further Stepped Up Initiatives in Costs Reduction and Efficiency Enhancement

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Cost of Sales
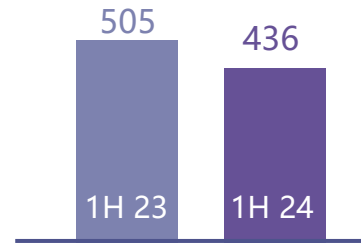(RMB mil)

▲5.5%

2,138 (1H 23)   2,256 (1H 24)
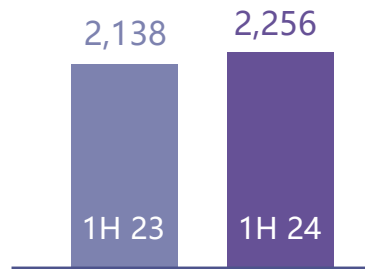
Cost of sales as % of revenue

75.3% ▲10.2pp

- Increased cost initiatives to drive vertical industries digitalisation business growth
- Costs trended down in traditional business

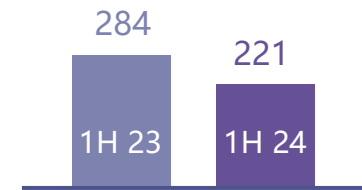## R&D Expenses
(RMB mil)

▼13.6%

505 (1H 23)   436 (1H 24)

R&D expenses as % of revenue

14.6% ▼0.8pp

- Continued to maintain investment in R&D and strengthen proprietary products capability
- Strengthen technological innovation to support the Company's strategic transformation

Selling Expenses
(RMB mil)

▼22.2%

284 (1H 23)   221 (1H 24)

Selling expenses as % of revenue

7.4% ▼1.2pp

- Focused on marketing efficiency and maintain a reasonable proportion of marketing expenses to revenue
- Aligned with strategic transformation to actively explore markets and continuously improved the new business sales system

Administrative Expenses
(RMB mil)

▲9.9%

167 (1H 23)   183 (1H 24)
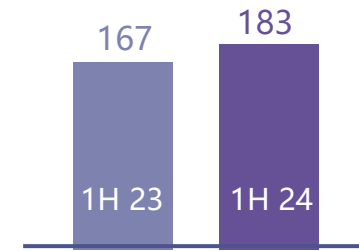
**Administrative as % of revenue**

6.1% ▲1.0pp

- Increase in termination benefits due to staff optimisation, excluding which, on downward trend
- Strengthen functional management efficiency to maintain administrative expenses at low percentage of revenue
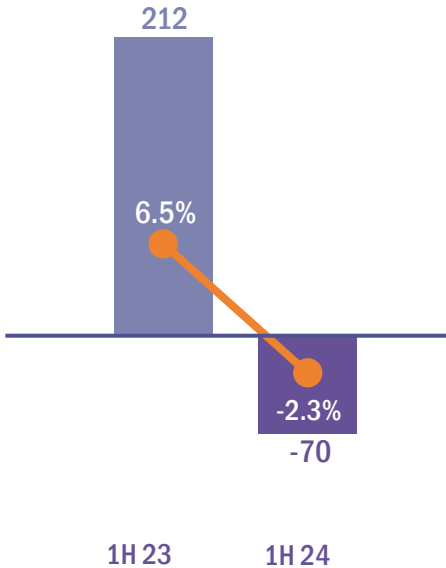
Initiatives for 2H 24

- Strengthen linkage of staff compensation and performance
- Strictly control staff scale
- Expand the scope of centralised procurement
- Increase the utilisation of the one-stop centralised business spending platform
- Step up control of daily expenses for all staff in all categories

16

Decline in Traditional Business Posed Significant Pressure on Interim Results, with Full-year Profit to Surpass Last Year

Gross profit
& gross profit margin

(RMB mil)

	1H 23	1H 24
	1,144	738
	34.9%	24.7%
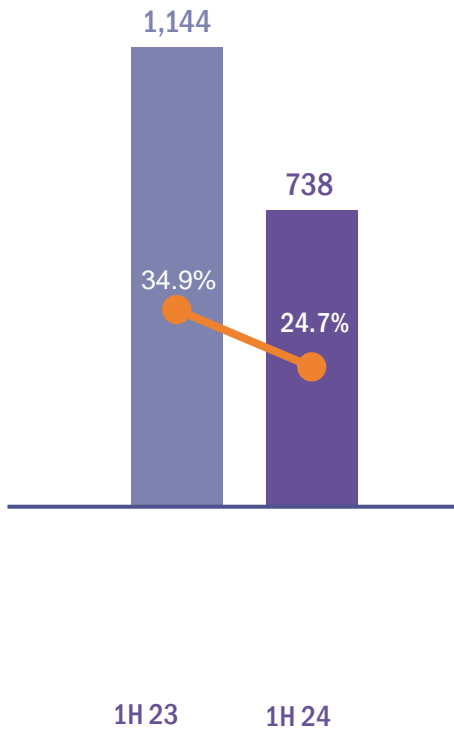
Net profit
& net profit margin

(RMB mil)

	1H 23	1H 24
	212	-70
	6.5%	-2.3%

Earnings per share

(RMB)

	1H 23	1H 24
	0.24	-0.06
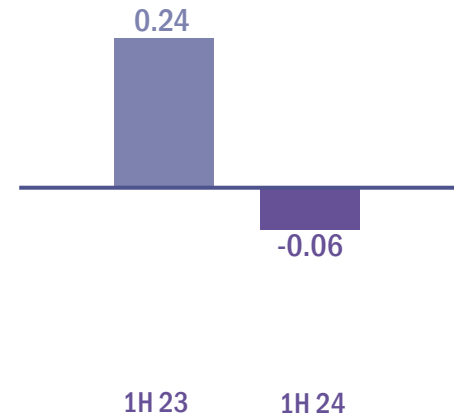
Appendix 1: Summary of the Consolidated Statement of Profit and Loss

RMB'000	1H 24	1H 23	Change	Change (%)
Revenue	2,994,262	3,281,994	(287,732)	(8.8%)
Incl: Revenue from Three New Business	1,200,082	1,091,417	108,665	10.0%
Cost of sales	(2,255,981)	(2,137,887)	(118,094)	5.5%
Gross profit	**738,281**	**1,144,107**	**(405,826)**	**(35.5%)**
Selling and marketing expenses	(220,714)	(283,570)	62,856	(22.2%)
Administrative expenses	(183,144)	(166,713)	(16,431)	9.9%
R&D expenses	(436,012)	(504,778)	68,766	(13.6%)
Other incomes or losses	10,197	31,670	(21,473)	(67.8%)
Income tax credit / (expenses)	21,261	(8,420)	29,681	(352.5%)
Net (loss) / profit	**(70,131)**	**212,296**	**(282,427)**	**(133.0%)**

Appendix 2: Summary of Consolidated Balance Sheet

RMB'000	2024/06/30	2023/12/31	Change	Change (%)
Current assets	**7,057,810**	**8,398,630**	**(1,340,820)**	**(16.0%)**
Incl: Trade and notes receivables	1,482,138	1,513,032	(30,894)	(2.0%)
Contract assets	3,410,603	3,105,931	304,672	9.8%
Prepayments, deposits and other receivables	318,814	265,114	53,700	20.3%
Restricted bank deposits	172,034	172,848	(814)	(0.5%)
Bank deposits, financial assets at FVTPL and term deposits	1,559,925	3,221,996	(1,662,071)	(51.6%)
Non-current assets	**2,945,786**	**2,885,902**	**59,884**	**2.1%**
Incl: Goodwill	1,932,246	1,932,246	-	-
Intangible assets	92,699	70,903	21,796	30.7%
Right-of-use assets	253,607	255,772	(2,165)	(0.8%)
Restricted bank deposits	148	100	48	48.0%
Current liabilities	**3,463,936**	**4,289,824**	**(825,888)**	**(19.3%)**
Incl: Trade and notes payables	1,055,736	993,618	62,118	6.3%
Contract liabilities	217,250	212,913	4,337	2.0%
Other payables, deposits received and accrued expenses	1,777,981	2,656,547	(877,566)	(33.0%)
Non-current liabilities	**392,070**	**394,309**	**(2,239)**	**(0.6%)**
Equity	**6,147,590**	**6,600,399**	**(452,809)**	**(6.9%)**

Thank You!