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

2018
ANNUAL REPORT

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CORPORATE PROFILE

AsiaInfo Technologies Limited (the "**Company**" or "**AsiaInfo Technologies**", together with its subsidiaries, collectively, the "**Group**") has listed its shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1675) on December 19, 2018. The history of the Group dates back to 1993 when we served as the provider of China's first-generation telecom software, we have collaborated extensively with each of China Mobile, China Unicom and China Telecom since the 1990s, supporting over one billion subscribers nationwide.

The Company is committed to becoming a digital transformation enabler of the large enterprises which aims to provide telecom operators and other large enterprise customers with software products and related service of business transformation and digitalization by leveraging our products, services, operations and integration abilities. According to a Frost & Sullivan report (the "**Frost & Sullivan Report**"), the Company is the largest telecom software product and related service provider in China, and the largest business support software product and related service provider in the telecom industry in China, with an extensive portfolio of over 500 mission-critical, carrier-grade software products, ranging from customer relationship management ("**CRM**"), charging & billing and big data to internet of things ("**IoT**") and 5G intelligent network products. As of December 31, 2018, the Company had 214 telecom operator customers, including the headquarters, provincial, municipal and specialized companies and joint ventures of China Mobile, China Unicom and China Telecom. The Company is also actively expanding its market share in China's non-telecom enterprise software product and related service market. As of December 31, 2018, the Company had 38 large enterprise customers in the cable TV, postal, financial services, power grid and automobile industries.

As of December 31, 2018, the Group had interests in the following subsidiaries/branches: AsiaInfo Technologies (H.K.) Limited (香港亞信科技有限公司), AsiaInfo Technologies (China), Inc. (亞信科技（中國）有限公司), AsiaInfo Technologies (China), Inc. Fuzhou Branch, AsiaInfo Technologies (China), Inc. Shenyang Branch, AsiaInfo Technologies (China), Inc. Guangzhou Branch, AsiaInfo Technologies (China), Inc. Shanghai Branch, AsiaInfo Technologies (China), Inc. Chengdu Branch, AsiaInfo Technologies (China) Inc., Hangzhou Branch, Shanghai AsiaInfo Online Technology Limited (上海亞信在線科技有限公司), Shanghai AsiaInfo Online Technology Limited Beijing Branch, Shanghai AsiaInfo Online Technology Limited Guangzhou Branch, Shanghai AsiaInfo Online Technology Limited Chongqing Branch, AsiaInfo (H.K.) Limited (香港亞信有限公司), Hong Kong AsiaInfo Technologies Limited (香港亞信技術有限公司), AsiaInfo Technologies (Nanjing) Inc. (亞信科技（南京）有限公司), AsiaInfo (H.K.) Development Limited (香港亞信發展有限公司), Guangzhou AsiaInfo Technology Co., Ltd (廣州亞信技術有限公司), Guangzhou AsiaInfo Technology Co., Ltd Fuzhou Branch, Guangzhou AsiaInfo Technology Co., Ltd Chengdu Branch, Guangzhou AsiaInfo Technology Co., Ltd Shanghai Branch, Guangzhou AsiaInfo Technology Co., Ltd Hangzhou Branch, Guangzhou Zhihui Online Technology Co., Ltd (廣州智匯在線科技有限公司), Beijing Shangxin Yitong Information Technology Co., Ltd. (北京尚信易通信息技術有限公司), Hangzhou AsiaInfo Software Co., Ltd. (杭州亞信軟件有限公司), Hangzhou AsiaInfo Cloud Information Technologies Limited (杭州亞信雲信息科技有限公司), Hangzhou AsiaInfo Cloud Information Technologies Limited Beijing Branch, Nanjing AsiaInfo Software Co., Ltd. (南京亞信軟件有限公司), Hunan AsiaInfo Software Co., Ltd. (湖南亞信軟件有限公司), AsiaInfo Big Data Limited, AsiaInfo Big Data (H.K.) Limited (亞信大數據（香港）有限公司), Beijing AsiaInfo Smart Big Data Co., Ltd. (北京亞信智慧數據科技有限公司), Beijing AsiaInfo Smart Big Data Co., Ltd Nanjing Branch, Beijing AsiaInfo Smart Big Data Co., Ltd Chengdu Branch, Beijing AsiaInfo Smart Big Data Co., Ltd Fuzhou Branch, Beijing AsiaInfo Smart Big Data Co., Ltd Hangzhou Branch, Beijing AsiaInfo Smart Big Data Co., Ltd Shanghai Branch and Beijing AsiaInfo Smart Big Data Co., Ltd Guangzhou Branch.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. TIAN Suning *(Chairman)*
Mr. DING Jian
Mr. GAO Nianshu *(Chief Executive Officer)*

Non-executive Directors

Mr. ZHANG Yichen
Mr. XIN Yuesheng
Mr. ZHANG Liyang

Independent Non-executive Directors

Dr. GAO Jack Qunyao
Dr. ZHANG Ya-Qin
Mr. GE Ming

AUDIT COMMITTEE

Mr. GE Ming *(Chairman)*
Dr. ZHANG Ya-Qin
Mr. ZHANG Liyang

REMUNERATION COMMITTEE

Dr. GAO Jack Qunyao *(Chairman)*
Dr. ZHANG Ya-Qin
Mr. XIN Yuesheng

NOMINATION COMMITTEE

Dr. TIAN Suning *(Chairman)*
Mr. GAO Nianshu
Dr. GAO Jack Qunyao
Dr. ZHANG Ya-Qin
Mr. GE Ming

STRATEGY AND INVESTMENT COMMITTEE

Mr. XIN Yuesheng *(Chairman)*
Dr. TIAN Suning
Mr. DING Jian
Mr. GAO Nianshu

JOINT COMPANY SECRETARIES

Ms. HE Qiongxiu
Ms. YU Wing Sze

AUTHORIZED REPRESENTATIVES

Mr. GAO Nianshu
Ms. YU Wing Sze

REGISTERED OFFICE

Craigmuir Chambers
Road Town
Tortola, VG1110
British Virgin Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN CHINA

AsiaInfo Plaza, Dong Qu
10 Xibeiwang Dong Lu
Haidian District
Beijing 100193
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

BVI PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
PO Box 10240
Grand Cayman, KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

LEGAL ADVISORS

As to Hong Kong law:
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27/F, Neich Tower
128 Gloucester Road, Wan Chai
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As to PRC law:
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9/F, Office Tower C1
Oriental Plaza, 1 East Chang An Avenue
Beijing
PRC

As to BVI law:
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99 Queen's Road Central
Hong Kong

COMPLIANCE ADVISOR

Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

East West Bank
3237 E. Guasti Rd.
Ontario, CA 91761
United States

China Merchants Bank
Beijing Jianguo Road Sub-branch
116 Jianguo Road
Chaoyang District
Beijing
PRC

China Merchants Bank
Nanjing Gulou Sub-branch
4 Beijing East Road
Nanjing, Jiangsu Province
PRC

STOCK CODE

1675

COMPANY'S WEBSITE

www.asiainfo.com

FINANCIAL HIGHLIGHTS

	2018	2017	Changes
Number of customers			
Telecom operator customers	**214**	193	10.9%
Large enterprise customers	**38**	28	35.7%

Financial data – continuing operation	**RMB million**	RMB million	
Revenue	**5,211.0**	4,948.3	5.3%
Revenue from the software business	**5,192.0**	4,824.9	7.6%
Gross profit	**1,882.6**	1,670.4	12.7%
Gross profit margin (%)	**36.1%**	33.8%	2.3 percentage points
Adjusted net profit[1]	**602.2**	463.6	29.9%
Adjusted net profit margin[1] (%)	**11.6%**	9.4%	2.2 percentage points
Net cash generated from operating activities	**583.3**	510.4	14.3%

Note 1: To facilitate comparisons of the overall operating performance of the Company 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 are not measures required by, or presented in accordance with, HKFRS 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 condition as reported under HKFRS. Please refer to "MANAGEMENT DISCUSSION AND ANALYSIS – Non-HKFRS Measurement Indicators" for more details.

CHAIRMAN'S STATEMENT

Dear Shareholders,

2018 was a meaningful year for AsiaInfo Technologies. On December 19, 2018 (the "**Listing Date**"), the shares of the Company were successfully listed on the Stock Exchange, raising capital of a net amount of approximately HK$901.6 million (after the exercise of over-allotment options). The listing of the Company is not only helpful in strengthening our leading position in the market of traditional software products and services, but also helpful in allowing the Company to have more new development opportunities. I hereby sincerely express my gratitude to our customers, shareholders of the Company (the "**Shareholders**") and staff.

2018 was also a year of rapid development, in which AsiaInfo Technologies recorded remarkable results. I, on behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, am pleased to present the first annual report for the year ended December 31, 2018 (the "**Reporting Period**") of the Company since the listing.

In 2018, the Company has enhanced the implementation of "Three New, Four Abilities" (三新四能) strategic thinking, committed to leveraging our products, services, operations and integration abilities, actively sourcing new clients, creating new business and exploring new models, and has achieved a good momentum of development and operating results which provided a strong base for sustainable growth in the future.

OVERALL RESULTS

In 2018, the Company maintained a healthy growth in revenue from continuing operations and the revenue from the software business maintained a stable growth, which amounted to approximately RMB5,192.0 million, representing an increase of 7.6% as compared with last year, which was the greatest increase in the last three years. In particular, the data-driven operation services achieved a rapid growth, almost doubling that of last year.

The adjusted net profit for 2018 amounted to approximately RMB602.2 million, representing a significant increase of 29.9% as compared with last year, and the adjusted net profit margin was 11.6%, achieving a good profitability level. The use of adjusted net profit from continuing operations is to easily compare the operating performance of the Company between periods. In view of this, we have eliminated the impacts of certain non-recurring, non-cash or non-operating items. Such impacts include share-based compensation, amortization of intangible assets arising from acquisition, interest expenses from the Privatization Syndicated Loan[1], exchange gain and loss, and the listing expenses. The adjusted net profit and adjusted net profit margin referred to in this annual report were adjusted pursuant to the principles as set out above.

Net cash generated from operating activities amounted to approximately RMB583.3 million, representing an increase of 14.3% as compared with last year, and the cash generating ability continued to strengthen.

REVENUE FROM THE SOFTWARE BUSINESS
RMB
5,192.0
MILLION
7.6%

ADJUSTED NET PROFIT
RMB
602.2
MILLION
29.9%

NET CASH GENERATED FROM OPERATING ACTIVITIES
RMB
583.3
MILLION
14.3%

BUSINESS REVIEW

Further reinforcing our leading position in the telecom operators market to maintain positive growth

We served as the provider of China's first-generation telecom software and services, and accumulated experience of more than 20 years in the telecom operators market. With leading research and development ("**R&D**") capabilities, products and services within the industry, we have collaborated extensively with the three major telecom operators in the PRC, supporting over one billion subscribers nationwide. We maintained an absolute leading position in the industry.

In 2018, the Company continued to expand its input on business support, 5G intelligent network, data-driven operating services, big data and artificial intelligence ("**AI**"), developing over 500 types of software products for telecom operators. We actively participated in the centralized reform of telecom operators, supporting the R&D of various large-scale information technology ("**IT**") projects. We took the initiative to grasp development opportunities provided by newly established specialized companies and participated in early business model design phase to provide a variety of software products and services. We actively explored the development opportunities of telecom operators in new business sectors such as IoT, data-driven operation, intelligent customer services and 5G intelligent network, and continuously develop the telecom operators market. As of December 31, 2018, the Company provided services to 214 telecom operator customers, representing an increase of 10.9% as compared with last year, and achieved a customer retention rate of over 99%.

Note 1: Refers to the loan borrowed in connection with the delisting of AsiaInfo Holdings, LLC ("**AsiaInfo Holdings**") from National Association of Securities Dealers Automated Quotations ("**NASDAQ**") Global Market of the United States, which was transferred to our Group in December 2015 and refinanced in 2018.

Actively deploying large enterprise customer market in non-telecom industries, and achieving breakthroughs in expansion of customers

With in-depth knowledge and understanding on the telecom operators market, precious skills and techniques in project management, and rich telecom grade software products, we are actively enhancing market shares in the non-telecom large enterprise customers market, providing support services to large enterprises on business transformation and data-driven operating services.

During the Reporting Period, the Company had put its focus on related industries such as postal, cable TV, banking, insurance, power grid and automobile and collaborated with large enterprises in the industry and made phenomenal progress, such as, the success in launching the CRM system for China Post online, obtaining the order of CRM system for China Life Property and Casualty Insurance Company Limited and PICC Life Insurance Company Limited, as well as entering the power grid industry to become the strategic partner of State Grid Limited ("**State Grid**") and its subsidiaries. As of December 31, 2018, the Company provided services to 38 non-telecom large enterprise customers, representing an increase of 35.7% as compared with last year, and achieved a customer retention rate of over 99%.

Rapid growth in data-driven operation business convening power for future growth

In light of the current wave of development in digitalization and informationization, customers from different sectors have pressing needs for digital transformation. The Company leveraged its strong data analyzing capability, professional modeling and IT capabilities, as well as in-depth understanding on operating environment and pain points of customers' business, to help corporations analyze market development and customer trends by providing them with software as a service ("**SaaS**") data-driven operation service tools through external data sources from multiple channels, achieving a win-win situation.

During the Reporting Period, the Company strived to cultivate the new business area of data-driven operating services. We provided major customers including operators, banking, insurance, automobile and public utility related industries with innovative data-driven operating services. And we actively expanded customer base and income sources with measures such as jointly establishing innovative laboratories on data-driven business with headquarters and subsidiaries of various telecom operators, establishing strategic partnership with China Merchants Bank, providing public utility operators with data-driven operating platform for population statistic management and safety control of dense crowd, etc. In 2018, data-driven operating services achieved a revenue of approximately RMB82.5 million with a nearly 100% increase, demonstrating our rapid business development and promising prospect.

Actively deploying IoT applications in vertical industries

Facing industry changes and development opportunities in the smart connection generation, the Company has reinforced its efforts in exploring and developing IoT sector and has established an innovative "IoT platform + IoT business application + IoT operation" business model.

In terms of smart communities and the Internet of Vehicles, we have developed mature applications for industries, providing IoT services. We also started our in-depth collaboration with well-known enterprises in real estates, properties and automobile industries, such as Beijing North Star Group, Kang Qiao Service, Desay SV, BYD Company Limited and Changan Automobile. As of December 31, 2018, the smart community platform products covered over 3 million users, activating over 200 communities. The Internet of Vehicles served over 6 million members of Changan Automobile and over 0.3 million high-end users of BYD Company Limited.

Fully launching products R&D for 5G, and the R&D of middle office began to yield

With the national strategic implementation to become a "Cyber power" and the immense innovation potential 5G technologies brought about telecom operators are speeding up to establish the next generation of communication technology infrastructure. The Company has fully initiated the products R&D for 5G, assisting operators to establish "full domain visualization, full domain intellectualization, full domain perceptual" advantages of 5G network. Meanwhile, we seized the development opportunities in the Industrial Internet era, and actively explored the service model with adaptation of SaaS in the Industrial Internet. Furthermore, the Company enhanced its middle office strategy, improving the centralized management of R&D of products, allowing the resumption of basic technology units through the middle office of R&D throughout the Company, so as to enhance the overall efficiency of the Company.

In 2018, in regard of business support, the Company focused on the 5G business model and scenario and launched a new generation of business support system mapping and preliminary research. We achieved a breakthrough in 5G intelligent network by introducing the strategies and plans for 5G intelligent network products, in which we established a series of product prototypes such as customer experience management product, network virtualization product, intelligent network analysis product, and collaborated with the research organizations or provincial companies under the three major operators to carry out pilot cooperation. In 2018, the Company joined the 3GPP (i.e. 3rd Generation Partnership Project) and became an independent member, allowing the Company to join global renowned operators and equipment manufacturers in the discussion and formulation of the standard code within the telecommunication industry. Besides, the Company participated in the construction of Industrial Internet platform for China Mobile, realizing the mechanism of full service with just one click under the quality Industrial Internet capability. In February 2019, the Company was elected as the vice-chairman member of the Alliance of Industrial Internet (工業互聯網產業聯盟), to jointly promote the development of Industrial Internet in the PRC with renowned enterprises in the industry.

Gradually implemented strategic synergy between capital and business levels

Through listing on the Main Board of the Stock Exchange and the successful introduction of four cornerstone investors, including Baidu Holdings Limited, Lenovo Manufacturing Limited, Shanghai WonderTek Software Co. Ltd. and Crotona Assets Limited (a wholly-owned subsidiary of Kingdee International Software Group Company Limited (listed on the Stock Exchange, Stock Code: 00268)), all of which were in the leading positions in their respective industries, synergy between capital and business level is gradually under development. Furthermore, we established strategic cooperation relationship with our business partners including China Mobile, China Unicom, China Telecom, China Merchants Bank, China Post and Changan Automobile.

In the future, we will continuously push forward our in-depth collaboration with various strategic investors and partners in related fields, and ally with strong partners for collaborative development.

Meanwhile, we actively seek investment opportunities through acquisitions that meet the strategies of the Company, in order to expand the scope of business and customer base of the Company, and get further growth momentum through external development.

Going forward

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

Lastly, on behalf of the Board, I would like to take this opportunity to thank our customers and all Shareholders who support and trust AsiaInfo Technologies, and express my sincere gratitude to all our staff who are making relentless effort for the realization of "Three New, Four Abilities".

TIAN Suning
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Summary

Our Group was established in 1993, and has 26 years of development history. According to the Frost & Sullivan Report, we are the largest telecom software product and related service provider in China, with a market share of approximately 25.3% as measured by revenue in 2017. As the provider of China's first-generation telecom software, we have collaborated extensively with each of China Mobile, China Unicom and China Telecom since the 1990s, supporting over one billion subscribers nationwide. These long-standing business relationships have provided us with deep insights into telecom operators' IT, network environment and business and operational needs, enabling us to develop an extensive portfolio of over 500 mission-critical, carrier-grade software products, ranging from CRM, charging & billing and big data, IoT and 5G intelligent network products.

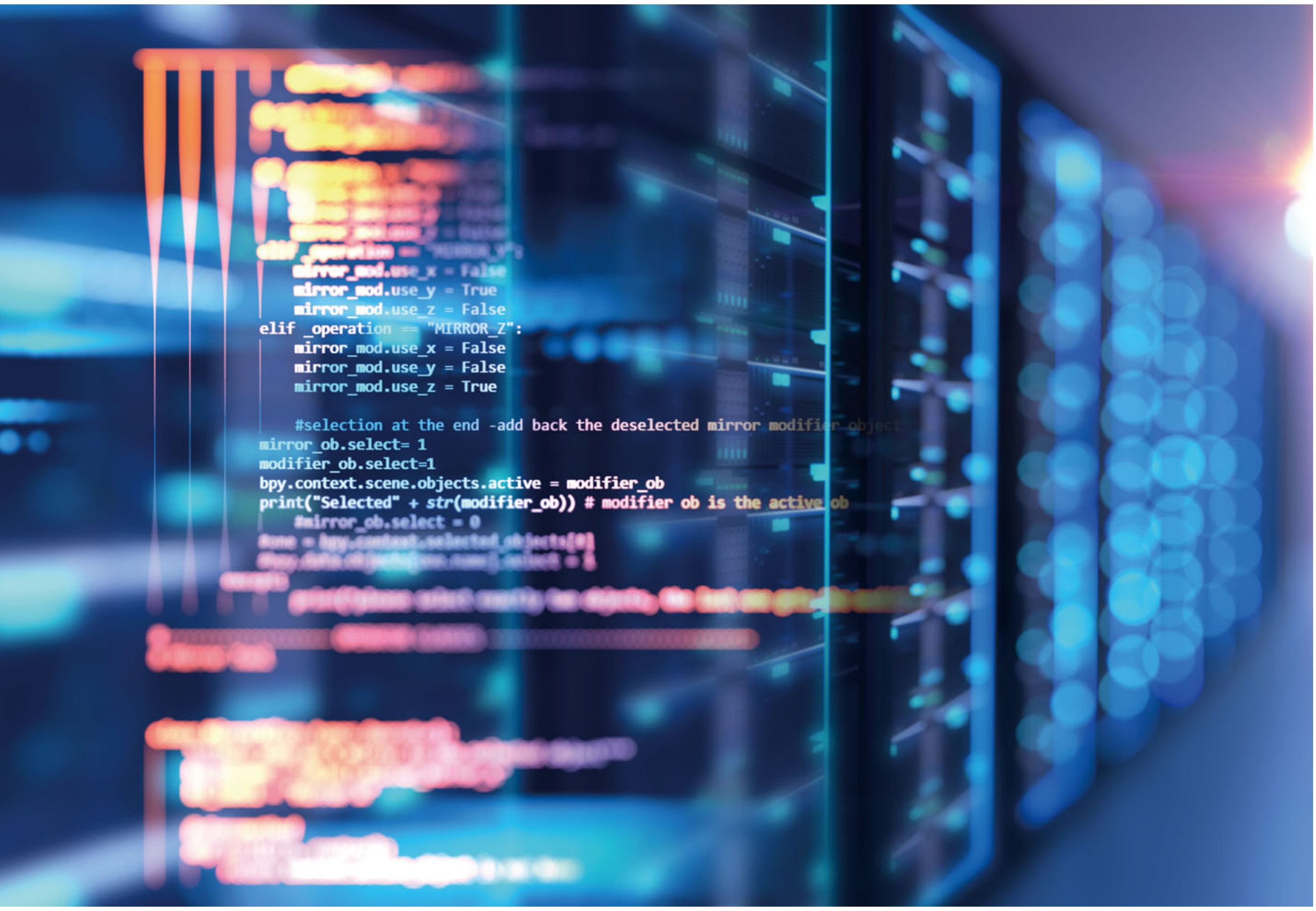
We take initiative to consolidate our leading position in telecom software product and related service market, while also actively expand our presence in China's non-telecom enterprise software product and related software market. With our extensive industry knowledge and expertise and solid leadership in the telecom software product and related service market, and a full-spectrum of highly-specialized, carrier-grade software product, we are in a significantly favorable position to address enterprises' needs in business transformation and digitalization.

During the Reporting Period, the Company had further enhanced implementation on the development strategy of "Three New, Four Abilities". Leveraging the abilities in products, services, operation and integration, we continuously sourced new customers, innovated new business, explored new patterns, and provided software products and related services for telecom operators and large enterprises for business transformation and digitalization. We also continued to create new values, striving to become the facilitator of digitalization transformation for large enterprises.

In 2018, the Company's strategy of "Three New, Four Abilities" has already started to yield results, achieved revenue from continuing operations of approximately RMB5,211.0 million, representing an increase of 5.3% comparing with 2017. We have 214 telecom operator customers, including the headquarters, provincial, municipal and specialized companies and joint ventures of China Mobile, China Unicom and China Telecom, representing an increase of 21 or 10.9% comparing with 2017. We have 38 large enterprise customers in the cable TV, postal, financial, power grid and automobile industries, representing an increase of 10 or 35.7% comparing with 2017. In four successive years, the retention rate was higher than 99% for our telecom operators and large enterprise customers. By serving both telecom and non-telecom enterprise markets with shared resources, management, expertise and technology know-how, we were able to leverage synergies in winning new business and maintaining competitiveness.

I. Further strengthening the leading position in telecom operators' market

In 2018, China's telecom operator industry had maintained steady growth as a whole. In the wake of products upgrade and fierce competition of network development of the telecom operators, investment in related sectors kept growing. According to the data from the Frost & Sullivan Report, it is estimated that between 2018 and 2022, the market scale of telecom software product and related service market in China will increase at a compound annual growth rate (the "**CAGR**") of 11.5% in terms of revenue, achieving RMB30.5 billion in 2022. During the Reporting Period, the three major operators in China had vigorously promoted centralized reform of the IT system, collective unification and upgrade of the system and the upgrade of big data platform and enhanced their effort in the layout of digitalization business. They have established a vast amount of specialized organizations, which had urgent needs in business support including online marketing, big data, customer services and customers experiences.



We provide telecom operators in China with a full-spectrum of mission-critical, carrier-grade software product portfolio, which including over 500 software products ranging from CRM, charging & billing and big data to IoT and 5G intelligent network products. These products are aimed to improve the level of automation of business operating infrastructure of telecom operators in China, streamline and optimize the infrastructure, and improve the business flexibility, operation efficiency and product rate while optimizing costs.

Based on the development trend and market demand of telecom industry, the Company increased the input on business support, 5G, intelligent network, data-driven operation, big data and AI products during the Reporting Period, we actively participated in the centralized reform, supporting the R&D of various large-scale IT projects; we also took the initiative to seize the development opportunities of telecom operators in new business sectors such as IoT, data-driven operation, intelligent customer services and 5G intelligent network in the telecom operators market, which further consolidated our leading position in the telecom software and service market. Revenue from telecom operator customers in relation to software business in 2018 amounted to approximately RMB5,042.6 million, representing an increase of 8.6% as compared with last year.

II. Actively mobilizing non-telecom industry large enterprise customers market

As the business transformation and digitalization of Chinese enterprises continued, the trend of digital transformation in the non-telecom operator sector was overwhelming. In 2018, various industries accelerated the transformation towards digitalization and informatization and were in urgent need of development in terms of CRM, big data analysis, marketing management and intelligent customer services. According to the Frost & Sullivan Report, the total market size of China's enterprise software product and related service market amounted to RMB279.2 billion in 2017, and is expected to increase at a CAGR of 11.1% from 2018 to 2022.

In view of customers demand in the non-telecom operator industry for digitalization transformation, we marketed our software products and services to large enterprise customers in the postal, cable TV, power grid, transportation, banking and insurance industries. We marketed some of our products developed for the telecom industry that can be used across industries to the enterprise customers in the non-telecom operator industry, such as CRM products and big data products, DevOps (development and operations) integrated development and operating platform and high stability platform. These technology platforms and tools are the results of our many years of experience in the telecom market and feature carrier-grade performance and stability.

During the Reporting Period, by leveraging our leading technologies in the digitalization products and professional serving capabilities, we had a breakthrough in the expansion of large corporate customers market. In 2018, the CRM system for China Post (中國郵政集團客戶關係管理系統) developed by the Company was successfully launched; We had made significant breakthroughs in the insurance market and secured CRM project from two large enterprise customers, namely China Life Property & Casualty Insurance Company Limited and PRC Life Insurance Company Limited; and we had successfully entered the power industry, achieved a breakthrough from zero to one, and established strategic cooperation relationship with the leading electric power company-State Grid and its subsidiaries. Revenue from large enterprise customers in 2018 amounted to RMB122.7 million, representing an increase of 9.1% as compared with last year.

III. New Business Sectors

Repaid Growth in Data-driven Operation Business

With the boom in the digital economy driven by intergenerational innovation and converged application of the current information communication technology, there are rising demands of enterprises from various sectors for data-driven operation services to increase the value of their existing customers, attract new customers and explore new business opportunities. Such enterprises are actively seeking collaboration with enterprise software product and service providers with strong data analytics and service capabilities and extensive industrial know-how. According to the Frost & Sullivan Report, the market size of China's data-driven operation service market by revenue will experience strong growth in the future, with an expected CAGR of 14.7% from 2018 to 2022. The market size will reach RMB138.3 billion in 2022.

In light of the development opportunities in the data-driven operation market, the Company developed hundreds of advanced models and algorithms based on big data and AI. The Company leveraged on its strong data analyzing capability, over one-hundred of industry data mining algorithms and models, as well as our in-depth understanding on operating environment and key points of customers' business, to provide SaaS scenario-driven operation services to customers from different industries, in order to expand customer base and new sources of income actively.

In 2018, the data-driven operation services of the Company recorded rapid growth and realized a revenue of RMB82.5 million, nearly a double of that of last year. The relevant products and services of the Company have gained high recognition from operators and customers from finance, automobile and public utilities industries and formed a stronger market influence.

Actively exploring IoT applications in vertical industries

Facing industry changes and development opportunities in the smart connection generation, the Company has reinforced its efforts in exploring and developing IoT sector and has established an innovative "IoT platform + IoT business application + IoT operation" business model.

In the field of smart community, we have created a new generation of smart community platform products, covering the IoT comprehensive management and control of community facilities and equipments, the ability to support community based businesses, the operation of community value-added service and marketing of the community membership system, providing customers with monitoring services covering facilities and equipment visualization, convenient community e-commerce services and multi-industry integration services, thereby realizing the preservation and appreciation in the value of equipment and assets as well as energy saving and emission reduction, and facilitating the transformation from real estate enterprises to community customer operators in the digital era. As of the year end of 2018, the smart community platform products of the Company has provided IoT application service for a number of renowned corporate clients within the industry, activating over 200 communities, we had over 3 million smart community users.

In the field of Internet of Vehicles, our Internet of Vehicles applied platform products, which has complete supporting ability of Internet of Vehicles applications, including fundamental abilities such as the ability to connect vehicles and cloud, the ability to collect vehicle running status data, the ability to manage basic vehicle information, the ability to manage the information of corresponding vehicle owners, the safety certification management ability to access the cloud by vehicles and owners, the ability to certify the real name of vehicle owners, and the ability to order and use cloud service by vehicle owners. As of the end of 2018, the Internet of Vehicles application platform products of the Company provided services to over 0.3 million high-end Internet of Vehicles users of BYD Company Limited and over 6 million Internet of Vehicles member users of Changan Automobile.

IV. Full launch of R&D of 5G and Industrial Internet products

In 2018, our middle office strategy began to yield. Leveraging on the R&D of our middle office products, basic technology units could be reused throughout the Company. At the same time, our products including CRM, billing and big-data gradually realized an intensive R&D and collective unification. It significantly enhanced the efficiency in delivering our projects, which in turn lifted the efficiency per capita in the Company as a whole.

The Company continued to increase its efforts in the R&D of 5G products by investing RMB584.7 million into R&D in 2018, representing an increase of 35.9% as compared with last year. As of December 31, 2018, the Company had 585 software copyrights, 34 patents and 70 patent applications, representing a significant increase as compared with 2017, which demonstrated that the results for increasing efforts in R&D of the Company was remarkable.

For business support products, the Company took an early step to deploy and launch system mapping and preliminary research on the new generation of the business support system, for example, product configurations supporting 5G slices network, accepting and launching of 5G slices network, billing of large scale connection under the 5G IoT setting, billing of 5G real-time low latency. Our efforts in R&D is a boost for reinforcing the leading position of the Company in the business support market.

For the R&D of 5G intelligent network, with the acceleration of 5G commercial application, the extensive application scenarios in 5G era raised and new requirements for the existing network system of the operators, the network structure and network intelligence reconstruction will be an irresistible trend, which brings new opportunities for neutral IT vendors such as AsiaInfo Technologies. In 2018, the Company officially launched the product strategy of 5G intelligent network, helping telecom operators to establish operating service bearing full domain visualization, full domain intellectualization, full domain perceptual advantages of 5G network. In regard of R&D, the Company commenced pilot cooperation initiative with R&D institution or province level corporations owned by the top 3 operators.

In the field of general technology platform, the Company further increased its input in R&D, produced a series of standardized products in 2018, including infrastructure platform and integrated development and operating platform. These products have been successfully applied to key business systems for hundreds of customers in industries such as telecom operators, postal, banking and insurance.

In February 2019, the Company was elected as the vice-chairman member of the Alliance of Industrial Internet (工業互聯網產業聯盟), to jointly promote development of Industrial Internet in the PRC with renowned enterprises in the industry.

V. Strategic Cooperation and Business Collaboration

In 2018, the Company increased its strategic cooperation with telecom operators and leading enterprises in the internet, banking, postal and automobile industries, in order to achieve a win-win cooperation and a business synergy by the Company and its partners via complementation of each other's advantages and mutual trust and promotion. The Company conducted joint research and project cooperation with its partners as appropriate by leveraging on technological innovation to jointly develop customers and markets so as to achieve business growth.

In addition to the capital cooperation, we also established a strategic cooperative partnership with Baidu, our cornerstone investor. The Company and Baidu will have an in-depth cooperation in intelligent service, big data and AI, IoT platform and application, 5G application and research as well as talent co-shaping and training. Both parties will make a concerted effort in business development and marketing to provide quality products and services for telecom and non-telecom industries customers by giving full play to AsiaInfo Technologies' advantages in customized development, technology integration and tailor-made operation and maintenance and by combining Baidu's advanced AI, big data, cloud computing and other advantageous technologies with AsiaInfo Technologies' mature products and solutions.

We established a strategic cooperation with China Merchants Bank. Through data from multiple channels and leveraging on our capabilities in areas such as data analysis, data modeling, customer insight and scenario operations in communications industry over the years, so as to assist China Merchants Bank in building capability in customer scenario operation, thereby increasing conversion rate of customer acquisition and accuracy in reaching customer, reducing costs of customer acquisition and enhancing customers' experience.

2019 Prospects

As the era for 5G kicks off, new technologies such as AI, big data, IoT and cloud computing are sparking a wave of a new round of industrial digitization. Regardless of what market we are in, be it the traditional telecom industry market which we have deeply cultivated, or the emerging business market which we have been actively exploring, digitalization has been continuously deepening and business model has been continuously innovating. In 2019, insisting on a guidance strategy of "Three News, Four Abilities" and driven by a business strategy of "One consolidation, Three developments" as growth diver, the prospect is broad and promising.

In the field of business support, we will capture the opportunities from the change in the 5G business model and scenario of operators, and provide our customers with the new generation of CRM, billing and big-data platform in the era of 5G, in order to continuously reinforce our leading position in telecom operators market.

In the field of 5G intelligent network, we will seize the trend of the operators adopting software, cloud and open system, leveraging the advantages of AsiaInfo Technologies as a neutral IT firm and our knowledge in the fields of business support, providing telecom operators a new generation of 5G intelligent network products that enable "full domain virtualization, full domain intellectualization, full domain perceptual" and assisting them to realize supporting functions in both their business and network, for transformation into competitive players in the era of 5G.

In the field of vertical industries, we focus on areas related to postal, finance, broadcast, industrial, with our core knowhow in 5G intelligent network, we provide end-to-end digitalized solution to customers of such industries through consolidating capabilities of operators in 5G network slices and knowledge in some of our strategic partners.

In the field of data-driven operation, leveraging on data, algorithm and scenarios capabilities, we offer all-rounded data-driven operation solutions to customers in sectors including public utility, banking, insurance, automobile and power grid.

FINANCIAL OVERVIEW

Summary

In 2018, the Company has enhanced the implementation of "Three New, Four Abilities" strategic thinking, and has achieved a good momentum of development and operating results. In 2018, the revenue from continuing operations of the Company amounted to approximately RMB5,211.0 million (2017: approximately RMB4,948.3 million), representing a year-on-year increase of 5.3%, among which, our revenue from software business amounted to approximately RMB5,192.0 million (2017: approximately RMB4,824.9 million), representing a year-on-year increase of 7.6%, representing the greatest increase for the last three years.

In 2018, our gross profit from continuing operations was approximately RMB1,882.6 million (2017: approximately RMB1,670.4 million), representing a year-on-year increase of 12.7%, and our gross margin was 36.1% (2017: 33.8%), returning to historical average level. The adjusted net profit from continuing operations for the year amounted to approximately RMB602.2 million (2017: approximately RMB463.6 million), representing a significant increase of 29.9% as compared with last year, and the adjusted net profit margin was 11.6% (2017: 9.4%), achieving a good profitability level.

In 2018, our net cash generated from operating activities amounted to approximately RMB583.3 million (2017: approximately RMB510.4 million), representing a year-on-year increase of 14.3%, demonstrating our on-going capability to enhance cash generation.

Non-HKFRS 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 impact of items which are, in the view of our management, not indicative of our business performance. Our management also adopts the same approach to understand and assess our operating results. We expect that the impact of reconciliation items will decrease gradually from year 2019.

The adjusted net profit from continuing operations for 2018 increased significantly by 29.9% to approximately RMB602.2 million (2017: approximately RMB463.6 million) in 2018. The following tables reconcile our adjusted net profit from continuing operations for the periods indicated to the profit for the year from continuing operations in accordance with HKFRS:

	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Reconciliation of profit for the year from continuing operations to adjusted net profit		
Profit for the year from continuing operations	204,234	335,176
Add:		
Share-based compensation	155,502	73,489
Amortization of intangible assets due to acquisition	34,295	52,331
One-off listing expenses	54,096	30,603
Interest expenses for the Privatization Syndicated Loan	49,514	56,031
Exchange loss (gain), net	104,517	(84,029)
Adjusted net profit from continuing operations	602,158	463,601

Revenue

In 2018, our revenue amounted to approximately RMB5,211.0 million (2017: approximately RMB4,948.3 million), representing a year-on-year increase of 5.3%, primarily due to the increase of revenue from software business. Such increase was partly offset by the decrease in revenue from the network security business.

The growth of newly added orders of the Company was over 12% in 2018 compared with that of 2017, and the proportion to backlog orders at year end to average monthly revenue was over 5 months.

Software Business

Our revenue from software business amounted to approximately RMB5,192.0 million in 2018 (2017: approximately RMB4,824.9 million), representing a year-on-year increase of 7.6%, primarily due to the increase in revenue from the business of software products and related services and the data-driven operations for telecom operator customers and large enterprise customers.

The following table sets forth the breakdown of our revenue from continuing operations by product and service category, both in absolute amounts and as percentages of our total revenue from continuing operations, for the periods indicated:

	2018		2017	
	RMB'000	%	RMB'000	%
Revenue from continuing operations				
Software business:				
Software products and related services	4,852,159	93.1	4,541,482	91.8
Data-driven operation services	82,489	1.6	41,745	0.8
Others	257,315	4.9	241,652	4.9
Total software business	5,191,963	99.6	4,824,879	97.5
Network security business	19,014	0.4	123,445	2.5
Total	5,210,977	100	4,948,324	100

The revenue of software business from the provision of software products and related services amounted to approximately RMB4,852.2 million (2017: approximately RMB4,541.5 million), representing an increase of 6.8%. Such increase was primarily due to our active expansion of the specialized company customers of telecom operators and non-telecom market customers, and the increased demand from new and existing telecom operator customers driven by continuous core products upgrade and increase in popularity of our big data and IoT products. Revenue of software business from the provision of software products and related services accounted for approximately 91.8% and 93.1% of the total revenue in 2017 and 2018, respectively.

In 2018, revenue of software business arising from provision of data-driven operation services amounted to approximately RMB82.5 million (2017: approximately RMB41.7 million), representing a significant year-on-year increase of 97.6%, which was primarily due to the combination of our own AI and industry scenario design capabilities to launch products for operators, financial and automobile industry customers, which enhances their profitability, resulting in significant growth in customer demand. Revenue of software business from the provision of data-driven operation services accounted for approximately 0.8% and 1.6% of the total revenue in 2017 and 2018, respectively.

Other revenue of software business for 2018 amounted to approximately RMB257.3 million (2017: approximately RMB241.7 million), representing a year-on-year increase of 6.5%, primarily due to an increase in customer demand for our procurement of third-party hardware and software. In 2017 and 2018, other revenue of software business remained as accounting for 4.9% of our total revenue.

The following table sets forth the breakdown of our revenue from continuing operations by customer groups, both in absolute amounts and as percentages of our total revenue from continuing operations, for the periods indicated:

	2018		2017	
	RMB'000	%	RMB'000	%
Revenue from continuing operations				
Software business:				
Telecom operators	5,042,613	96.8	4,644,559	93.9
Large enterprises	122,674	2.3	112,465	2.3
Small and medium-sized enterprises	26,676	0.5	67,855	1.3
Total software business	5,191,963	99.6	4,824,879	97.5
Network security business	19,014	0.4	123,445	2.5
Total	5,210,977	100	4,948,324	100

The revenue of software business for 2018 from telecom operators customers amounted to approximately RMB5,042.6 million (2017: approximately RMB4,644.6 million), representing a year-on-year increase of 8.6%. Such increase was primarily due to (i) the continuous expansion of specialized company customers of telecom operators, which further reinforced our leading position in the telecom operators market; (ii) increased demand from existing telecom operator customers driven by continuous system upgrade and expansion and increase in popularity of our big data and IoT products; (iii) the significant increase in demand for data-driven operation service, by which we helped telecom operators to enhance their capacities in data-driven operation and driving revenue growth, with the deepening and advancing of the digitalization transformation of telecom operators.

The revenue of software business for 2018 from large enterprise customers amounted to approximately RMB122.7 million (2017: approximately RMB112.5 million), representing an increase of 9.1%. Meanwhile, the revenue from small and medium-sized enterprises amounted to approximately RMB26.7 million (2017: approximately RMB67.9 million), representing a decrease of 60.7%. Such fluctuations were due to our continuous effort in deploying the non-telecom market with insistence strategy of focusing on large enterprise customers of vertical industries including postal, power grid, banking and automobile.

Cost of Sales

In 2018, we incurred cost of sales of approximately RMB3,328.4 million (2017: approximately RMB3,277.9 million), representing a year-on-year increase of 1.5%, with share-based compensation expenses being excluded, the cost of sales in 2018 was approximately RMB3,277.3 million (2017: approximately RMB3,270.0 million).

Gross Profit and Gross Margin

In 2018, our gross profit was approximately RMB1,882.6 million (2017: approximately RMB1,670.4 million), and our gross margin was 36.1% (2017: 33.8%). The increase in gross margin in 2018 was primarily due to the yield of our product middle office strategy, which improved efficiency in project execution and delivery through continuous reinforcement of digitalized project management by enhancing the common application of intermediate components and promote collective unification.

Selling and Marketing Expenses

In 2018, our selling and marketing expenses amounted to approximately RMB508.4 million (2017: approximately RMB481.8 million), representing a year-on-year increase of 5.5%, with share-based compensation expenses and amortization of intangible assets due to acquisition being excluded, the selling and marketing expenses for 2018 amounted to approximately RMB439.0 million (2017: approximately RMB404.2 million), primarily because we had carried out more sales and marketing activities to expand new businesses and new customers.

Administrative Expenses

In 2018, our administrative expenses amounted to approximately RMB332.8 million (2017: approximately RMB403.8 million), representing a year-on-year decrease of 17.6%, with share-based compensation expenses being excluded, the administrative expenses in 2018 amounted to approximately RMB284.7 million (2017: approximately RMB367.1 million), primarily due to severance payments incurred from enhancement of staff deployment in 2017 which was not incurred in 2018.

Research and Development Expenses

In 2018, our R&D expenses amounted to approximately RMB584.7 million (2017: approximately RMB430.2 million), representing a year-on-year increase of 35.9%, with share-based compensation expenses being excluded, the R&D expenses in 2018 amounted to approximately RMB563.5 million (2017: approximately RMB426.7 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 5G intelligent networks.

Income Tax Expenses

In 2018, the income tax expenses amounted to approximately RMB108.9 million (2017: approximately RMB88.6 million), and the effective income tax rate calculated based on the adjusted profit before tax was 15.3% (2017: 16.0%), maintaining the effective tax rate at a stable level.

Profit for the year

In 2018, our profit for the year from continuing operation amounted to approximately RMB204.2 million (2017: approximately RMB335.2 million), representing a year-on-year decrease of 39.1%. Such decrease was primarily due to the increase in recognition of share-based compensation fees for employees, and foreign exchange loss recognized for foreign currency borrowings due to the effect of exchange rate changes in RMB to US dollars.

Financial Position

Net Current Assets

Our net current assets as of December 31, 2018 was approximately RMB133.4 million (December 31, 2017: approximately RMB462.3 million), representing a year-on-year decrease of 71.1%. The change was primarily due to the one-off refinancing of Privatization Syndicated Loan in 2018, resulting in such amount accounted for as current and non-current bank borrowings as at December 31, 2017 being accounted for as current bank borrowings as at December 31, 2018; meanwhile, the guarantee deposits for refinancing (which were accounted for as cash as at December 31, 2017) was accounted for as current and non-current pledged bank deposits as at December 31, 2018. The guarantee deposits mentioned above will be released pursuant to our repayment schedule in 2019, to supplement the working capital of the Company, and enhance the position of net current assets.

Trade and notes receivables

Our trade and notes receivables represent outstanding trade and notes receivables from our customers for the purchase of our products or services. As at December 31, 2018, trade and note receivables amounted to approximately RMB764.9 million (December 31, 2017: approximately RMB888.4 million), representing a year-on-year decrease of 13.9%. Meanwhile, turnover days decreased to 57.9 days (2017: 61.4 days), which was primarily due to that we enhanced the project development progress and payment settlement process management.

Contract assets and contract liabilities

Contract assets represent our rights to receive consideration for contract work completed and not yet billed, because such rights are conditioned on our future performance in achieving specific contract milestones. Contract assets are transferred to trade receivables when the rights to receive consideration become unconditional, typically on the date of issuance of acceptance reports by our customers. The remaining rights to receive consideration or performance obligations under a particular contract are accounted for and presented on a net basis, either as contract assets or as contract liabilities. Changes in contract assets and contract liabilities were primarily due to that we enhanced project development progress management.

Goodwill

As at December 31, 2018, our goodwill amounted to approximately RMB1,932.2 million (December 31, 2017: approximately RMB1,932.2 million), which was primarily arisen from the business combination completed in 2010. During the Reporting Period, no indication for impairment of goodwill was identified and we did not record any goodwill impairment loss.

Trade and notes payables

Our trade and notes payables represent outstanding trade and notes payables to third-party hardware and software suppliers and outsourcing service providers. As at December 31, 2018, trade and notes payable amounted to approximately RMB356.3 million (December 31, 2017: approximately RMB612.5 million), representing a year-on-year decrease of 41.8%, while turnover days decreased to 53.1 days (2017: 78.2 days), mainly due to accelerating the payment settlement with our suppliers.

Indebtedness and Contingencies

As of December 31, 2018, we had total borrowings of approximately RMB1,915.5 million (2017: approximately RMB1,747.3 million), with a gearing ratio[1] of 59.2% (2017: 57.5%), primarily comprised of the Privatization Syndicated Loan transferred to our Group in December 2015. None of our existing indebtedness included any material covenants or covenants that could potentially limit our ability to incur new indebtedness. In February 2019 and March 2019, we have repaid bank loans of US$99.8 million and approximately HK$470.7 million (equivalent to approximately RMB1,077.4 million in total) by utilizing a part of the proceeds from the global offering and internal resources.

As of the date of this report, other than as disclosed in this report, we did not have any plan for material external debt financing, and we did not have any outstanding debt securities, charges, mortgages, or other similar indebtedness, hire purchase, financial leasing commitments, any guarantees or other material contingent liabilities. Details for our capital commitments and operating leasing commitments, please refer to notes 41 and 42 as set out in the consolidated financial statements.

Cash Flow

Our business is capable of generating cash, as well as maintaining a healthy cash flow level. Through our continuous effort in enhancing internal efficiency and speeding up settlement process, the net cash generated from operating activities of the Group in 2018 amounted to approximately RMB583.3 million (2017: approximately RMB510.4 million), representing a year-on-year increase of 14.3%.

Our net cash used in investing activities in 2018 was approximately RMB792.0 million (2017: approximately RMB65.7 million), which was mainly due to the net placement of pledged bank deposits of RMB540.7 million as a result of refinancing of the existing borrowings in 2018, and the purchase of unsecured wealth management of RMB210.0 million.

Our net cash generated from financing activities in 2018 was approximately RMB584.9 million. Such cash inflow was mainly due to the proceeds from the issuance of new shares in the Global Offering. In 2017, we recorded net cash used in financing activities of approximately RMB552.5 million. Such cash outflow was mainly due to the repayment of bank borrowings of RMB1,935.2 million, partially offset by new bank borrowings raised of approximately RMB1,515.5 million.

Note 1: gearing ratio was calculated by dividing total borrowings by total equity and times 100%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

ABOUT THIS REPORT

Guidelines for this Report

This report aims to report the performance of the Group in the environmental and social aspects during 2018. The Company has prepared this Environmental, Social and Governance Report (the "**ESG Report**" or "this **Report**") in accordance with Appendix 27 "Environmental, Social and Governance Reporting Guide" (the "**Guide**") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") .

Scope of this Report

This Report covers the Reporting Period. Unless otherwise stated, the content of this Report covers the Group under its main businesses.

Statement on this Report

According to the statement based on the Guide, this Report is prepared with four reporting principles of the ESG Guide and disclosed in compliance with materiality, quantification, balance and consistency. The Group determines the key disclosures of this Report through materiality analysis, discloses the quantifiable environmental and social performance, and applies consistent methodologies for reporting in the future. In addition, the Group has complied with all the "comply or explain" provisions as set out in the Guide for the information disclosure in this Report.

Advice and Feedback

If you have any advice on the ESG Report of the Group or its relevant work concerning sustainable development, please feel free to contact with us via email: aisw-emtoffice@asiainfo.com.

COMMUNICATION WITH STAKEHOLDERS

Daily Communication with Stakeholders

The stakeholders of the Group are those persons or organizations involved in the Group's operating activities. They may have a significant impact on the Group's business and may also be affected by the Group's business. The Group incorporates the opinions of various stakeholders into the management of corporate sustainable development and expects to address different stakeholders' concerns on the fulfillment of environmental and social responsibilities by the Group through this Report. At present, the stakeholders of the Group mainly include investors, employees, customers, suppliers, regulators and peer companies.

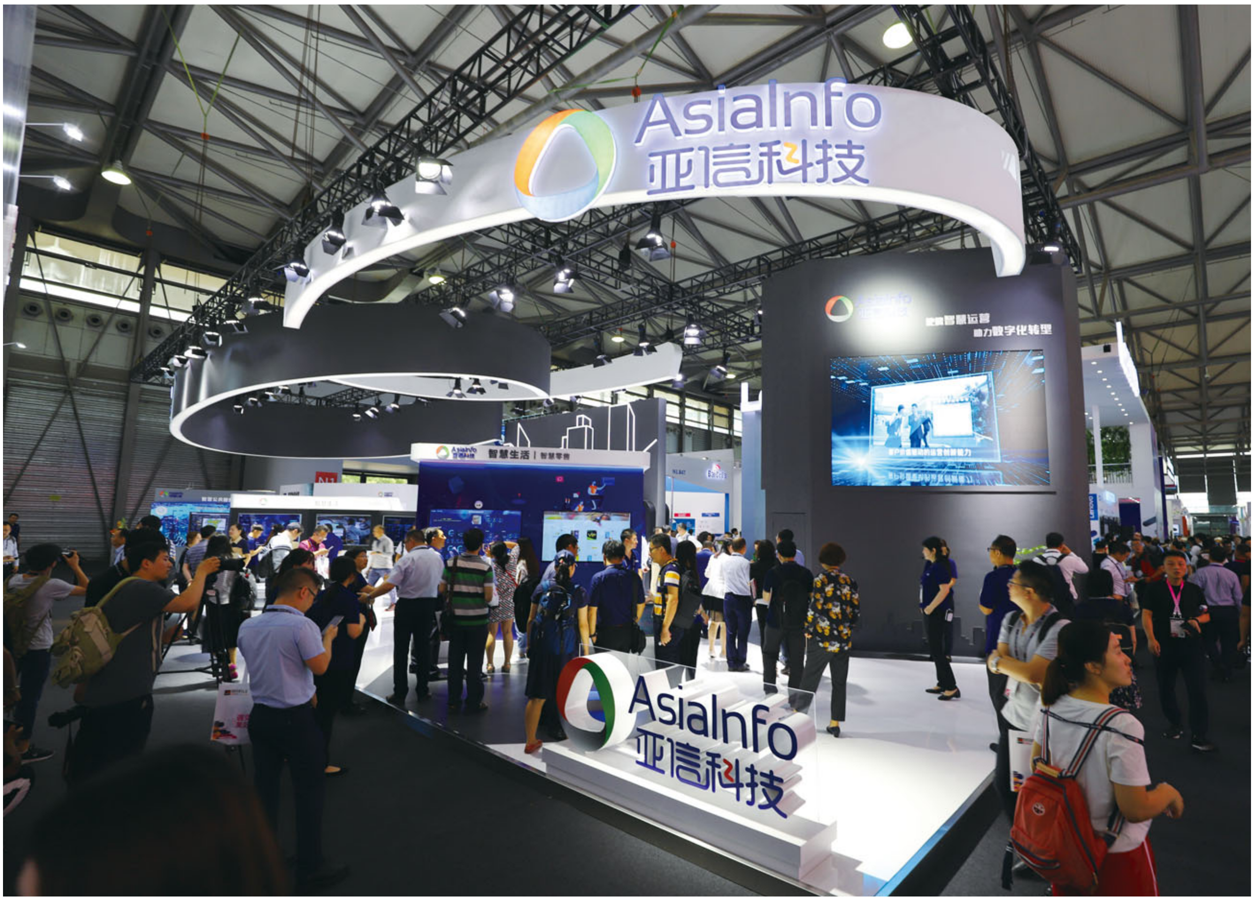
Stakeholders	Expectations and Demands	Response Channels
Investors	➢ Good investment returns ➢ Transparent information disclosure	➢ Regular performance release meetings and Shareholder meetings ➢ Timely disclosures ➢ Improvements in investor relation management
Employees	➢ Provision of good career development platform ➢ Provision of healthy and safe workplace	➢ Provision of market-competitive packages ➢ Provision of various trainings ➢ Improvements in safe production system
Customers	➢ Provision of good software products and related services ➢ Continuous improvements in service quality	➢ Continuous R&D of new products ➢ Improvements in quality management system
Suppliers	➢ Cooperation and win-win	➢ Improvements in supply chain management mechanism
Regulators	➢ Compliance with laws and regulations	➢ Strict compliance with laws and regulations in relation to business
Peer companies	➢ Fair competition ➢ Promotion of industry progress	➢ Continuous R&D of new products ➢ Participation in industry development forum

Held an Investor Promotion Conference

Held a Press Conference

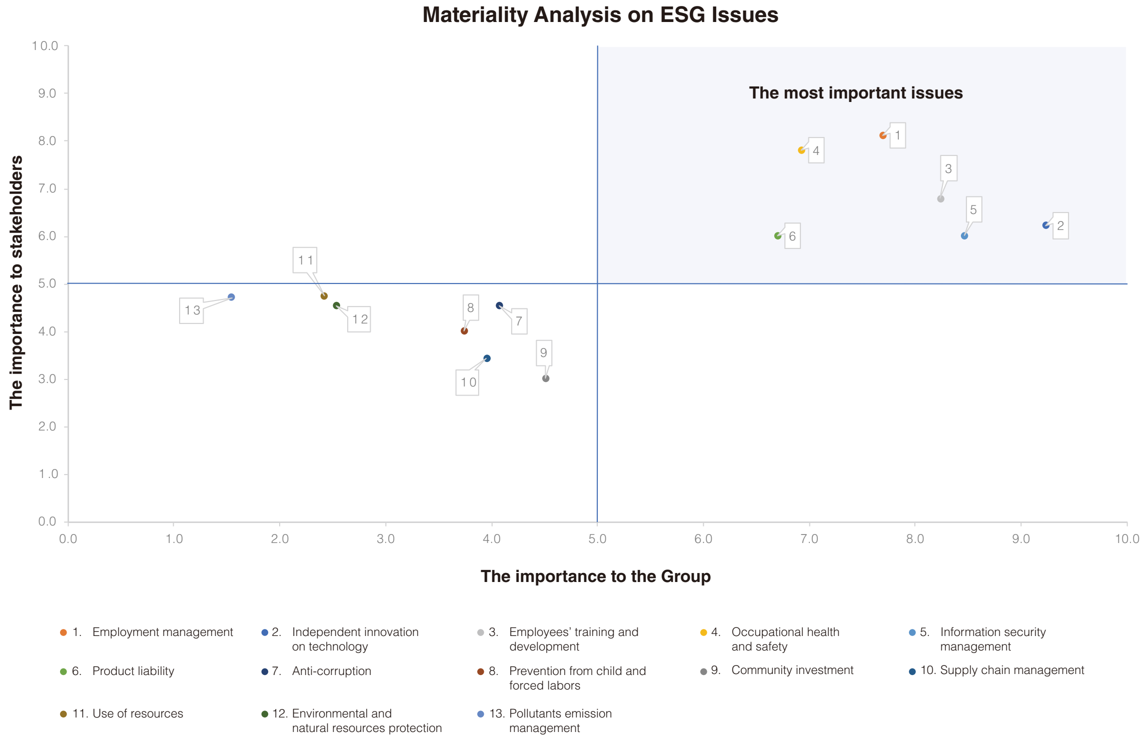
Case: Attendance at MWC Shanghai 2018

On June 27, 2018, Mobile World Congress Shanghai 2018 was held in the Shanghai New International Expo Centre. The Group, as a pioneer in the communications software product and service market of China, made its debut together with many other enterprises from the Internet of Vehicles, Smart Community, Smart Retail and Smart Public Service sectors. The chairman of the Company was invited to give a keynote speech at the "Better Future of Internet Technology" Forum, while the deputy general manager of the Company's Business Division was invited to give a keynote speech at the "Future Automotive Summit" Forum to discuss the development direction of the industry with peer enterprises.



Materiality Analysis on ESG Issues

In order to effectively make response to the expectations and concerns of stakeholders, the Group has for the first time adopted the questionnaire to understand how stakeholders are concerned about our sustainability issues during the year. A total of 322 internal employees and management personnel have participated in completing the questionnaire. The Group will gradually improve the communication mechanism for stakeholders and consider engaging more stakeholders in materiality analysis in the future. As confirmed by the analysis of the Group, the materiality of each issue has been ranked in order from 1 to 13, among which issues identified as highly important will be highlighted in the sections below. The results of materiality analysis are not only used for the preparation of this Report, but also serve as references for the Group to formulate works concerning the sustainable development in the future, specifically address relevant issues that are most important to stakeholders and the Group, and promote the sustainable development of enterprises in an effective manner.



Materiality Issues[1] (materiality rankings from the highest to the lowest)	Corresponding Sections in this Report
1. Employment management	➢ Employment Management
2. Independent innovation on technology	➢ Research and Development of Technology
3. Employees' training and development	➢ Training and Development
4. Occupational health and safety	➢ Occupational Health and Safety
5. Information security management	➢ Information Security Management
6. Product liability	➢ Product Liability

Note: 1. Only the most important issues are included

TECHNOLOGY DEVELOPMENT

Research and Development of Technology

As one of the first-generation suppliers of telecom software in China, the Group considers providing products and services that close to market demand as its important responsibility. The Group has established a product and technology committee, which is chaired by our chief technology officer and is comprised of senior executives from our product R&D center, quality assurance team, pre-sales consulting team and business divisions. This committee is responsible for formulating our technology strategies and directing our R&D activities accordingly. We have focused our R&D efforts on continuous innovation based on advanced technologies and driven by customer demands, and conducted substantially all of our R&D activities in-house. Our R&D activities include: product planning according to customer needs, R&D on new products, expanding and enhancing the capabilities of existing products, improving the quality of our delivering services, quality assurance and increasing operating efficiency.

The Group has established management measures for the R&D Projects on AsiaInfo Software Products (《亞信軟件產品研發項目管理辦法》) to regulate the approval, management process and completion of product R&D projects. This system is applicable to all software product R&D projects of the Group. The control process of the Group's product R&D is as shown below:

R&D Project Establishment

- Issue budget notice on R&D project establishment to all units of the Group;
- Prepare materials for R&D project establishment;
- Internally approve R&D project application.

Process Tracking

- Track R&D projects' schedule, cost and application for software copyright;
- Develop and test R&D projects;
- Track the quality of documentation on the process of projects.

R&D Project Completion

- Showcase the effects of products;
- R&D performance appraisal, including cost, schedule and the quality of products;
- Evaluate how the functionality of products meets demands and test the quality of products;
- Review the project completion.

In the Reporting Period, the Group invested RMB584.7 million in R&D, representing an increase of 35.9% compared to 2017. In order to protect the intellectual property rights of our R&D results and operate business without infringing others' proprietary rights, as of the end of the Reporting Period, the Group has registered a total of 585 software copyrights in China, and registered 34 technical patents.

INFORMATION SECURITY MANAGEMENT

The security of information assets is extremely important for us. In order to ensure the confidentiality, integrity and usability of various information assets, and provide customer with more comfortable services, the Group has established the Information Security Management System (ISMS) in accordance with ISO 27001:2013 to comprehensively protect the information security of our Group. During the Reporting Period, the Group has successfully passed external expert review and updated the ISO 27001 certification for 2018.

The Group has established a clear information security organization structure, and formulated a series of policies, including Information Security Management Manual (《信息安全管理手冊》), Information Security Management System Strategy (《信息安全管理體系策略》) and Information Security Approaches (《信息安全方針》), to regulate the establishment, implementation, operation, supervision, review, maintenance and improvement of the information security management system. And the Information Security Management Manual offers a clear explanation on the management approach and goal of information security. Each organization under the Group performs effective management of the security risk following the management approaches and goals, in order to make sure all staff understand and carry out information security works and continuously improve the efficiency of the information security management system. The information security organization structure of our Group is as follows:

Information Security Committee	➢	Department in charge of the information security management system of the Group.
ISMS Management Representatives	➢	Manage and operate the information security management system on behalf of the Information Security Committee.
Information Security Management Department	➢	Responsible for the specific works of the Information Security Committee and leading the Information Security Working Team to arrange and carry out various management works concerning the information security.
Information Security Working Team	➢	Carry out the operation, maintenance and management of the information security management system.

For effectively conducting information security management, the Group has identified certain management sections and implemented various management measures:

Engagement of personnel	1.	All staff are required to participate and support information security, and assume the responsibility for protecting information. The Group has included the requirements on protecting information security in the job description of labor contract. Employees in special positions should assume special safety responsibilities. For employees with position change or employees resigned, their safety duty and authority shall be adjusted and removed immediately.
	2.	For the related parties of the Group, such as software and hardware suppliers, service providers, firefighters and cleaners, they shall be clear about the safety requirements and safety responsibilities.
	3.	Conduct regular education and trainings on information security including skills and duties, to develop employees' safety awareness and preventive ability.
	4.	All staff and related parties shall perform information security responsibilities, implement information security policies and safety system.

Identification of safety requirements in laws, regulations and contracts	1.	Promptly identify the information security requirements from customers, partners, related parties, laws and regulations, and actively adopt measures to ensure the satisfaction of information security requirements.
Risk assessment	1.	Set up risk assessment procedures to confirm risk acceptance criteria based on the characteristics of the information security of the Group's business and the requirements under laws and regulations.
	2.	Conduct regular risk assessment to identify changes in the risks of the Group. The assessment can be conducted at any time to cope with the material changes in the Group or market situation.
	3.	Adopt respective measures to reduce risks based on the results of risk assessment.
Reporting security incidents	1.	The Group establishes channels for reporting security incidents and corresponding responsible bodies.
	2.	All employees have the responsibility to report potential safety hazards, threats, weaknesses and accidents. Once a safety incident is discovered, it should be immediately reported in accordance with the prescribed channels.
	3.	The appropriate department/body receiving the reports should record all reports, make response accordingly in time, and inform the reporter of the results.
Supervision and inspection	1.	Conducts regular or random supervision and inspection for information security, including daily inspection, safety audit, special inspection, technical inspection and internal audit.
	2.	Conducts regular management review (at least once a year) or random management review for the information security guidelines and other information security policies.
Business continuity in information security	1.	Based on the results of the risk assessment, the Group establishes a business continuity plan for information security to reduce the chances of information system outages, prevent critical business processes from severe disruption or catastrophic impacts of information system, and ensure timely recovery.
	2.	Conducts regular test drills and updates on business continuity plans.
Rewards and punishments on information security	1.	Rewards the personnel who contributes to the information security of the Group according to requirements.
	2.	Punishes the personnel who violates information security guidelines, responsibilities, procedures, and measures according to requirements.

DNV·GL

管理体系认证证书

证书号码:
187740-2015-AIS-RGC-CNAS

首次签发日期:
2015 年 11 月 16 日

有效期限:
2018 年 11 月 16 日 - 2021 年 11 月 16 日

兹证明

亚信科技（中国）有限公司

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地址见附页

信息安全管理体系符合:

ISO/IEC 27001:2013/GB/T 22080-2016 标准

此证书对下列产品或服务范围有效:
应用软件、软件产品集成的设计、开发、服务；基于 AWS 云的电信运营和数字内容产品的规划、设计、开发和运营服务；计算机信息系统集成的规划、设计、开发和运维服务；运营商骨干网络、主机系统和基础软件的运维服务。与最新版本适用性声明保持一致。
（版本 1.0）

证书签发地点及日期:
上海，2018 年 10月10日

证书认可签发机构:
DNV GL – Business Assurance

中国认可
国际互认
管理体系
MANAGEMENT SYSTEM
CNAS C149-M

Zhu Hai Ming
管理代表

ISO27001 Information Security Management System Certificate 2018

Product Liability

As a software product and service provider in the telecommunication industry, the products and services provided by the Group do not involve matters in relation to health and safety and product labeling. The Group focuses on providing high quality software products and services to its customers and protecting their privacy. In the course of business, the Group strictly abides by the laws and regulations such as the Advertising Law of the PRC (《中華人民共和國廣告法》), Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) and Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) to protect customers' rights and interests.

By strictly implementing laws and regulations related to product liability, the Group ensures that the information inconsistent with actual products or services should not be released in advertising campaign to avoid misleading consumers. The Group has also established an information security management system to ensure that customers' private information should not be disclosed through a series of efforts. Customers' feedback is critical to the Company's image. The Group understands customers' needs from multiple sources and strives to provide customers with better software products and service experiences.

EMPLOYMENT RESPONSIBILITY

Employment Management

The Group strictly implements the relevant regulations on employment. During the year, the Group strictly abided by the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and other laws and regulations, and formulated the *AsiaInfo Staff Manual* to manage the labor employment, working hours and attendance, vacation, compensation and benefits, performance management and employee development.

Labor employment

- Recruitment:
  The Group and its employees strictly abide by the relevant laws and regulations of the Labor Law of the PRC and the Labor Contract Law of the PRC. The two parties sign labor contracts on a voluntary and equal basis from the date of the employee's entry to protect the rights of both employees and employers and establish equal labor relationship. At the same time, the Group strictly complies with the Regulations on Prohibition of Child Labor (《禁止使用童工規定》) and checks the applicant's personal identification documents during the process of recruitment and hiring to prevent the employment of child labors.

- Labor:
  Advocates equal opportunities, diversity and anti-discrimination in the labor process to ensure that none of the employees are treated unfairly due to factors such as race, age and gender.

- Dismissal:
  If an employee seriously violates the Group's rules and regulations and laws during the period of employment, the Group will terminate its labor contract. The termination of the labor contract will be strictly carried out in accordance with the labor contract agreement signed by both parties and relevant laws and regulations. When employees leave their posts, they should complete the work handover according to the regulations of the Group. The work handover includes but not limited to the work handover of the position, completion of the prescribed termination process and the transfer of files and social insurance.

Working hours and attendance

- Working hours:
  Under normal circumstances, the Group implements a five-day working system from Monday to Friday with eight working hours a day. For special needs of the work, the Group can adjust the working hours and starting and quitting time on the basis of compliance with laws and regulations.

- Attendance management:
  The Group expects each employee to contribute effectively to the success and profitability of the Company. The Group will make reference to attendance as a factor when considering employee's promotion, performance appraisal, salary adjustment and job mobilization.

Vacation

- In accordance with the relevant regulations of the government and considering the Company's specific situation, the Group has formulated the AsiaInfo Staff Vacation Management Regulations, which regulates the employees' vacation time and the procedures for vacation applications. Under this system, the Group guarantees the employees' entitlement to vacation in national statutory holidays, marriage leave, maternity leave (or paternity leave), bereavement leave, annual leave and sick leave.

Compensation and benefits

➢ Compensation:
The employee compensation system consists of monthly salary and annual bonus. The Group determines whether to adjust the employees' salary and the extent of their adjustment based on the Company's results and operating conditions, the employee's job positions, job content and actual work performance, skills and contributions, and the salary level and trend in the labor market.

➢ Benefits:
The Group's benefits system includes statutory benefits and corporate benefits. In terms of statutory benefits, the Group pays endowment insurance, unemployment insurance, basic medical care insurance, work injury insurance, maternity insurance and housing funds. Employees are entitled to various benefits such as social insurances and housing funds according to law. In terms of corporate benefits, the Group provides personal and medical insurance, pension, physical examination and vacation benefits.

Performance management and employees development

➢ Performance management:
Through performance management, we continuously improve the performance of the Group and its employees, ensure achieving the Company's strategic development goals, and enable the employees to develop continuously. The performance appraisal results will serve as an important reference for salary incentives, bonus distribution, promotion, training and career development.

➢ Employees development:
Through the promotion of ranks, the Group effectively identifies high-potential talents on one hand and creates a career development platform for employees on the other hand. In addition, employees can also transfer internally based on the needs of the Group and their needs of career planning intentions in accordance with the personnel flow management process.

To strengthen the protection of the legitimate rights and enrich the amateur cultural life of all employees, the Group organized the Company's union in accordance with the relevant regulations and procedures of the Trade Union Law of the PRC (《中華人民共和國工會法》). The union of the Group actively plays the role of serving employees and coordinating employment relationship, uniting and organizing the harmonious development of both employers and employees, and achieving a win-win situation in development.

The Group is people-oriented and pays attention to the employees' lives in addition to their working performance. During the Reporting Period, the Group's union organized a number of cultural and recreational activities, including the 25th Anniversary Marathon of AsiaInfo, Family Day Activities, Parent-child Summer Camp and sports activities of sports club.

25th Anniversary Marathon of AsiaInfo

Badminton games of sports club

Employee Training

Talent cultivation and development is one of the core elements for enterprise's development. In order to enhance the core competitiveness of the Group, build a team of excellent employees and managers, and improve the work ability of employees and managers, the Group established AsiaInfo College and formulated policy documents such as Internal Training Management System of AsiaInfo and External Training Management System of AsiaInfo to conduct various trainings in an orderly manner and to standardize the Company's training work. All recruits of the Group are required to take the on-the-job training and pass the examination before they start the work. At the same time, by combining the needs of business development with the employees' career development, the Group provides them with diverse educational and training opportunities. The training provided by the Group to its employees includes but not limited to the following forms:

➢ Trainings on corporate background, rules and regulations, codes of conduct and professional ethics for new recruits;

➢ Vocational skills training and guidance to department employees provided by their supervisors;

➢ Special knowledge training for internal business organized by the human resources department;

➢ Training courses and seminars organized by external training institutions;

➢ On-the-job training and communication.

In order to encourage the employees to continue their education, the Group provides special training fees on business-related professional technical training or management skills training for the employees. For key training projects, the Group negotiates with the employees and signs a Training Service Period Agreement, pursuant to which, the employees need to fulfill relevant obligations in accordance with the agreement. The training fees provided by the Group include travel expenses due to training, related fees of training courses and other expenses incurred for employees' training. During the Reporting Period, the Group developed a training plan for the whole year, which includes courses on management, skills and professional training for employees' selection.

China Telecom Center Project Management Certification Training Camp (Session I)

China Mobile Center Project Management Talent Training Camp (Beijing)

Occupational Health and Safety

The Group's business is based on the design, development and service of software. Although the main place of business is the office, and the occupational safety risks are relatively low, the Group still concerns about the employees' occupational safety and health, and has strictly complied with the relevant laws and regulations such as the Work Safety Law of the PRC (《中華人民共和國安全生產法》), Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and the Fire Protection Law of the PRC (《中華人民共和國消防法》), and has formulated Production Safety Management System of AsiaInfo. AsiaInfo Technologies (China), Inc., a subsidiary of the Group, has passed the OHSAS 18001 Occupational Health and Safety System Certification in 2018 to effectively strengthen safety and health management. During the Reporting Period, the Group was not involved in any work-related fatal accidents.

CEPREI

职业健康安全管理体系
认证证书

（正本）
兹证明

亚信科技（中国）有限公司

统一社会信用代码：911101086000426500

注册地址：北京市海淀区西北旺东路 10 号院东区 19 号楼 1 层 101

已按照

GB/T 28001:2011 idt OHSAS 18001:2007

标准要求建立并实施了职业健康安全管理体系。
该管理体系适用于

应用软件设计、开发、服务；计算机信息系统集成设计、开发、服务

涉及的场所及相关活动：

场所地址	场所邮编	场所主要活动
北京市海淀区西北旺东路 10 号院东区 19 号楼 1-4 层	100193	应用软件设计、开发、服务；计算机信息系统集成设计、开发、服务

注 册 号：01218S20826R0L
颁证日期：2018.09.25
有效期至：2021.03.11

总经理：

中国认可
管理体系
MANAGEMENT SYSTEM
CNAS C012-M

Occupational Safety Management System Certificate

The following illustrates the Group's management guidelines on occupational health and safety:

Production safety responsibility system	➢	The production safety leading groups and the production safety working groups under the system will implement the safety management work layer by layer to various departments. Each departments of the Group has no less than one part-time security officer to supervise, inspect and report on safety matters.
Work safety routine meeting system	➢	At least one monthly safety meeting will be held to convey the relevant documents and work instructions for the study of safety management work to all levels of the Group, and to check and analyze the implement of work safety.
Production safety education and training system	➢	New recruits must receive the safety education provided by the Group; employees engaged in special operations must receive special safety education and safety technical training as required, and pass examinations of relevant authorities and obtain certificates for special operation before being allowed to operate independently.
Production safety inspection system	➢	Check the employees' safety awareness, safety management of each department, potential safety hazards, rectification and accident handling.
Fire protection system	➢	The Group conducts fire safety education and training for employees, carries out regular maintenance on fire equipment, and implements the fire and electricity management system to avoid fires at the same time.
Office and equipment safety measures	➢	The Group strictly implements the national regulations and standards on labor safety and labor hygiene, and provides employees with labor conditions and office space that meet the requirements. Electrical equipment and wiring must be properly maintained and regularly checked to maintain good safety and protection performance.
Employee safety and health protection measures	➢	The Group provides employees with necessary protective equipment according to their work needs, and arranges regular physical examinations to prevent occupational diseases. The Group has established a working time and vacation system in line with national regulations to ensure that employees allocate time reasonably.
Casualty management	➢	If there is an employee casualty accident during the work process, the Group must conduct management work including reporting, investigation, analysis and handling in strict accordance with the regulations. The person in charge of the Company shall immediately organize the rescue of the wounded and take effective measures to prevent the accident from expanding and protecting the scene of the accident and cope with the aftermath.

OPERATIONAL RESPONSIBILITY

Anti-corruption

As "People can't stand without integrity, and business won't be prosperous without integrity", a good corporate reputation is of paramount importance to the Group. The Group strictly abides by the Supervision Law of the PRC (《中華人民共和國監察法》), Criminal Law of the PRC (《中華人民共和國刑法》) and Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) and other laws and regulations to avoid bribery, extortion, fraud and money laundering. The Group stated in the AsiaInfo Staff Manual that employees must maintain the ethical quality of integrity, honest, probity and self-discipline, and strictly abide by laws and regulations. The Group prohibits employees from engaging in professional behaviours that infringe on the interests of the Company. The Group shall reserve the right to pursue legal actions against employees who are exposed to corruption.

In order to enhance the risk control by strengthening the Company's internal governance structure and promote a culture of professionalism and integrity, the Group established a professional ethics committee. As a special organization of the Group for strengthening the construction of professional ethics and standardizing employee behavior, the committee is responsible for reviewing the handling plan for violations of disciplines, and promoting and implementing the construction of the Company's professional ethics. The members of the professional ethics committee are composed of standing committee members, committee members and executive members.

The Group has formulated AsiaInfo Reporting and Complaint Management System and AsiaInfo Reporter Protection System to encourage insiders to report violations of professional ethics and laws. The Group has set up a report email, and the professional ethics committee will conduct an independent investigation on violations of professional ethics, form an investigation report, and finally release the results of the handling. Investigators strictly keep confidential information of the reporter in the process of handling complaints, investigations and interviews, and protect reporters from retaliation. During the Reporting Period, the Group was law-abiding and was not involved in any cases related to corruption proceedings.

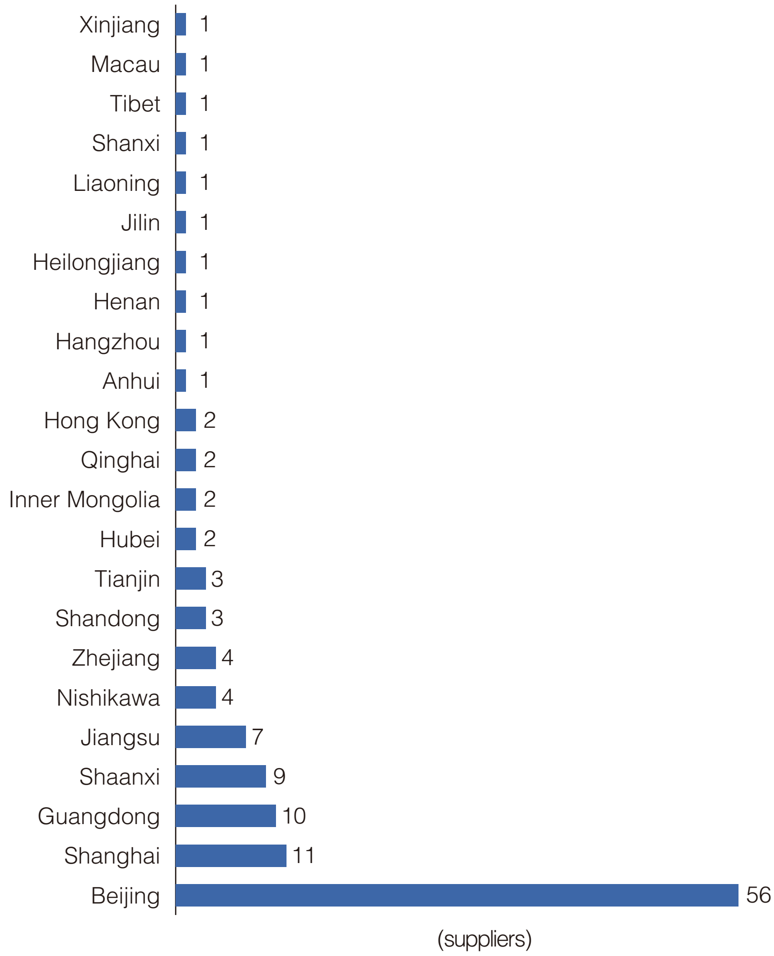
Supply Chain Management

The Group improves its supplier management system continuously to reduce risks in the supply chain. The Group strictly abides by the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), Regulation on the Implementation of the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》), Measures for the Administration of Government Procurement by No-Bid Procurement Methods (《政府採購非招標採購方式管理辦法》) and other laws and regulations, and has formulated internal policies such as the Procurement Control Management Process, the Supplier Management Process and the Supplier Selection Process to ensure the stability of the Group's supply chain.

Through a series of policies, the Group regulates the procurement process of internal procurement or business projects, improves procurement efficiency and effectively controls the quality of products and services provided by suppliers. In order to manage the environmental and social risks of the supply chain, the Group has established an electronic supplier management system platform to strictly control the selection of suppliers. The supplier management process mainly includes the sourcing, initial review, establishment of database, comprehensive performance review, guidance and elimination of suppliers. In the supplier assessment process, the Group has clear descriptions and requirements for suppliers' environmental protection and occupational health and safety. For example, the Group assesses whether the supplier has ISO14001 environmental management or OHSAS 18001 occupational health and safety management system certification, and also sends to the supplier the Notice of Relevant Party stating that the Group will supervise its environmental and occupational safety provisions as one of the terms of cooperation between the two parties. In the future, the Group will consider adding relevant descriptions on the use of environmentally friendly materials and social performance management in the terms of the contracts to further refine the control of environment and social risks of the supply chain, and promote the sustainable development of the enterprise and the industrial chain.

According to the statistics on procurement and outsourcing suppliers for the year, the Group cooperated with 125 suppliers during the year, and all of them have implemented supplier management measures in accordance with the Supplier Management Process. The following table shows the number of suppliers by region:

Numbers of suppliers by region[1]



Note:

1. As Beijing is the Group's most important place of operation, the Group works with a number of suppliers located in Beijing.

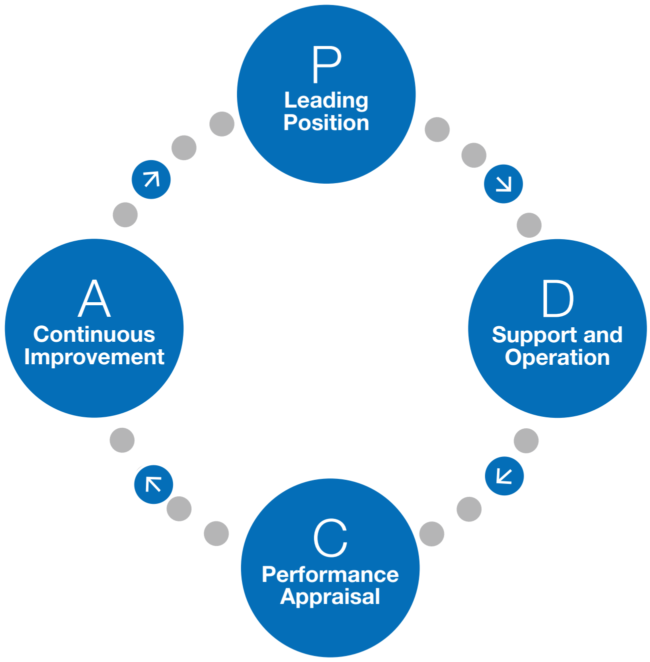
ENVIRONMENTAL RESPONSIBILITY

Environmental Management

In the current climate change environment, environmental protection is a shared responsibility of the world. The Group is committed to playing its own part in actively reducing the impact of its business operations on environment. As a software product and related service provider, the Group engages principally in office-based activities. The primary environmental impacts include the energy use and water resources use, air pollutant emissions generated from automobile use, fuel consumption and solid waste generation, which does not have a material impact on environmental and natural resources. The Group takes various environmental protection measures in its business operations and strives to reduce its impact on environment during its operation.

Based on the framework requirements of the ISO 14001 environmental management system, the Group adopts the operation mode of "PDCA" (as illustrated in the diagram below) to establish a standardized environmental management system, in order to ensure strict compliance with national and regional environmental laws and regulations and continuous improvements on environmental performance. Among them, AsiaInfo Technologies (China), Inc., a subsidiary, has passed ISO 14001 environmental management system certification. During the Reporting Period, the Group had control over air pollutants, greenhouse gases, discharges into water and land, hazardous and non-hazardous waste, and resource use, and there was no violation of environmental laws and regulations on the part of the Group.

Environmental laws and regulations the Group is subject to (including but not limited to)	**The Group's internal environmental policies (including but not limited to)**
➢ Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) ➢ Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) ➢ Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》) ➢ Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) ➢ Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) ➢ Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) ➢ Regulation on the Administration of the Recovery and Disposal of Waste Electrical and Electronic Products (《廢棄電器電子產品回收處理管理條例》)	➢ Handbook for Environment and Occupation, Health and Safety Management (《環境和職業健康安全管理手冊》) ➢ Management Rules on Energy Conservation and Consumption Reduction (《節能降耗管理制度》) ➢ Procedure on Prevention, Treatment and Control of Solid Waste (《固體廢棄物防治控制程序》) ➢ Procedure on Identification, Assessment, Renewal and Control of Environmental Factors (《環境因素識別、評價及更新控制程序》) ➢ Control Procedure of Hazard Source Identification, Risk Assessment and Control Measures (《危險源辨識、風險評價和控制措施控制程序》)



Operation Mode of Environmental Management System "PDCA"

Management of Resource Use

The Group has established Management Rules on Energy Conservation and Consumption Reduction, thereby implementing various energy conservation and consumption reduction measures and enhancing the awareness of the employees on environmental protection. In the office, the Group's resource consumption mainly includes purchased electricity and water supply from municipal source. The Group has implemented the following resource management policies in office areas:

Resource Management Policies in Office Areas

1. Strictly implement the operation rules of water, electricity and other utility facilities, to ensure safe operation of the utility facilities and normal supply.

2. Strengthen the publicity work of water saving and power conservation to improve employees' awareness on conservation. At the same time, actively adopt effective cost-saving measures to reduce the cost of water and electricity.

3. All employees are responsible for maintaining the safe operation of water and electricity facilities and also obliged to cooperate in the daily management work. They should report to the department heads the problems found in a timely manner and handle the same properly.

4. Make full use of natural light in all office areas, and turn off the lights after leaving work or when leaving the workplace for a long time.

5. Conduct daily management of all electricity and water facilities, and require the corresponding main gate or switch be cut off in time after the completion of work.

6. Set the computer to dormant state to reduce energy consumption when it is for intermittent use. Strictly prohibit the computer from being used for the purpose other than work.

7. Strengthen the management of central air-conditioning, the temperature of each air conditioner must not be lower than 26ºC. Avoid opening doors and windows when air conditioners are being used, and require to turn off the air conditioner when no one is working in the office areas.

8. Prohibit the faucet from being turned on for a long time.

9. No unit or employee may pull important electric switches, switches and valves without the consent of the department head.

10. Operate in strict compliance with the approved power load. An application for verification is required when additional electronic equipment is needed. No unapproved increase of the power load of the equipment is permitted to keep stable operation of the power pipeline network free from any impact.

11. No unit or employee is allowed to use high-power electrical equipment that is not related to work in the office areas, or add new water and electrical facilities.

The Group also makes few official business vehicles available to staff for business use. The Group uses vehicles with less fuel consumption to the greatest extent in order to reduce energy consumption and automobile exhaust emissions. In addition, Beijing office of the Group often utilizes natural gas for heating in winter, and the operation of heating system is controlled by the property management company. Furthermore, there is no disclosure on relevant information as the Group does not involve any use of packaging materials due to its business nature. The Group is not exposed to issues concerning sourcing water that is fit for purpose as no operation is conducted in regions suffering from water shortage. The Group disclosed data on its resource use to the public for the first time in this Report. As for the use efficiency of energy and water, changes in data will be disclosed in the future to demonstrate the actual achievement in energy saving and consumption reduction.

Below shows the statistics on the consumption of various resources of the Group during the Reporting Period:

	Unit	2018
Resource consumption[1]		
Total electricity consumption	kWh	6,560,047
Electricity consumption intensity	kWh/revenue of RMB10,000	12
Total fuel consumption (vehicle)	L	28,029
Fuel consumption intensity (vehicle)[2]	L/vehicle	3,114
Total natural gas consumption	m^3	232,889
Natural gas consumption intensity	m^3/revenue of RMB10,000	0.43
Total water consumption	tonne	44,850
Total water consumption intensity	tonne/revenue of RMB10,000	0.08

Notes:

1. Data on resource use above only cover AsiaInfo Technologies (China), Inc. and AsiaInfo Technologies (Nanjing), Inc., both of which are major operating subsidiaries of the Group.

2. The Group has a total of 9 official vehicles.

Pollutant Emission Management

Pollutant emissions of the Group are mainly greenhouse gas ("**GHG**") emissions caused by electricity use, air pollutant emissions and GHG emissions from vehicles and solid waste emission from office. The Group continues to advance emission management to carry out initiatives of emission reduction and disposal in its daily operation.

GHG

➢ Multiple energy saving measures are carried out in the office areas to minimize energy consumption.

Air pollutants

➢ The Group uses vehicles with lower fuel consumption and higher emission standard and conducts regular vehicle inspection to ensure vehicles are operating normally.

Hazardous and non-hazardous wastes

➢ The Group has formulated the Procedure on Prevention, Treatment and Control of Solid Waste (《固體廢棄物防治控制程序》) to manage all wastes produced from offices.

➢ The Group stores hazardous and non-hazardous wastes by sorts and sends the same to licensed recyclers for classified disposal. All retired electronic equipment including obsolete computer and printer will be auctioned off by the Group.

➢ Waste disposal of each department should be recorded in the Waste Disposal Records (《廢棄物處置記錄表》) and would be inspected and monitored by the administrative department.

Domestic sewage

➢ The domestic sewage produced during operation in the office areas would be channeled through municipal pipelines to local municipal administration or third parties with professional license for centralized disposal.

Below shows the statistics[1] on various emissions of the Group during the Reporting Period:

	Unit	2018
GHG emissions[2] (Scope 1 and Scope 2)		
Vehicle emission (Scope 1)	tonne	65
Electricity consumption emission (Scope 2)	tonne	5,550
Total GHG emissions	tonne	5,615
Total GHG emission intensity	tonne/revenue of RMB10,000	0.01
Air pollutant emissions[3]		
CO emission	kg	151.43
NO_x emission	kg	8.02
SO_x emission	kg	0.42
$PM_{2.5}$ emission	kg	0.76
PM_{10} emission	kg	0.78
Non-hazardous waste produced		
Office domestic wastes	kg	17,017
Intensity of office domestic wastes produced	kg/revenue of RMB10,000	0.03
Office domestic wastes recycled	kg	17,017
Food wastes	kg	37,350
Food wastes intensity	kg/revenue of RMB10,000	0.07
Food wastes recycled	kg	37,350
Non-hazardous electronic wastes[4]	unit	370
Intensity of non-hazardous electronic wastes	unit/revenue of RMB10,000	0.0007
Non-hazardous electronic waste auctioned	unit	370
Hazardous wastes produced		
Waste fluorescent tube	unit	2,786
Waste fluorescent tube intensity	unit/revenue of RMB10,000	0.01
Waste fluorescent tube recycled	unit	2,560
Waste battery	unit	1,668
Waste battery intensity	unit/revenue of RMB10,000	0.03
Waste battery recycled	unit	1,658
Waste toner cartridge	unit	60
Waste toner cartridge intensity	unit/revenue of RMB10,000	0.0001
Waste toner cartridge recycled	unit	60

Notes:

1. Data on emissions above only cover AsiaInfo Technologies (China), Inc. and AsiaInfo Technologies (Nanjing), Inc., both of which are major operating subsidiaries of the Group.

2. The calculation of GHG emissions has been arrived at with reference to the GHG Protocol Corporate Accounting and Reporting Standard 2012 (Amendment) (《溫室氣體核算體系企業核算與報告標準2012(修訂版)》). The grid emission factor used in the calculation of Scope 2 refers to the latest China's regional grid emission factors released by the NDRC.

3. Air pollutant emissions are emissions from vehicles owned by the Group, including emissions from vehicles owned and operated by the Group, and are calculated with reference to the Technical Guide for Air Pollutant Emission Inventory for Road Motor Vehicles (Trial) (《道路機動車大氣污染物排放清單編製技術指南(試行)》).

4. With reference to the definition in Basel Convention, non-hazardous wastes of the Group include computers, digital communication circuits and devices, servers, printers and so on. All electronic wastes are auctioned off by the Group.

COMMUNITY RESPONSIBILITY

The Group attaches constant importance to people's well-being and is dedicated to helping people in need through its corporate influence and actively contributing to the society. During the Reporting Period, the Group has devoted itself into social welfare undertakings and participation in community poverty alleviation to play its own part in regional poverty relief.

On 15 September 2018, the Group took part in "Chicheng Hiking Experience + Consolation Activity (Phase II)" (赤城•遠足體驗+公益慰訪活動(第二期)) hosted by the Sport Bureau of Haidian District, Beijing and the people's government of Chicheng county in Hebei province. Such event centered on inspection on poverty alleviation efforts, economic and social development status and project-based assistance situation. The Group served as one of the enterprise representatives to participate in the poverty alleviation inspection of the designated Haituo Town which is under construction. Furthermore, the Group also sent representatives to the Heilongshan National Forest Part for the hiking event, during which the Group participated in materials donations in the donation ceremony, such clothes and books, hoping that the positive energy could be passed on in the society.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Dr. TIAN Suning (田溯寧)

Aged 56, co-founded the Group in 1994, is the chairman and an executive Director of the Company. Dr. TIAN has over 20 years of experience in the business of software products, provision of IT services and software solutions, and is primarily responsible for the overall strategic planning and business direction of the Group. Dr. TIAN served in various positions in China Netcom Group Corporation (Hong Kong) Limited, he served as the chief executive officer from 1999 to May 2006, as a director from August 2000 to July 2007 and as the vice chairman from April 2005 to July 2007. Dr. TIAN served as the deputy general manager at China Netcom Communications Group Corporation from April 2002 to May 2006. Dr. TIAN has been the founder and chairman of a private equity fund, China Broadband Capital Partners, L.P. since July 2006. Dr. TIAN has been an independent non-executive director of Lenovo Group Limited (listed on the Stock Exchange, stock code: 0992) since August 2007. Dr. TIAN has been an independent non-executive director of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600016 and also listed on the Stock Exchange, stock code: 1988) since June 2018. He was an independent director of Shanghai Pudong Development Bank Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600000) from June 2016 to March 2018. He was also an independent non-executive director of Taikang Life Insurance Company Ltd. from July 2008 to July 2015. He was a non-executive director of Huayi Tencent Entertainment Company Limited (listed on the Stock Exchange, stock code: 0419) from January 2008 to February 2016, and served as an independent non-executive director of Mastercard Incorporated (listed on the New York Stock Exchange, NYSE: MA) from March 2006 to June 2016 and a deputy chairman and a non-executive director of PCCW Limited (listed on the Stock Exchange, stock code: 0008) from April 2005 to June 2007. Dr. TIAN was awarded the New Century Talents – National Candidates (新世紀百千萬人才國家級人選) in 2004, which was issued by the Ministry of Human Resources and Social Security of the PRC. Dr. TIAN obtained his Ph.D. degree in natural resource management from Texas Tech University in December 1993 and a Master of Ecology from Chinese Academy of Sciences in July 1988.

Mr. DING Jian (丁健)

Aged 54, is an executive Director and was appointed as a Director in June 2018. He joined the Group in January 2014. He has over 15 years of experience in investment in telecommunications, media and technology industries and is primarily responsible for participating in formulation of business plans, strategies and major decisions of the Group. He served as the chairman of the board of AsiaInfo-Linkage, Inc. between April 2003 and July 2010, and has also served as a co-chairman since July 2010. Mr. DING is currently a managing director and general partner of GSR Ventures, a venture capital fund, a role in which he has served since June 2005. He has served as an independent director of Baidu, Inc. (listed on NASDAQ, NASDAQ: BIDU) since August 2005. Mr. DING served as an independent director of Huayi Brothers Media Corporation (listed on the Shenzhen Stock Exchange, stock code: 300027) from March 2011 to August 2017. Mr. DING obtained a Master of Library Science from the University of California, Los Angeles in September 1990.

Mr. GAO Nianshu (高念書)

Aged 56, is an executive Director and was appointed as a Director in August 2017. He joined the Group in July 2016 as the chief executive officer of the Company (the "**Chief Executive Officer**"). He is primarily responsible for the overall business operations and management of the Group. Mr. GAO has over 20 years of working experience as senior management in large telecommunications companies. He served as a non-executive director of Phoenix Media Investment (Holdings) Limited (listed on the Stock Exchange, stock code: 2008) between September 2006 and August 2016. Mr. GAO served as the general manager of both the data department and the market operations department of China Mobile Communications Corporation (中國移動通信集團公司) between September 2005 and July 2016. Mr. GAO served as the vice general manager of the billing business center and the market operations department, the general manager of the billing business center and the general manager assistant of Beijing Mobile Communication Company Limited (北京移動通信有限責任公司) between June 2002 and September 2005. Mr. GAO also served as a non-executive director of True Corporation Public Company Limited (listed on the Stock Exchange of Thailand, BKK: TRUE) between 2014 and 2016. Mr. GAO was presented with the award "Outstanding Entrepreneur in China's Electronic Information Industry (中國電子信息行業卓越企業家)" issued by China Information Technology Industry Federation (中國電子信息行業聯合會) in January 2018. In January 2018, he also received the "2017 Outstanding Entrepreneur in China's Software Industry (2017年中國軟件行業優秀企業家)" award from China Software Industry Association (中國軟件行業協會). In the 2017 Information and Communication Technology ("**ICT**") Leaderboard & Excellence Program Award Ceremony (2017ICT龍虎榜&優秀方案頒獎典禮) held by Communication World Omnimedia (通信世界全媒體) in December 2017, Mr. GAO was presented with the award "2017 Top Ten ICT Influencers" (2017年ICT十大影響人物). He was awarded the qualification as a senior engineer from Chinese Academy of Sciences in 1996. Mr. GAO obtained a bachelor's degree in science of computing major from the department of mathematics in Jilin University in July 1986, a master's degree in engineering from the Institute of Computing Technology, Chinese Academy of Sciences in August 1994, and an EMBA degree from Peking University in June 2005.

Non-executive Directors

Mr. ZHANG Yichen (張懿宸)

Aged 56, is a non-executive Director and was appointed as a Director in June 2018. Mr. ZHANG joined the Group in January 2014. He has over 30 years of experience in the financial industry and is primarily responsible for providing professional opinion and judgment to the Board. Mr. ZHANG began his career in 1987 and has previously worked for Greenwich Capital Markets, Bank of Tokyo New York Branch as head of proprietary trading, and Merrill Lynch, where he was the managing director of debt capital market for Greater China. Mr. ZHANG returned to China in the mid-1990s and advised the Ministry of Finance of the PRC and other Chinese agencies on the development of the domestic government bond market. Mr. ZHANG is the chairman and the chief executive officer of CITIC Capital Holdings Limited, a global alternative investment management and advisory company. Prior to his participation in founding CITIC Capital Holdings Limited, Mr. ZHANG was an executive director of CITIC Limited (listed on the Main Board of the Stock Exchange (stock code: 0267) from March 2000 to May 2002, and also the president of CITIC Pacific Communications Limited from March 2000 to May 2002. Mr. ZHANG served as an independent director of Weibo Corporation from January 2014 to December 2015, whose securities are listed on NASDAQ (NASDAQ: WB). Since May 2002, Mr. ZHANG has been serving as an independent director of Sina Corporation, whose securities are listed on NASDAQ (NASDAQ: SINA). Since June 2012, Mr. ZHANG has been serving as the chairman of board and a non-executive director of Genertec Universal Medical Group Company Limited (listed on the Stock Exchange, stock code: 2666). Mr. ZHANG is a member of the 11th, 12th and 13th National Committee of the Chinese People's Political Consultative Conference. Mr. ZHANG obtained a Bachelor of Science degree in computer science and engineering from Massachusetts Institute of Technology, the USA in June 1986.

Mr. XIN Yuesheng (信躍升)

Aged 49, is a non-executive Director and was appointed as a Director in June 2018. Mr. XIN joined the Group in August 2016. He has over 26 years of experience in finance and investment and is primarily responsible for providing professional opinion and judgment to the Board. Mr. XIN currently serves as a senior managing director of CITIC Capital Holdings Limited and the managing partner of its private equity arm CITIC Capital Partners. He joined the firm in August 2002 and is responsible for the private equity investment business in China since 2004. Between December 1999 and August 2002, he served as a management consultant at McKinsey & Company in Shanghai and the Washington, D.C. to develop business strategies for global clients. From August 1992 to April 1996, Mr. XIN also served as a deputy manager for China Leasing Co., Ltd. (中國租賃有限公司), the largest leasing company in China and a subsidiary of CITIC Group Corporation Ltd. Mr. XIN served as a director of Focus Media Information Technology Co., Ltd. (分眾傳媒信息技術股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 002027) from March 2016 to November 2016. He obtained a Bachelor of Economics degree from Peking University in July 1992 and an MBA from Harvard Business School with honors in June 1999.

Mr. ZHANG Liyang (張立陽)

Aged 33, is a non-executive Director and was appointed as a Director in June 2018. Mr. ZHANG joined the Group in January 2018. He is responsible for providing professional opinion and judgment to the Board. Mr. ZHANG has over ten years of experience in business strategy and finance. He joined CITIC Capital in June 2010 and is currently an executive director of CITIC Capital Partners Advisory (Shanghai) Limited, responsible for private equity investments in telecommunications, media, technology and industrial sectors. From August 2008 to June 2010, he worked for McKinsey & Company as a management consultant, providing strategic and operational advice for leading Chinese telecom and energy companies. Mr. ZHANG obtained his MBA from Institut Europe´en d'Administration des Affaires (INSEAD) in December 2013 and a Bachelor of Engineering from Zhejiang University in June 2008.

Independent Non-executive Directors

Dr. GAO Jack Qunyao (高群耀)

Aged 61, was appointed as an independent non-executive Director on December 19, 2018. Dr. GAO has extensive experience in IT, media, entertainment and venture capital. Dr. GAO has been currently the adjunct professor of the business school of The Chinese University of Hong Kong since 2011. Dr. GAO has been the founding partner and the chief executive officer at Beijing Times Digiwork Films Technology Co., Ltd. (Smart Cinema) (北京雲途時代影業科技有限公司(移動電影院)) since April 2018. Dr. GAO has been an independent non-executive director of AGTech Holdings Limited (listed on GEM of the Stock Exchange, stock code: 8279) since May 2015. Dr. GAO was the interim chief executive officer of Legendary Entertainment LLC from January 2017 to October 2017, and was also a director of Legendary Entertainment LLC from January 2016 to October 2017. Dr. GAO served as a director at AMC Entertainment Holdings, Inc. (listed on the New York Stock Exchange, NYSE: AMC) from September 2015 to October 2017. Dr. GAO also served as the senior group vice president and the chief executive officer of the international investments and operations, Wanda Cultural Industry Group from June 2015 to October 2017. Dr. GAO was previously a director of Vantone Holdings Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600246) from June 2010 to April 2017. Dr. GAO also served as the corporate senior vice president of News Corporation (listed on NASDAQ, NASDAQ: NWS) from November 2006 to July 2014. Dr. GAO was an alternate director at Phoenix Media Investment (Holdings) Limited (listed on the Stock Exchange, stock code: 2008) from December 2008 to June 2013. Dr. GAO served as the corporate vice president at Autodesk, Inc. (listed on NASDAQ, NASDAQ: ADSK) from June 2003 to November 2006. He was also the general partner of Walden International from May 2002 to April 2003. Dr. GAO served as the president and the general manager of Microsoft (China) Co. Ltd., a subsidiary of Microsoft Corporation (listed on NASDAQ, NASDAQ: MSFT) from December 1999 to May 2002. Dr. GAO obtained his bachelor's degree, master's degree and his Ph.D. degree in engineering from Harbin Institute of Technology in January 1982, December 1984 and December 1994, respectively.

Dr. ZHANG Ya-Qin (張亞勤)

Aged 53, was appointed as an independent non-executive Director on December 19, 2018. Dr. ZHANG has extensive experience in the technology and business operation of wireless and satellite communications, security, networking and digital video segments. Dr. ZHANG has been an independent non-executive director of a number of companies, including Chinasoft International Limited (listed on the Stock Exchange, stock code: 0354) since December 2008 and Tarena (listed on NASDAQ, NASDAQ: TEDU) since April 2014. Dr. ZHANG served as an independent non-executive director of ChinaCache (listed on NASDAQ, NASDAQ: CCIH) from September 2010 to July 2017 and China Digital Video Holdings Limited (listed on the GEM of Stock Exchange, stock code: 8280) from January 2011 to June 2018. Dr. ZHANG is currently the president of Baidu, Inc (listed on NASDAQ, NASDAQ: BIDU), in charge of new business since September 2014. Before joining Baidu, Dr. ZHANG served various positions at Microsoft Corporation (listed on NASDAQ, NASDAQ: MSFT) from January 1999 to September 2014, including: the corporate vice president of Microsoft Corporation, the chairman of Microsoft Asia-Pacific Research & Development Group responsible for driving Microsoft's overall research and development efforts in China and the Asia-Pacific region, the managing director and the chief scientist as well as an original founder of Microsoft Research Asia where he was in charge of Microsoft's mobile and embedded division in Microsoft's headquarters. Dr. ZHANG is also a member of Committee 100, a group of leading Chinese-Americans to promote the political, science, social and economic exchanges between the US and China. Dr. ZHANG was awarded a fellow of the Australian Academy of Technology and Engineering in December 2017, and he has also been a fellow of the Institute of Electrical and Electronics Engineers since 1997. Dr. ZHANG obtained his bachelor's degree in radio electronics and master's degree in telecommunication and electrical systems from the University of Science and Technology of China (中國科技大學) in July 1983 and January 1986 respectively. In February 1990, Dr. ZHANG obtained his Ph.D. degree in electrical engineering from George Washington University, Washington D.C.

Mr. GE Ming (葛明)

Aged 68, was appointed as an independent non-executive Director on December 19, 2018. Mr. GE has extensive experience in the field of auditing and advisory services and has assisted in the listing of various PRC companies on the Stock Exchange. Mr. GE served as an independent non-executive director of Asia Investment Finance Group Limited (listed on the Stock Exchange, stock code: 0033) from May 2017 to December 2018. Mr. GE is an independent director of Focus Media Information Technology Co., Ltd. (分眾傳媒信息技術股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 002027) since January 2016. Mr. GE served as a non-executive director of China Innovation Investment Limited (listed on the Stock Exchange, stock code: 1217) from June 2015 to February 2016 and also served as a non-executive director of China Trends Holdings Limited (listed on the Stock Exchange, stock code: 8171) from June 2015 to February 2016. Mr. GE served as an independent director of Shanghai Zhenhua Heavy Industries Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600320) from April 2015 to November 2016. Mr. GE is an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. (listed on the Stock Exchange, stock code: 2318) since June 2015 and an independent non-executive director of Chong Sing Holdings FinTech Group Limited (listed on the GEM of Stock Exchange, stock code: 8207) since September 2014. Mr. GE also served as an independent non-executive director of Shunfeng International Clean Energy Limited (listed on the Stock Exchange, stock code: 1165) from January 2011 to February 2013. From July 1992 to July 1995, Mr. GE served as a deputy general manager at Ernst & Young Hua Ming; from July 1995 to August 2012, Mr. GE served as the chairman at Ernst & Young Hua Ming; from August 2012 to September 2014, Mr. GE served as a partner of management committee at Ernst & Young Hua Ming LLP and subsequently from September 2014 to January 2016, Mr. GE served as a senior consultant at Ernst & Young Hua Ming LLP. Mr. GE has been a certified public accountant of the Chinese Institute of Certified Public Accountants since October 1983, and is also a senior accountant as certified by the Ministry of Finance of the PRC. Mr. GE is a vice president of the Mergers & Acquisitions Association of All-China Federation of Industry and Commerce (全國工商聯併購公會), an overseas member of the Society of Chinese Accountants and Auditors (香港華人會計師公會), and a member of the Hong Kong Chinese Enterprises Association (香港中國企業協會). Mr. GE obtained his master's degree in western accounting from the Research Institute for Fiscal Science, Ministry of Finance of the PRC in July 1982.

SENIOR MANAGEMENT

Ms. HUANG Ying (黃纓)

Aged 50, has been a senior vice president and the chief financial officer of the Group since April 2017. Ms. HUANG joined the Group in April 2017 and is primarily responsible for the management of finance, tax, auditing and legal matters of the Group. Ms. HUANG has over 20 years of working experience in financial management in the telecommunications industry, and has over ten years of experience in senior management roles. Prior to joining the Group, Ms. HUANG successively served as the general finance department manager, the deputy general manager and other positions of the finance department of China Mobile Communications Corporation (中國移動通信集團公司) from July 2002 to March 2017. She successively served as a principal staff of the finance department at the general post office of the Ministry of Posts and Telecommunications and a deputy director at the corporate finance office of the planning and finance department of the State Post Bureau of the PRC and other positions from May 1995 to June 2002. In June 1990, Ms. HUANG obtained a bachelor's degree in economics from Beijing University of Posts and Telecommunications, where she subsequently obtained a master's degree in economics in April 1995. She obtained an MBA degree from the University of Wisconsin in May 2006.

Mr. CHEN Wu (陳武)

Aged 51, has been a senior vice president and the general manager of the business development and government affairs center of the Group since February 2015. Mr. CHEN joined the Group in April 2011 and is primarily responsible for the overall management of business development and government affairs. Mr. CHEN has over 15 years of working experience in business development and dealing with government affairs, and has over ten years of experience in senior management roles. He served as the director of telecommunications division of Cisco Systems (China) Networking Technology Co., Ltd. from August 2007 to April 2011. Prior to that, he served as the deputy general manager of Mobile Navi (Beijing) Co., Ltd. (北京移動納維信息科技服務有限公司) from January 2005 to August 2007. Mr. CHEN also served as the general manager of the international department of Beijing Honglian 95 Information Industries Company Limited (北京鴻聯九五信息產業有限公司) from August 2003 to December 2004. Mr. CHEN obtained a bachelor's degree in Japanese literature from Tianjin Foreign Studies University in July 1989, and further obtained an MBA degree from Nanyang Technological University, Singapore in June 2007.

Mr. LIANG Bin (梁斌)

Aged 48, joined the Group in August 2002 and has been a vice president and the general manager of the business division for China Mobile of the Group since January 2017. Mr. LIANG is primarily responsible for the overall operations management of the business division for China Mobile. Mr. LIANG has over 20 years of experience in the IT and telecommunications industry, and has over 15 years of experience in middle and senior management roles. He served as the president of the business division for China Telecom, the chairman and the president of the cloud information division, the vice president of the China Unicom division, the deputy general manager of the cable division and the general manager of the wireless division of the Group from August 2002 to December 2016. He also served as the research and development manager of Jiangsu Hongtu High Technology Co., Ltd. (江蘇宏圖高科技股份有限公司) and UTStarcom Holdings Corp. from September 1998 to September 2002. Mr. LIANG graduated from Nanjing University of Posts and Telecommunications (formerly known as Nanjing College of Posts and Telecommunications) with a major in communications engineering in July 1991.

Ms. SUN Mingjie (孫明潔)

Aged 55, she joined the Group in July 1996 and has been a vice president and the general manager of the Group's operations management center since November 2016. Ms. SUN is primarily responsible for the overall management of the operations management center. Ms. SUN has over 20 years of working experience in the IT and telecommunications industry, and has over ten years of experience in operations management and middle and senior management roles. Ms. SUN served as the vice president and the senior director of the business management center, the director of engineering of the northern district of the business division for China Mobile and other various positions in the Group from July 1996 to October 2016. Ms. SUN obtained a bachelor's degree in automatic control engineering from Harbin Shipbuilding Engineering Institute in July 1986 and a master's degree in engineering majoring in automatic control from Harbin Institute of Technology in March 1989.

Dr. OUYANG Ye (歐陽曄)

Aged 37, has been a vice president and the chief technology officer of the Group and also the chairman of the technology committee and the head of PRD (product research and development center of the Group since July 2018. Dr. OUYANG joined the Group in July 2018 and is primarily responsible for the research, development, and innovation of the Group's products and technologies. Dr. OUYANG has over ten years of distinguished experience of technology research, development, and management in telecommunication space. Dr. OUYANG has been a Verizon Associate Fellow in Verizon since March 2016 (a Fellow title is Verizon's highest commendation for technical excellence and indicates Verizon's top tier scientist). He is one of the only 48 Fellows in Verizon's 170,000 employees globally. Between July 2013 and February 2016, he was a principal member of technical staff in Verizon. Dr. OUYANG led Verizon's AI and big data analytics team for innovative research and development work in the space of the forefront of cutting edge wireless technologies, AI and data science. Dr. OUYANG received many awards, including the "AAEOY (Asian American Engineer of the Year 2017)" award, the "USA Telecom Innovation Award" by Fierce in 2016 and 2017, the "Most Innovative Telco Big Data Analytics Platform Award" by USA Telco Data Analytics Summit 2017, and the "Best Paper Award" in the 2017 Institute of Electrical and Electronics Engineers ("**IEEE**") International Conference on Big Data, etc. Dr. OUYANG has distinguished experience as a scientist, a researcher, an innovator, and a research and development manager. He serves various roles in many international telecommunication standard bodies and technology organizations, including the chair of industry relations of the IEEE 5G, the corporate representative in the ETSI (European Telecommunications Standards Institute), the industry chair of IEEE Sarnoff, the workshop chair of IEEE ICNC (International Conference on Computing, Networking and Communication), the industry panel chair of IEEE ICII (International Conference on Industrial Internet), the chair of Executive Forum of IEEE Globecom, and the chair of the big data committee of IEEE WTS (Wireless Telecommunications Symposium) and IEEE WOCC (Wireless and Optical Communication Conference). Dr. OUYANG authored more than 20 academic papers, 30 patents, and five books or book chapters. Dr. OUYANG obtained a Ph.D. in Telecommunications from Stevens Institute of Technology in Hoboken, New Jersey, USA in February 2012, a Master of Science in Engineering Management from Tufts University in Medford, Massachusetts, USA in August 2007, another Master of Science in Data Science from Columbia University in New York, New York, USA in May 2018, and a Bachelor of Engineering in Information Engineering from Southeast University in Nanjing, Jiangsu, PRC in June 2003.

JOINT COMPANY SECRETARY

Ms. HE Qiongxiu (何瓊秀), aged 37, was appointed as a company secretary of the Company on November 26, 2018 and was appointed as a joint company secretary of the Company on December 19, 2018. Ms. HE served as the head of the legal department of Visual China Group Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 000681) from January 2016 to August 2016. She served as the legal director of 21Vianet Group, Inc. (listed on NASDAQ, NASDAQ: VNET) from September 2016 to May 2017. Ms. HE joined the Group on June 6, 2017 as the legal director. Ms. He obtained a Master of Laws degree from China University of Political Science and Law in January 2013.

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2018.

GLOBAL OFFERING

The Company was incorporated in the British Virgin Islands on July 15, 2003 as an international business company. The shares of the Company were listed on the Main Board of the Stock Exchange on December 19, 2018. The initial public offering comprises the Hong Kong public offering of 1,997,200 shares, the international offering of 83,654,800 shares, and 2,974,800 shares which were issued pursuant to the over-allotment option granted by the Company.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the provision of telecom software products and related service.

MAJOR SUBSIDIARIES

A list of our major subsidiaries together with particulars of the place of incorporation/establishment, as well as their issued share capital/registered capital and their principal activities are set out in note 43 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended December 31, 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 87 of this annual report.

DIVIDEND POLICY

We may declare and pay dividends by way of cash or by other means that we consider appropriate in the future. The distribution of dividends will be determined by the Board at its discretion. Whether we would declare or pay any dividends in the future and the amount of such dividends is subject to a number of factors, including our results of operations, cash flows, financial condition, amount of cash dividends paid to the Company by our subsidiaries, requirements under the relevant accounting standards, future development needs and other factors that the Directors may consider relevant. Properly taking into considerations to the aforesaid factors, we will adopt a non-binding and general dividend policy with a dividend payout ratio of no less than 40% of our annual distributable net profits in each financial year, commencing from the financial year ended December 31, 2019. In addition, our dividend policy will also be subject to the articles of association of the Company (the "**Articles of Association**"), the Business Companies Act of British Virgin Islands, and any other applicable laws and regulations.

DIVIDENDS

The Board resolved not to declare any final dividends for the year ended December 31, 2018.

BUSINESS REVIEW

An analysis on the business performance review of the Group during the Reporting Period and the future business development of the Group is set out in the section headed "Management Discussion and Analysis" on page 11 to 15 and page 16 of this annual report respectively. The major risks faced by the Group is set out in the section headed "Corporate Governance Report" on pages 79 to 80 of this annual report. The analysis of the Group using the key financial performance indicators for the year December 31, 2018 is set out in the section headed "Management Discussion and Analysis" on page 16 to 21 of this annual report.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past four financial years is set out on pages 196 to 200 of this annual report. The summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

Our shares were listed on the Stock Exchange on December 19, 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) approximately HK$871.1 million. Due to the issue and allotment of over-allotment shares pursuant to the partial exercise of over-allotment options on January 10, 2019, additional net proceeds of approximately HK$30.5 million were raised. As disclosed in the prospectus of the Company, we intend to use the net proceeds from the initial public offering for the following purposes:

(i) approximately 35%, or approximately HK$315.6 million, will be used to enhance our R&D capabilities and increase our presence and market share in the emerging data-driven operation services, IoT and 5G intelligent network markets;

(ii) approximately 30%, or approximately HK$270.5 million, will be used to repay a portion of our outstanding bank loans;

(iii) approximately 25%, or approximately HK$225.4 million, will be used to selectively pursue strategic investments and acquisitions that will enable us to broaden our business scope and explore the application of emerging technologies in our products and services. We intend to invest in or acquire assets and businesses that complement our business and are consistent with our development strategies (such as developers of innovative software products), in order to accelerate our expansion in new business areas and complement our software product and service capabilities in these areas. As of the date of this report, we had not entered into any binding commitment, whether oral or written, for any business or asset acquisitions; and

(iv) the remaining approximately 10%, or approximately HK$90.2 million, will be used for our working capital and other general corporate purposes.

Since the Listing Date and as of December 31, 2018, the Group had not utilized any initial public offering proceeds. The Group will gradually utilize the initial public offering proceeds in accordance with the intended purposes. As at the date of this report, approximately HK$270.5 million was used for the repayment of bank loans.

MAJOR CUSTOMERS AND SUPPLIERS

Major customers

For the year ended December 31, 2018, the Group's top five independent and contracted customers accounted for approximately 21.2% (2017: approximately 20.1%) of the Group's total revenue, while the transaction amount with the Group's single largest customer accounted for approximately 4.9% (2017: approximately 4.6%) of the Group's total revenue.

Major suppliers

For the year ended December 31, 2018, the Group's top five suppliers accounted for approximately 9.0% (2017: approximately 11.6%) of the Group's total purchases for the year ended December 31, 2018, while the transaction amount with the Group's single largest supplier accounted for approximately 3.0% (2017: approximately 3.7%) of the Group's total purchases.

During the Reporting Period, none of the Directors, any of their close associates or any substantial shareholders (who, as far as the Directors are aware, own more than 5% of the number of issued shares of the Company) of the Group had any interests in the Group's top five customers or suppliers.

During the Reporting Period, the Company maintained good relationships with our customers and suppliers.

Environmental Protection

The environmental policies and performance of the Company are set out in the "Environmental, Social and Governance Report" to this annual report.

The Group has complied with the applicable environmental laws and regulations of which its business operations are located. The Company will review its environmental protection practices from time to time, and will consider implementing other environmental protection measures and practices in the business operations of the Group in order to enhance sustainability.

PROPERTY, PLANT AND EQUIPMENT

Details of the changes in the property, plant and equipment of the Company and the Group during the year ended December 31, 2018 are set out in the note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the changes in the share capital of the Company during the year ended December 31, 2018 are set out in the note 32 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the changes in the reserves of the Company and the Group during the year ended December 31, 2018 are set out in the note 44 to the audited consolidated financial statements and the consolidated statement of changes in equity on page 90, respectively. Of which, the reserves available for distribution to shareholders is set out in the consolidated statement of changes in equity on page 90 to the consolidated financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Company and its subsidiaries as at December 31, 2018 are set out in the note 29 to the consolidated financial statements.

DIRECTORS

During the Reporting Period and up to the date of this annual report, the Directors are as follows:

Executive Directors:

Dr. TIAN Suning *(Chairman)*
Mr. DING Jian
Mr. GAO Nianshu *(Chief Executive Officer)*

Non-executive Directors:

Mr. ZHANG Yichen
Mr. XIN Yuesheng
Mr. ZHANG Liyang

Independent non-executive Directors:

Dr. GAO Jack Qunyao
Dr. ZHANG Ya-Qin
Mr. GE Ming

According to the Articles of Association, all the above Directors will retire but are eligible and will offer themselves for re-election at the annual general meeting.

Details of the Directors being re-elected at the annual general meeting are set out in the shareholders' circular issued before the annual general meeting.

The biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 43 to 52 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has confirmed his independence for the period from the Listing Date (being December 19, 2018) to December 31, 2018 in accordance with Rule 3.13 of the Listing Rules. The Company is of the view that all of the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

LATEST INFORMATION OF DIRECTORS

Mr. GE Ming resigned as the independent non-executive Director of Asia Investment Finance Group Limited (listed on the Stock Exchange, stock code: 0033) on December 18, 2018.

DIRECTOR'S INTEREST IN A SIGNIFICANT TRANSACTION, ARRANGEMENT OR CONTRACT

During the period from the Listing Date (being December 19, 2018) to December 31, 2018 and up to the date of this annual report, save as disclosed herein, none of the Directors directly and indirectly has a material interest in a transaction, arrangement or contract, to which the Company, any of its subsidiaries or its fellow subsidiaries is a party and is significant to the business of the Group.

MANAGEMENT CONTRACT

During the period from the Listing Date (being December 19, 2018) to December 31, 2018 and up to the date of this annual report, the Company has not signed or entered into any contract in relation to the management and administration of all or any of its significant business.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Employees and remuneration policy

According to the Group's remuneration policy, in evaluating the amount of remuneration payable to Directors and senior management, the factors to be considered by the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") include the salaries paid by similar companies, tenure of Directors and senior management, commitment, responsibilities and individual performance (as the case may be), etc.

The remuneration received by Directors and senior management include salaries, bonuses, contributions to pension schemes, long-term reward (including share-based incentives), housing and other allowances, and benefits in kind complied with the requirements under applicable laws, rules and regulations. The remuneration received by executive Directors include salaries, bonuses, contributions to pension schemes, long-term reward, housing and other allowances, and benefits in kind complied with applicable laws, rules and regulations.

As of December 31, 2018, the Group had a total of 12,332 full-time employees.

The Company strives to align the remuneration level of its employees with market level, so as to maintain competitiveness. The remuneration of our employees is subject to the remuneration and bonus policy of the Group, and determined in accordance with the performance of each staff. The Group also provides comprehensive benefit packages and career development opportunities to our employees, including insurance benefits etc. Internal and external training programs are provided according to the change in the industry, technological updates and needs of employees.

Details of the remuneration of the Directors and the five highest paid individuals are set out in the note 13 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFIT SCHEME

As required under the rules and regulations in the PRC, the Group contributes to state-managed retirement plans for its employees in the PRC. The Company is required to contribute a certain percentage of the basic salaries of its employees to the retirement plans, and has no further obligation for the actual payment of the previous or post-retirement benefits. The relevant state-managed retirement plans are responsible for the entire present obligation to retired employees.

In accordance with the laws and regulations of the relevant mandatory provident fund in Hong Kong, the Company operates a mandatory provident fund ("**MPF**") scheme ("**MPF Scheme**") for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group and are under the control of an independent mandatory provident fund service provider. Under the rules of the MPF Scheme, each of the employer and its employees is required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the scheme.

Details of the retirement and employee benefit plans of the Company are set out in the note 37 to the consolidated financial statements.

DIRECTOR'S TERM OF OFFICE AND SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company, under which they have agreed to act as executive Directors for an initial term of three years commencing from the Listing Date. Such contract shall be terminated by not less than three months' notice in writing served by the executive Director or the Company.

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company for a term of one year commencing from the Listing Date. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee of USD60,000 (or equivalent in Hong Kong dollars).

Remuneration of each of the executive Director and non-executive Director will be determined by the Board as authorized by the Shareholders, in accordance with the Articles of Association. Remuneration of the executive Directors will be determined by the Board, and that of the non-executive Directors will be first recommended by the Remuneration Committee and then determined by the Board as authorized by the Shareholders, in accordance with the Articles of Association.

There is no service contract or appointment letter between the Directors and the Company, in which compensation (other than statutory compensation) is required to be made if it is terminated by the Company within one year.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

Apart from the businesses of the Group, Dr. TIAN, the chairman and an executive Director of the Company, currently holds interests in entities operating software business serving telecom operators headquartered in Southeast Asia, Europe and other regions outside the PRC (the "**International Business**") as well as network security related software products and services (the "**Network Security Business**") in the PRC. Dr. TIAN, through PacificInfo Limited, holds 100% equity interest in AsiaInfo International Investment Limited, which in turn is a holding engaging in the International Business. Furthermore, Dr. TIAN, through China Cloud Tech Partnership S, L.P., controls AsiaInfo Security Limited, which in turn is the holding company of the Network Security Business.

Save as disclosed above, the Directors confirm that they did not have any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

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

As at December 31, 2018, 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 associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("**SFO**") which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required under Section 352 of the SFO to be entered in the register referred to in that section, or which will be required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") to be notified to us and the Stock Exchange, once the Shares are listed, will be as follows:

Name of Director/chief executive	**Nature of interest** (Note 1)	**Number of shares**	**Approximate percentage of shareholding interest of the Company** (Note 2)
Dr. TIAN Suning[1]	Beneficial owner (L)	39,665,576	5.56%
	Interest in controlled corporation (L)	20,302,368	2.84%
	Interest in controlled corporation (L)	31,209,360	4.37%
	Interest in controlled corporation (L)	24,410,000	3.42%
Mr. DING Jian[2]	Beneficial owner (L)	11,516,704	1.61%
	Interest in controlled corporation (L)	1,198,440	0.17%
Mr. GAO Nianshu[3]	Beneficiary of a trust (L)	8,943,216	1.25%
Mr. ZHANG Yichen[4]	Interest in controlled corporation (L)	213,924,952	29.97%

Notes:

1. (L) – Long position; (S) – Short position.
2. As at December 31, 2018, a total of 713,776,184 shares of the Company have been in issue.

[1] Dr. TIAN is the sole shareholder of Info Addition Limited which in turns 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 turns 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 24,410,000 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) 3,328,592 shares; (ii) 1,815,968 underlying shares in respect of the outstanding RSAs granted to Mr. GAO under the Pre-IPO RSA Scheme (as defined below); 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 below). All of the above interests were held by AsiaInfo Resolute Limited II on trust for Mr. GAO, who is one of the beneficiaries of AsiaInfo Resolute Limited II.

[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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the period from the Listing Date (being December 19, 2018) to December 31, 2018 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.

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

As at December 31, 2018, to the best of the Directors' knowledge, the following persons have interests or short positions in the shares or underlying shares which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	**Nature of interest** (Note 1)	**Number of shares**	**Approximate percentage of shareholding interest of the Company** (Note 2)
Skipper Investment Limited[5]	Beneficial owner (L)	213,924,952	29.97%
Power Joy (Cayman) Limited[5]	Interest in controlled corporation (L)	213,924,952	29.97%
CITIC Capital China Partners II L.P.[5]	Interest in controlled corporation (L)	213,924,952	29.97%
CCP II GP, Ltd.[5]	Interest in controlled corporation (L)	213,924,952	29.97%
CCP LTD[5]	Interest in controlled corporation (L)	213,924,952	29.97%
CITIC Capital Partners Limited[5]	Interest in controlled corporation (L)	213,924,952	29.97%
CITIC Capital Holdings Limited[5]	Interest in controlled corporation (L)	213,924,952	29.97%
CP Management Holdings Limited[5]	Interest in controlled corporation (L)	213,924,952	29.97%
Mr. ZHANG Yichen[5]	Interest in controlled corporation (L)	213,924,952	29.97%
Dr. TIAN Suning[6]	Beneficial owner (L)	39,665,576	5.56%
	Interest in controlled corporation (L)	75,921,728	10.64%
CA Software Investment Limited[7]	Beneficial owner (L)	62,418,728	8.74%
CPEChina Fund, L.P.[7]	Interest in controlled corporation (L)	62,418,728	8.74%

Notes:

1. (L) – Long position; (S) – Short position.
2. As at December 31, 2018, a total of 713,776,184 shares of the Company have been in issue. As of December 31, 2018, the over-allotment option was still outstanding, without taking into any shares that may be issued pursuant to the exercise of the outstanding share options granted under the Pre-IPO Share Option Scheme (as defined below) and upon vesting of the outstanding RSAs granted under the Pre-IPO RSA Scheme (as defined below).

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 Dr. TIAN is the sole shareholder of Info Addition Limited which in turns is the 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. As such, Dr. TIAN is deemed or taken to be interested in 20,302,368 shares beneficially owned by Info Addition Capital Limited Partnership, 24,410,000 shares beneficially owned by Pacificinfo Limited and 31,209,360 shares beneficially owned by CBC TMT III Limited for the purpose of Part XV of the SFO.

7 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 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	Approximate percentage of shareholding interest of the Company (Note 2)
CITIC PE Associates, L.P.[7]	Interest in controlled corporation (L)	62,418,728	8.74%
CITIC PE Funds Limited[7]	Interest in controlled corporation (L)	62,418,728	8.74%
CITICPE Holdings Limited[7]	Interest in controlled corporation (L)	62,418,728	8.74%
Ellington Investments Pte. Ltd.[8]	Beneficial owner (L)	52,015,608	7.29%
Bartley Investments Pte. Ltd.[8]	Interest in controlled corporation (L)	52,015,608	7.29%
Tembusu Capital Pte. Ltd.[8]	Interest in controlled corporation (L)	52,015,608	7.29%
Temasek Holdings (Private) Limited[8]	Interest in controlled corporation (L)	52,015,608	7.29%
Al Gharrafa Investment Company[9]	Beneficial owner (L)	52,015,608	7.29%
Qatar Holding LLC[9]	Interest in controlled corporation (L)	52,015,608	7.29%
Qatar Investment Authority[9]	Interest in controlled corporation (L)	52,015,608	7.29%
InnoValue Capital Ltd.[10]	Beneficial owner (L)	52,015,608	7.29%
Ms. LIU Tzu-Lien[10]	Interest in controlled corporation (L)	52,015,608	7.29%

PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme (the "**Share Option Scheme**") was approved and adopted by our shareholders on June 26, 2018, in order to grant eligible members of the management and employees such related share-based compensation. The Remuneration Committee 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.

Name of grantee of the option units	Number of Shares in relation to outstanding option units at the Listing Date	Option units granted during the period from the Listing Date to December 31, 2018	Option units vested during the period from the Listing Date to December 31, 2018	Option units lapsed during the period from the Listing Date to December 31, 2018	Number of Shares in relation to outstanding option units as at December 31, 2018
Director of the Company					
GAO Nianshu	3,798,656	–	–	–	3,798,656
Other employees and advisors	115,196,016	–	–	106,400	115,089,616
Total of all grantees	118,994,672	–	–	106,400	118,888,272

Please refer to the prospectus of the Company for further information of the Pre-IPO Share Option Scheme.

8 Each of Bartley Investments Pte. Ltd. (as the sole shareholder of Ellington Investments Pte. Ltd.), Tembusu Capital Ptd. 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.

PRE-IPO RESTRICTED SHARE AWARD SCHEME

Our Shareholders approved and adopted the Pre-IPO restricted share award scheme (the "**RSA Scheme**") on June 26, 2018, in order to grant eligible members of the management and employees such related share-based compensation. The Remuneration Committee will, from time to time, determine eligibility of participants to be granted any RSU 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.

Name of grantee of the restricted share units ("RSU")	Number of Shares in relation to outstanding RSU at the Listing Date	RSU granted during the period from the Listing Date to December 31, 2018	RSU vested during the period from the Listing Date to December 31, 2018	RSU lapsed during the period from the Listing Date to December 31, 2018	Number of Shares in relation to outstanding RSU as at December 31, 2018
Director of the Company					
GAO Nianshu	1,815,968	–	–	–	1,815,968
Other employees	14,843,656	–	–	18,400	14,825,256
Total of all grantees	16,659,624	–	–	18,400	16,641,224

Please refer to the prospectus of the Company for further information of the Pre-IPO RSA Scheme.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, for the period from the Listing Date (being December 19, 2018) to December 31, 2018, no equity-linked agreement was entered into or renewed by the Company or substituting as at December 31, 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date (being December 19, 2018) to December 31, 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

ARRANGEMENTS ON PRE-EMPTIVE RIGHTS AND SHARE OPTIONS

For the period from the Listing Date (being December 19, 2018) to December 31, 2018, there were no provisions relating to pre-emptive rights, which required the Company to offer new shares on a pro-rata basis to existing Shareholders, or any share option arrangement under the relevant laws of the thrid British Virgin Islands and the Articles of Association.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code for the period from the Listing Date (being December 19, 2018) to December 31, 2018).

For the period from the Listing Date (being December 19, 2018) to December 31, 2018, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard as set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

CONTINUING CONNECTED TRANSACTIONS

Below are the continuing connected transactions conducted by the Group of which full exemptions were not granted on the reporting, annual review, announcement and independent Shareholders approval requirements pursuant to Chapter 14A of the Listing Rules by the Stock Exchange during 2018.

Partially exempted continuing connected transactions

1 Technological services provided to the Group by AsiaInfo Technologies (Chengdu) Limited (the "**AsiaInfo Chengdu**"), being a company controlled by Dr. TIAN (the chairman and an executive Director) and hence a connected person of the Group pursuant to the Listing Rules.

To comply with the Listing Rules, on November 26, 2018, AsiaInfo Chengdu entered into a technological cooperation framework agreement (the "**Chengdu Technological Service Framework Agreement**") with the Company that AsiaInfo Chengdu agreed to (i) provide professionals to support the projects undertaken by the Group; and (ii) provide certain network security services and products to the Group. The term of the Chengdu Technological Service Framework Agreement is from the Listing Date until December 31, 2020.

Pricing Policy:

The service fees payable by the Group to AsiaInfo Chengdu under any technological service agreement pursuant to the Chengdu Technological Service Framework Agreement will be determined based on arm's length negotiation between the parties with reference to (i) the staff costs (including salaries and staff expenses) and/or (ii) market rate of the similar products and services. In any event, such service fees shall not be higher than the price charged by AsiaInfo Chengdu to its independent third party customers for similar services and products.

The annual caps for the 2018, 2019 and 2020 shall be RMB17,350,000, RMB23,020,000 and RMB24,000,000, respectively. The actual transaction amount for January 1, 2018 to December 31, 2018 was approximately RMB15,065,000.

In arriving at the above annual caps in respect of the technological services to be provided by AsiaInfo Chengdu, the Directors have considered the following factors: (i) the pricing policy under the Chengdu Technological Service Framework Agreement; (ii) the pipeline of projects and our estimation that the workload of the Group is expected to grow steadily in 2018, 2019 and 2020; (iii) the expected growth and expansion of the Group's business and customer demands in light of the development of the 5G network; (iv) our estimate of market trend for labor cost of technological staff, which is expected to grow steadily in the next three years; and (v) the increasing focus of our customers on the network security features in our products, which is expected to result in a more extensive collaboration between us and AsiaInfo Chengdu in terms of network security technological support.

2 Network Security Transitional Arrangement

To comply with the Listing Rules, on November 26, 2018, AsiaInfo Chengdu entered into a software development and strategic cooperation framework agreement (the "**Network Security Framework Agreement**") with the Company that (i) the Company (on behalf of members of the Group) agreed to continue to outsource all tasks under the existing development agreements to AsiaInfo Chengdu at the same price at which we agreed to charge our customers under the relevant project development contracts we entered into with our customers; and (ii) AsiaInfo Chengdu agreed to continue to be bound by the existing cooperation agreement and pay a service fee to us at the rate of 2% based on the total outstanding contract amount of the existing development agreements. The term of the Network Security Framework Agreement is from the Listing Date until December 31, 2020. Pursuant to the Software Development and Cooperation Agreement, if there is any conflict between the existing agreements and the Software Development and Cooperation Framework Agreement, the latter shall prevail.

Pricing Policy:

The service fees payable under the Network Security Framework Agreement and the existing agreements have been determined based on arm's length negotiations between the parties. The consideration payable under the existing development agreements shall equal to the price at which we agreed to charge our customers under the relevant project development contracts. The parties, taking into consideration and benchmarked against the market rate for transactions of similar nature with reference to an independent transfer pricing report provided by an independent financial expert, determined to set the service fees payable by AsiaInfo Chengdu to the Group at a rate of 2%.

The annual caps of the service fees payable by the Group to Asiainfo Chengdu for the project development service under the Network Security Transitional Arrangement for 2018, 2019 and 2020 will be RMB19,630,000, RMB2,800,000 and RMB640,000, respectively. The actual transaction amount for January 1, 2018 to December 31, 2018 was approximately RMB19,014,000.

The annual caps of the service fees payable by Asiainfo Chengdu to the Group under the Network Security Transitional Arrangement for 2018, 2019 and 2020 will be RMB392,600, RMB56,000 and RMB12,800, respectively. The actual transaction amount for January 1, 2018 to December 31, 2018 was approximately RMB380,000.

3 Management Support Services Provided by The Group to AsiaInfo Chengdu

To comply with the Listing Rules, on November 26, 2018, the Company entered into a management support service framework agreement (the "**Chengdu Management Support Framework Agreement**") with AsiaInfo Chengdu that the Group agreed to provide AsiaInfo Chengdu and its subsidiaries with management support services, such as legal support, human resources, management system and network, and daily administrations. The term of the Chengdu Management Support Framework Agreement is from the Listing Date until December 31, 2020.

Pricing Policy:

The service fees payable by AsiaInfo Chengdu to the Group under any management support service agreement pursuant to the Chengdu Management Support Framework Agreement will be determined based on arm's length negotiation between the parties on a "cost-plus" basis with reference to: (i) all of the costs for the provision of the relevant services; and (ii) a premium of 6% on such costs. The premium of 6% is determined based on an independent transfer pricing report prepared by an independent financial expert.

The annual caps for 2018, 2019 and 2020 will be RMB15,850,000, RMB11,200,000 and RMB10,000,000, respectively. The actual transaction amount for January 1, 2018 to December 31, 2018 was approximately RMB12,282,000.

For the period from the Listing Date (being December 19, 2018) to December 31, 2018, the independent non-executive Directors have reviewed the above continuing connected transactions and has confirmed that such transactions:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better terms; and

(iii) in accordance with the agreements related to such transactions, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole.

The auditors of the Company have performed certain agreed-upon audit procedures for the above continuing connected transactions entered into by the Group for the year ended December 31, 2018, and concluded that such transactions:

(1) have been approved by the Board;

(2) have followed the pricing policies of the Group in all material aspects;

(3) were conducted in accordance with the relevant agreements for such transactions in all material aspects; and

(4) have an aggregate amount not exceeding the relevant cap disclosed in the prospectus.

The related party transactions referred in note 38 to the consolidated financial statements do not constitute the connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, and except continuing connected transactions that were granted full exemptions on the requirements under Chapter 14A of the Listing Rules by the Stock Exchange, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company in the reporting period in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

COMPLIANCE WITH DEED OF NON-COMPETITION

In order to ensure that we do not have direct competition between our activities and those of our controlling Shareholders, Skipper Investment Limited entered into a deed of non-competition in favor of the Company on July 5, 2018, pursuant to which Skipper Investment Limited has undertaken to the Company (for itself and for the interest of its subsidiaries) that it would not, and would use its best efforts to procure that its associates (except any members of the Group) shall not, whether directly or indirectly (including through any physical entities, partnership, joint venture or other contractual arrangement) or as a principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of the Group) to carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with the business of any member of the Group. If any investment or other business opportunities relating to our business are identified by Skipper Investment Limited ("**Business Opportunities**"), it shall refer such Business Opportunities to the Company and shall not seek such Business Opportunities unless the Directors or Board decline the Business Opportunities. For details of the non-competition undertakings, please refer to the prospectus of the Company.

The independent non-executive Directors have reviewed the compliance of the deed of non-competition (in particular, the right of first refusal relating to any Business Opportunities) by Skipper Investment Limited, and considered that the non-competition undertakings has been complied with for the period from the Listing Date (being December 19, 2018) to December 31, 2018. Skipper Investment Limited has provided the Company with the confirmation in writing of compliance of the non-competition undertakings.

CONTRACT OF SIGNIFICANCE

During the year ended December 31, 2018, save as disclosed in this annual report, no contract of significance has been entered into between the Company or any of its subsidiaries and the controlling Shareholders or any of its subsidiaries.

PERMITTED INDEMNITY PROVISIONS

In accordance to the Articles of Association, each Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

DONATIONS

During the year ended December 31, 2018, charitable and other donations made by the Group was approximately RMB1.5 million.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

For details, please refer to pages 68 to 81 of the Corporate Governance Report in this Annual Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that for anytime during the period from the Listing Date (being December 19, 2018) to December 31, 2018 and up to the latest practicable date (being April 15, 2019) prior to the issue of this report, at least 25% of the total issued share capital (the minimum public float percentage required by the Stock Exchange and the Listing Rules) of the Company was held by the public.

MATERIAL LEGAL PROCEEDINGS AND COMPLIANCE

Save as the legal proceedings as disclosed in the section headed "Business – Legal proceedings and compliance" on page 186 of the prospectus of the Company, for the year ended December 31, 2018, the Company was not involved in any material legal proceedings or arbitrations. So far as the Directors are aware, there are no material legal proceedings or claims which are pending or threatened against the Company.

For the year ended December 31, 2018 and up to the date of this report, according to the knowledge of Directors, the Group has fully complied with applicable laws and regulations in all material respects.

AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") of the Company had, together with the Board and external auditor of the Company, reviewed the accounting standards and practices adopted by the Group and the audited financial report of the Group for the year ended December 31, 2018.

AUDITORS

Deloitte Touche Tohmatsu has been appointed as the auditors to audit the consolidated financial statements prepared in accordance with the Hong Kong Financial Reporting Standards for the year ended December 31, 2018. Deloitte Touche Tohmatsu has audited the accompanying consolidated financial statements prepared based on Hong Kong Financial Reporting Standards, which has been engaged since the date of preparation for the listing of the Company. Deloitte Touche Tohmatsu will retire as the auditors of the Company at the close of the forthcoming annual general meeting of the Company and will be eligible for re-election. A resolution will be proposed at the forthcoming annual general meeting of the Company for approval to re-elect Deloitte Touche Tohmatsu as the auditors of the Company for the year ending December 31, 2019.

POST BALANCE SHEET EVENT

Saved as disclosed in note 45 to the consolidated financial statements, there has been no material event occurred subsequent to the Reporting Period which would affect the Company.

By order of the Board of Directors
TIAN Suning
Chairman and Executive Director

Hong Kong, March 18, 2019

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report set out in the annual report of the Company for the year ended December 31, 2018.

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 principles of the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Save as disclosed herein, the Company has applied the principles of CG Code on the Company's corporate governance structure and operation in the manner as stated in the report, and has complied with all applicable code provisions of the CG Code during the period from the Listing Date (i.e. December 19, 2018) up to December 31, 2018. We will continue reviewing and overseeing the corporate governance practices to ensure its compliance with the CG Code.

RESPONSIBILITY OF THE BOARD

The Board is responsible for the overall leadership of the Group and oversees the strategic decisions and monitors business and performance of the Group. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four board committees including the Audit Committee, the Nomination Committee, the Remuneration Committee and the strategy and investment committee (the "**Strategy and Investment Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all time.

The Company has maintained appropriate liability insurance for legal proceedings against Directors and will review the coverage of the insurance annually.

COMPOSITION OF THE BOARD

As at the date of this annual report, the Board comprises nine Directors, which includes three executive Directors, three non-executive Directors and three independent non-executive Directors. The current members of the Board are set out as follows:

Name	**Position**
TIAN Suning	Executive Director *(Chairman)*
DING Jian	Executive Director
GAO Nianshu	Executive Director *(Chief Executive Officer)*
ZHANG Yichen	Non-executive Director
XIN Yuesheng	Non-executive Director
ZHANG Liyang	Non-executive Director
GAO Jack Qunyao	Independent non-executive Director
ZHANG Ya-Qin	Independent non-executive Director
GE Ming	Independent non-executive Director

The biographies of the Directors are set out in the "Profiles of Directors and Senior Management" section in this annual report.

During the period from the Listing Date (i.e. December 19, 2018) up to the date of this report, the Board has complied with requirements of Rule 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of at least three independent non-executive Directors with at least one of them possesses appropriate professional qualifications or accounting or related financial management expertise at any time.

The Company has also complied with the requirement of Rule 3.10A of the Listing Rules in relation to appointing independent non-executive Directors as equivalent to one-third members of the Board. Each of independent non-executive Directors has confirmed its independence under Rule 3.13 of the Listing Rules during the period from the Listing date (i.e. December 19, 2018) up to December 31, 2018. Therefore, the Company regarded them as independent parties.

Save as disclosed in biographies of the Directors set out in the section headed “Profiles of Directors and Senior Management” in this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or chief executives.

We are committed to promoting the culture of diversity in the Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have adopted the Board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, telecommunications, information technology, software solutions, finance, investment, auditing and accounting. They obtained degrees in various majors including business administration, natural resource management, library science, engineering, computer science, telecommunications, economics and accounting. Furthermore, our Board has a wide range of age, ranging from 33 years old to 68 years old. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and the management levels. In particular, two out of five of the existing senior management of our Company are female and, upon Listing, both of our joint company secretaries are female. While we recognize that the gender diversity at the Board level can be improved given its current composition of all-male Directors, we will continue to apply the principle of appointments based on merits with reference to our diversity policy as a whole.

We are also committed to adopting similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of our corporate governance as a whole.

All Directors, including independent non-executive Directors, have brought a variety of valuable business experience, knowledge and professional skills to the Board for its efficient and effective running. Independent non-executive Directors are invited to serve on the Board Committees like Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring Directors to disclose the number and nature of positions held in listed companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction training and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant statutes, laws, rules and regulations. The Company will also arrange regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills, ensuring that their contribution to the Board consistently remains well informed and thoroughly relevant. The joint company secretaries of the Company have from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

All Directors have complied with code provision A.6.5 of the CG Code in relation to the training of Directors. During the year ended December 31, 2018, the Company has provided all Directors with training, including directors' responsibilities, Listing Rules and corporate governance matters, and has provided executive Directors and management with internal training in relation to the Company.

A summary of training received by the Directors for the year ended December 31, 2018 is as follows:

Name of Director	Nature of Continuous Professional Development Training[Note]
Executive Directors	
TIAN Suning	A, B
DING Jian	A, B
GAO Nianshu	A, B
Non-executive Directors	
ZHANG Yichen	A, B
XIN Yuesheng	A, B
ZHANG Liyang	A, B
Independent non-executive Directors	
GAO Jack Qunyao	A, B
ZHANG Ya-Qin	A, B
GE Ming	A, B

Notes:

A: attending seminars and/or conferences and/or forums and/or briefings, or making speeches on seminars and/or conferences and/or forums, or participating in training provided by law firms and that relating to the business of the Company

B: reading materials on various topics, including corporate governance matters, Directors' responsibilities, Listing Rules and other relevant laws

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the roles of chairman of the Board and Chief Executive Officer should be separated and performed by different individuals.

The chairman of the Board and the Chief Executive Officer are separately held by Dr. TIAN Suning and Mr. GAO Nianshu, respectively, with clear distinction in responsibilities. The chairman of the Board is responsible for providing strategic advice and guidance on the development of the Group, while the Chief Executive Officer is responsible for the day-to-day operations of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the non-executive Directors and the independent non-executive Directors, has entered into a letter of appointment with the Company for a term of one year commencing from the Listing date.

Pursuant to the requirement of the Articles of Association, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the relevant meetings.

No Director has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The Company may from time to time by resolution of members increase or reduce the number of Directors, provided that the number of Directors shall not be less than two (2). Subject to the provisions of the Articles of Association and requirements under the statutes, the Company may by resolution of members elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company, and in each case such Director shall then be eligible for re-election at the relevant meeting.

No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven (7) days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven (7) days prior to the date of such meeting, there has been given to the secretary of the Company notice in writing by a member (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment and re-election of Directors and succession planning for Directors.

BOARD MEETINGS

The Company will adopt the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for regular Board meetings to provide all Directors with an opportunity to attend the regular meeting and discuss matters in the agenda therein.

For other Board and Board Committee meetings, reasonable notice will be given by the Company. Notices of meetings, which include the agenda and accompanying Board papers are dispatched to the Directors at least three days before the Board and Board Committee meetings to ensure that they have sufficient time to review the accompanying documents and be adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Joint company secretary will keep the minutes of meetings and provide copies of such minutes to all Directors for reference and record purposes.

Minutes of the Board meetings and Board Committee meetings will record in sufficient detail the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent/will send to the Directors for their consideration within a reasonable time after convening the meetings. The minutes of the Board meetings are open for inspection by all Directors.

No Board meetings or general meetings was held by the Company in the period from the Listing Date (being December 19, 2018) up to December 31, 2018. As the Company was listed in December 2018, the Board did not have any matters need to be discussed in less than one month. The Company will fully comply with the requirement under code provision A.1.1 of the CG Code to hold Board meetings at least four times a year, and at approximately quarterly intervals.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors by the Company and each of the Directors has confirmed that he has complied with the requirements under Model Code during the period from the Listing Date (being December 19, 2018) up to December 31, 2018.

During the period from the Listing Date (being December 19, 2018) up to December 31, 2018, the Company also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial data, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

(a) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance and to make recommendations and report to the Board;

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

(f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

The Board has reviewed and performed the above corporate governance functions in this year.

BOARD COMMITTEES

Audit Committee

The Audit Committee consists of three members: two independent non-executive Directors, being Mr. GE Ming (Chairman) and Dr. ZHANG Ya-Qin, and one non-executive Director, being Mr. ZHANG Liyang, majority of them are independent non-executive Directors.

The primary duties of the Audit Committee include, among other things, the following:

1. to monitor the completeness of the financial statements of the Company and the annual reports and accounts, the half-year reports and (if to be published) the quarterly reports of the Company, and review the material judgments for financial reporting stated in the statements and reports;

2. to review the financial statements and reports and consider any significant or unusual matters raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the auditor before submission to the Board; and

3. to review the adequacy and effectiveness of the Company's financial control and reporting systems; internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

No meeting of the Audit Committee was held during the period from the Listing Date (being December 19, 2018) to December 31, 2018. As the Company was listed in December 2018, the Audit Committee did not have any matters that need to be discussed in less than one month. Since 2019, the Audit Committee will hold at least two meetings annually or the number of times required by the Listing Rules or other regulatory requirements that the Company may apply from time to time.

Nomination Committee

The Nomination Committee consists of five members: two executive Directors, being Dr. TIAN Suning (Chairman) and Mr. GAO Nianshu, and three independent non-executive Directors, being Dr. GAO Jack Qunyao, Dr. ZHANG Ya-Qin and Mr. GE Ming.

The primary duties of the Nomination Committee of the Company include the following:

1. to review the structure, number and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive; and

5. to perform missions allocated by the Board from time to time.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

Policy for Nomination of Directors

The Company had adopted its policy for nomination of Directors through resolution on December 19, 2018 and the summary is as follows: the Company values the selection process of the Board members with high transparency. The nomination policy aims to ensure that the Board keeps balance on the skills, experience and diversity of views to meet the business needs of the Company. The Nomination Committee has been appointed to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. The Board is ultimately responsible for the selection and appointment of new Directors, and is subject to retirement by rotation and re-election at annual general meetings pursuant to the Articles of Association.

Board Diversity Policy

The Company had adopted the Board Diversity Policy along with setting the measurable targets for implementing this policy on December 19, 2018.

The Company is convinced that the diversity of the Board is beneficial to improve the quality of its performance. The policy aims to set out the approach adopted to achieve the diversity of the Board. When setting up composition of the Board, the Company considers the diversity of the Board from various measurable aspects, including skills, experience, knowledge, expertise, culture, independence, age and gender. All appointments to the Board are based on the principle of meritocracy, while considering diversity, including gender diversity.

The measurable targets for the implementation of this diversity policy include independence, educational background, professional qualifications and years of employment.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

No meeting of the Nomination Committee was held during the period from the Listing Date (being December 19, 2018) to December 31, 2018. As the Company was listed in December 2018, the Nomination Committee did not have any matters that need to be discussed in less than one month. Since 2019, the Nomination Committee will hold at least one meeting annually or the number of times required by the Listing Rules or other regulatory requirements that the Company may apply from time to time.

Remuneration Committee

The Remuneration Committee consists of three members: two independent non-executive Directors, being Dr. GAO Jack Qunyao (Chairman) and Dr. ZHANG Ya-Qin, and one non-executive Director, being Mr. XIN Yuesheng.

The primary duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board from time to time;

3. to decide on the remuneration packages of all executive Directors and make recommendations to the Board on the remuneration packages of all non-executive Directors. These, among other things, include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);

4. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

5. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

6. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

7. to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

No meeting of the Remuneration Committee was held during the period from the Listing Date (being December 19, 2018) to December 31, 2018. As the Company was listed in December 2018, the Remuneration Committee did not have any matters that need to be discussed in less than one month. Since 2019, the Remuneration Committee will hold at least one meeting annually or the number of times required by the Listing Rules or other regulatory requirements that the Company may apply from time to time.

Strategy and Investment Committee

The Strategy and Investment Committee consists of four members: three executive Directors, being Dr. TIAN Suning, Mr. GAO Nianshu and Mr. DING Jian, and one non-executive Director, being Mr. XIN Yuesheng (Chairman).

The primary duties of the Strategy and Investment Committee include the following:

1. to conduct research on the long-term strategic planning, annual operational plans, investment policies and major investment and financing projects of the Company and make recommendations, and to monitor and follow up on major investment and financing projects approved by the Shareholders' meeting and the Board and to notify all Directors in a timely manner;

2. with the authorization of the Board, to approve major investment and financing projects with a total transaction amount (in a single transaction or transactions under the same project) of more than RMB20 million but not exceeding RMB50 million, other than ordinary operating loans, credits, privatization loans and income-based transactions in the ordinary course of business. Matters related to the approvals above shall also comply with the relevant requirements of the Listing Rules regarding notifiable transactions;

3. to conduct research on other major matters that may have impacts on the development of the Company and make recommendations to the Board; and

4. other matters stipulated by the terms of reference of the Strategy and Investment Committee and authorized by the Board.

The written terms of reference of the Strategy and Investment Committee are available on the websites of the Stock Exchange and the Company.

No meeting of the Strategy and Investment Committee was held during the period from the Listing Date (being December 19, 2018) to December 31, 2018.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for preparing the consolidated financial statements for the year ended December 31, 2018 which give a true and fair view of the Group's conditions, results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 85 to 86 of this annual report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration in the form of salaries, bonuses, contributions to pension schemes, long-term incentives (including share-based remuneration), housing and other allowances and benefits in kind subject to applicable laws, rules and regulations.

The remuneration of the Directors and senior management of the Company (whose biographies are set out on pages 43 to 52 of this annual report) for the year ended December 31, 2018 falls under the following bands:

Band of remuneration	Number of individuals
HK$2,000,001 to HK$2,500,000	1
HK$8,500,001 to HK$9,000,000	1
HK$9,000,001 to HK$9,500,000	1
HK$9,500,001 to HK$10,000,000	1
HK$11,000,001 to HK$11,500,000	1
HK$25,500,001 to HK$26,000,000	1

REMUNERATION OF AUDITOR

For the year ended December 31, 2018, in respect of audit and non-audit service offered by the auditor of the Company, Deloitte Touche Tohmatsu, paid or payable remuneration set out by the Group are as follows:

Classification of services	Amount RMB'000
Audit services	
Audit services	2,850
Reporting accountant's services in relation to the Listing	7,500
Non-audit services	
Tax advisory services	61
Services in relation to continuing connected transactions	100
Total	10,511

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining adequate risk management and internal control systems to safeguard Shareholders' investments and the Company's assets and reviewing the effectiveness of such systems.

The Group's risk management and internal control team plays an important role in monitoring the Group's internal governance. The major duties of internal control team are to regulate and review the Company's financial condition and internal control and conduct comprehensive audits of all branches and subsidiaries of the Company on a semi-annual basis.

With the requirements of the CG Code, the Company consisting of functional back office, internal audit and external audit departments has established a "three-level" risk management framework, which internal audit department releases risk management system. Through risk surveys of the headquarters and business units, the major external and internal risks were identified and assessed to continuously monitor the completeness, rationality, and effectiveness of the risk management system, and effective procedures on effectively solving the failures of internal control were implemented to enhance the risk control and prevention ability.

The Company now has established a complete and effective internal control system in which corporate management and business operations are controlled and supervised systematically. Now the scope of evaluation of the Company comprises internal environment, risk assessment, control activities, information and communication and internal supervision; major business included in the scope of the evaluation are sales, costs, funding, finance, procurement, investment and related transactions. Meanwhile, the independent evaluation of the design of internal control and the efficiency and effectiveness of implementation is conducted by ways of risk inspection, internal audits, supervisors' inspection, etc in an effort to ensure legal and compliant operations, asset safety, and the authenticity and completeness of financial reports and relevant information.

The Company has formulated and complemented Asiainfo Inside Information and Insider Dealing Management System which stipulates the inside information scope, inside information insider scope, prescribes registration requirements for the insider before the disclosure of inside information and stipulates that insiders should not deal with the securities of the Company or should report his securities transactions.

The Board has reviewed risk management and internal control systems of the Group for the year ended December 31, 2018 and believes that such systems are effective and adequate.

RESPONSE TO MAJOR RISKS

In 2018, the Group conducted an annual risk review and assessment of the Company as a whole based on the corporate risk management framework, and formulated coping and monitoring measures for major risks so as to prevent or reduce possible occurrence of major risks in the Company.

The Company saw a rapid development in the results of operations in 2018. We derived a significant portion of our revenue from telecom operators in China, which depended on our ability to develop and maintain long-standing business relationships with telecom operators in China. Our close relationships with clients might be impaired if we failed to offer software products and services required by telecom operators or if telecom operators turned to our competitors instead for the purpose of sourcing software products and services. During the Reporting Period, we had bank balances and bank borrowings denominated in foreign currencies, mainly Hong Kong dollars and U.S. dollars, thus exposing ourselves to currency risks, and we did not apply any derivative contracts to hedge against such currency risks. We owed our success of business to the continuing efforts made by our core management and technical personnel, and our business might be affected to a certain extent if we lost their services or they competed against us.

In order to cope with its potential operational risks and ensure its continuous and long-term development, the Company increased its input to business support, 5G intelligent network, data-driven operation, big data and AI products. Additionally, the Company also actively participated in the centralized reform of telecom operators by supporting the R&D of various large-scale IT projects, further consolidating our leading position in the telecom software and service market. The Company managed currency risks through monitoring changes in the foreign exchange rate and would consider hedging significant foreign currency risk where necessary. Foreign currency risk was expected to significantly decline starting from 2019 because we planned to continuously repay the bank borrowings starting from 2019. Moreover, we strengthened the management of core management and technical personnel, designed career development channels for talents, and simultaneously improved the incentive mechanism and continued to reinforce staff training; in the hope of offering and ensuring talents reserve for the Company's sustainable development.

JOINT COMPANY SECRETARIES

Ms. HE Qiongxiu (何瓊秀) ("**Ms. HE**"), the joint company secretary of our Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are complied with.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. YU Wing Sze (余詠詩) ("**Ms. YU**") of TMF Hong Kong Limited (a company secretarial service provider) as the other joint company secretary to assist Ms. HE to discharge her duties as a company secretary of the Company. The primary corporate contact person at the Company is Ms. HE.

For the year ended December 31, 2018, Ms. HE and Ms. YU have undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

PROCEDURES FOR CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS/RESOLUTIONS

Pursuant to Article 10.3 of the Articles of Association, on the requisition of the Shareholders at the date of deposit of the requisition holding not less than one-tenth of the paid-up share capital of the Company at the principal place of business of the Company in Hong Kong having the right to vote at general meetings, the Directors are obliged to proceed to convene an extraordinary general meeting of the Company. The requisitionists must state the purposes of the meeting and sign the requisition letter. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board, provided that any meeting so convened shall not be held after the expiration of three (3) months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company. The Shareholders who wish to put forward proposals and/or resolutions may requisition an extraordinary general meeting and include a proposal and/or resolution at such meeting pursuant to Article 10.3 of the Articles of Association.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of its information, which will enable Shareholders and investors to make the informed investment decisions. The Company establishes an investor relations department and liaison mailbox (ir@asiainfo.com), which is responsible for providing Shareholders and investors with the necessary information. It maintains proactive communications with Shareholders, investors and other capital market participants, which enable Shareholders and investors to fully understand the Company's operation and development, by various means such as participating in domestic and foreign investor exchanges, performance conferences, press conferences, telephone conferences and investment analysts meetings.

The annual general meeting of the Company provides opportunity for Shareholders to communicate directly with the Directors. The chairman of the Company and the chairman of each of the Board Committees of the Company or their authorized representative will attend the annual general meetings to answer Shareholders' questions. The auditor will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence. Any E-mail from our Shareholders to the above-said liaison mailbox to query the Board are also welcome.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website at www.asiainfo.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association were amended and restated, and adopted by a resolution of members passed on November 15, 2018 and filed on November 26, 2018.

Deloitte. 德勤

TO THE SHAREHOLDERS OF ASIAINFO TECHNOLOGIES LIMITED
(incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of AsiaInfo Technologies Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 87 to 195, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from software products and related deployment services	
We identified the recognition of revenue from software products and related deployment services as a key audit matter due to the fact that the amount recognized is significant in these consolidated financial statements and accounting treatments of which require significant estimations made by the management. The Group recognized revenue from software products and related deployment services contracts based on the stage of completion of the contract which is determined as the proportion of the costs incurred relative to the estimated total costs to complete the contract. The Group's management needs to estimate total contract cost and profit margin to complete the contract at the beginning for each contract, which involves significant estimation. Key assumptions include total labour hours to complete the contract, labour rate, subcontracting costs and material costs. The management also revises the estimates of contract costs and profit margin through regular review when the management considers there are changes in the assumptions throughout the contract period. Details of the related key estimation uncertainty are set out in Note 4 to the consolidated financial statements.	Our procedures in relation to recognition of revenue from software products and related deployment services mainly included: • Testing the key controls relevant to the audit over revenue recognition of service contract, including those over cost incurred to date, estimates of total contract cost and profit margin and calculation of revenue; • Recalculating, on a sampling basis, the revenue recognized, agreeing the inputs of the costs incurred to date to supporting evidence and tracing the estimated total costs to the approved project budgets; • Inspecting the completion reports or other evidence for projects completed in the current year; • Performing a retrospective review, on a sampling basis, on the actual cost incurred in a completed service contract to the estimated total cost at the initial stage of the service contract, identifying any significant variance and inquiring with the management for the reason; and • Inquiring with the management and project manager, on a sampling basis, to evaluate the consistency of the progress of the project to the percentage of completion used in recognition of revenue.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
We identified the impairment of goodwill as a key audit matter due to the judgment and estimation involved in determining the recoverable amount which was prepared and used by the management in considering impairment of goodwill. Impairment of goodwill is assessed by the management by comparing the recoverable amount and carrying amount of the relevant cash-generating unit at the end of the reporting period. The recoverable amounts are determined based on the value in use of which the calculation involved significant assumptions such as discount rate and the forecasts of future revenue growth rates and gross margins used in the estimated future cash flow. As disclosed in Notes 4 and 17 to the consolidated financial statements, the Group reported goodwill in software business amounting to RMB1,932,246,000 as at December 31, 2018. No impairment loss was recognized for the year ended December 31, 2018. Details of the related key estimation uncertainty are set out in Note 4 to the consolidated financial statements.	Our procedures in relation to management's impairment assessment of goodwill included: • Understanding the Group's key control over the management's impairment assessment on goodwill; • Obtaining the impairment assessment prepared by the management and checking its mathematical accuracy; • Evaluating the discount rate used in the discounted cash flow model, by comparing with the industry practice with the assistance of our internal valuation specialist; • Evaluating the key assumptions used in the estimated future cash flow, including the forecasts of future revenue growth rates and gross margins, by comparing with the historical performance and future strategic plan of the Group in respect of the cash-generating unit; and • Performing retrospective review on the consistency on the methodology adopted in the previous years and inquiring with the management for the reasons for changes, if any.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chung Chin Cheung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 18, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
Continuing operations			
Revenue	5	**5,210,977**	4,948,324
Cost of sales		**(3,328,353)**	(3,277,896)
Gross profit		**1,882,624**	1,670,428
Other income	6	**82,172**	114,712
Net reversal of impairment losses (impairment losses) on financial assets and contract assets		**2,880**	(10,172)
Other gains and losses	7	**(102,706)**	79,000
Selling and marketing expenses		**(508,402)**	(481,831)
Administrative expenses		**(332,825)**	(403,800)
Research and development expenses		**(584,681)**	(430,246)
Share of results of associates		**(1,242)**	258
Finance costs	8	**(70,594)**	(83,986)
Listing expenses		**(54,096)**	(30,603)
Profit before tax		**313,130**	423,760
Income tax expenses	9	**(108,896)**	(88,584)
Profit for the year from continuing operations	10	**204,234**	335,176
Discontinued operations			
Loss for the year from discontinued operations	11	**(1,279)**	(17,233)
Profit for the year		**202,955**	317,943
Other comprehensive (expense) income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Release of translation reserve to profit or loss upon disposal of subsidiaries		**–**	(450)
Exchange differences arising on translation of foreign operations		**(9,367)**	3,813
Other comprehensive (expense) income for the year, net of income tax		**(9,367)**	3,363
Total comprehensive income for the year		**193,588**	321,306
Profit (loss) for the year attributable to:			
Owners of the Company		**204,134**	328,765
Non-controlling interests		**(1,179)**	(10,822)
		202,955	317,943
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**194,767**	332,162
Non-controlling interests		**(1,179)**	(10,856)
		193,588	321,306
Profit (loss) for the year attributable to the owners of the Company from:			
Continuing operations		**205,413**	338,174
Discontinued operations		**(1,279)**	(9,409)
		204,134	328,765
Loss for the year attributable to the non-controlling interests from:			
Continuing operations		**(1,179)**	(2,998)
Discontinued operations		**–**	(7,824)
		(1,179)	(10,822)
Earnings per share			
– Basic (RMB)	12	**0.32**	0.53
– Diluted (RMB)	12	**0.32**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	14	**300,869**	262,629
Prepaid lease payments	15	**83,470**	85,489
Intangible assets	16	**24,021**	60,452
Goodwill	17	**1,932,246**	1,932,246
Investments in associates	18	**55,016**	56,258
Amounts due from fellow subsidiaries	38	**–**	23,339
Amount due from the then immediate holding company	38	**–**	614,150
Deferred tax assets	30	**163,292**	194,389
Pledged bank deposits	26	**635,736**	39,669
Other non-current assets		**35,025**	46,247
Total non-current assets		**3,229,675**	3,314,868
Current assets			
Inventories	21	**–**	7,100
Trade and notes receivables	22	**764,909**	888,445
Prepayments, deposits and other receivables	23	**135,704**	176,501
Financial assets at fair value through profit or loss	19	**210,000**	–
Available-for-sale investments	20	**–**	3,665
Contract assets	24	**1,335,219**	1,632,039
Amounts due from fellow subsidiaries	38	**18,934**	246,244
Amounts due from the then intermediate holding companies	38	**–**	5,645
Pledged bank deposits	26	**481,755**	537,089
Bank balances and cash	26	**1,821,182**	1,450,588
Total current assets		**4,767,703**	4,947,316
Current liabilities			
Trade and notes payables	27	**356,316**	612,500
Contract liabilities	24	**300,918**	387,913
Other payables, deposits received and accrued expenses	28	**1,788,004**	1,890,500
Amounts due to fellow subsidiaries	38	**47,328**	200,672
Income tax payable		**226,268**	238,820
Bank borrowings	29	**1,915,484**	1,154,593
Total current liabilities		**4,634,318**	4,484,998
Net current assets		**133,385**	462,318
Total assets less current liabilities		**3,363,060**	3,777,186

	Notes	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Deferred tax liabilities	30	**127,541**	130,971
Bank borrowings	29	**–**	592,744
Amounts due to fellow subsidiaries	38	**–**	14,695
Total non-current liabilities		**127,541**	738,410
Net assets		**3,235,519**	3,038,776
Capital and reserves			
Share capital	32	**–**	8
Reserves		**3,235,519**	3,018,827
Equity attributable to owners of the Company		**3,235,519**	3,018,835
Non-controlling interests		**–**	19,941
Total equity		**3,235,519**	3,038,776

The consolidated financial statements on pages 87 to 195 was approved and authorized for issue by the Board of Directors on March 18, 2019 and are signed on its behalf by:

Mr. Suning TIAN
DIRECTOR

Mr. Nianshu GAO
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

	Attributable to owners of the Company									
	Share capital RMB'000 (note i)	Share premium RMB'000	Merger reserve RMB'000 (note ii)	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (note iii)	Other reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling Interests RMB'000	Total equity RMB'000
At January 1, 2017	285,208	104,146	–	(9,159)	175,825	1,329,078	674,718	2,559,816	26,415	2,586,231
Profit (loss) for the year	–	–	–	–	–	–	328,765	328,765	(10,822)	317,943
Other comprehensive income (expense) for the year, net of tax	–	–	–	3,397	–	–	–	3,397	(34)	3,363
Total comprehensive income (expense) for the year	–	–	–	3,397	–	–	328,765	332,162	(10,856)	321,306
Recognition of equity-settled share-based payments (Note 36)	–	–	–	–	–	73,489	–	73,489	–	73,489
Lapse of share options	–	–	–	–	–	(1,948)	1,948	–	–	–
Disposal of subsidiaries (note iv)	–	–	–	–	(3,812)	53,368	3,812	53,368	4,382	57,750
Arising from merger under common control (note ii)	(285,200)	–	285,200	–	–	–	–	–	–	–
Transfer to statutory reserve	–	–	–	–	1,832	–	(1,832)	–	–	–
Changes in equity for the year	(285,200)	–	285,200	–	(1,980)	124,909	3,928	126,857	4,382	131,239
At December 31, 2017	**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 v)	**–**	**–**	**–**	**–**	**–**	**–**	**(19,576)**	**(19,576)**	**–**	**(19,576)**
Adjusted balance at January 1, 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 year	**–**	**–**	**–**	**–**	**–**	**–**	**204,134**	**204,134**	**(1,179)**	**202,955**
Other comprehensive expense for the year, net of tax	**–**	**–**	**–**	**(9,367)**	**–**	**–**	**–**	**(9,367)**	**–**	**(9,367)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**(9,367)**	**–**	**–**	**204,134**	**194,767**	**(1,179)**	**193,588**
Recognition of equity-settled share-based payments (Note 36)	**–**	**–**	**–**	**–**	**–**	**155,502**	**–**	**155,502**	**–**	**155,502**
Acquisition of additional equity interests in a subsidiary (note vi)	**–**	**–**	**–**	**–**	**–**	**(191,238)**	**–**	**(191,238)**	**(18,762)**	**(210,000)**
Cancellation of shares of the Company upon group reorganization (Note 1)	**(8)**	**–**	**–**	**–**	**–**	**8**	**–**	**–**	**–**	**–**
Dividend distribution (Note 33)	**–**	**–**	**–**	**–**	**–**	**–**	**(693,447)**	**(693,447)**	**–**	**(693,447)**
Lapse of share options and restricted stock units	**–**	**–**	**–**	**–**	**–**	**(16,858)**	**16,858**	**–**	**–**	**–**
Capital injection to a subsidiary from retained profits (Note 40)	**–**	**–**	**–**	**–**	**–**	**11,119**	**(11,119)**	**–**	**–**	**–**
Issue of new shares upon listing (Note 32)	**–**	**791,910**	**–**	**–**	**–**	**–**	**–**	**791,910**	**–**	**791,910**
Share issuance costs (Note 32)	**–**	**(21,234)**	**–**	**–**	**–**	**–**	**–**	**(21,234)**	**–**	**(21,234)**
Vesting of restricted stock units (Note 36)	**–**	**22,392**	**–**	**–**	**–**	**(22,392)**	**–**	**–**	**–**	**–**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**580**	**–**	**(580)**	**–**	**–**	**–**
Changes in equity for the year	**(8)**	**793,068**	**–**	**–**	**580**	**(63,859)**	**(688,288)**	**41,493**	**(18,762)**	**22,731**
At December 31, 2018	**–**	**897,214**	**285,200**	**(15,129)**	**174,425**	**1,390,128**	**503,681**	**3,235,519**	**–**	**3,235,519**

Notes:

(i) The share capital of the Group as at December 31, 2018 represented the share capital of the Company upon the completion of the Group's reorganization and the issuance of shares upon listing.

(ii) In December 2017, AsiaInfo Technologies (H.K.) Limited ("**AsiaInfo Technologies HK**") acquired 100% equity interest of AsiaInfo Big Data Limited ("**AsiaInfo Big Data**") from AsiaInfo Cayman Limited ("**AsiaInfo Cayman**") for a consideration of nil. As AsiaInfo Technologies HK and AsiaInfo Big Data were both controlled by the same holding company, Skipper Holdings Limited ("**Skipper Holdings**" or the "**then intermediate holding company**"), the acquisition was regarded as a business combination under common control. Accordingly, the consolidated financial statements have been prepared as if AsiaInfo Big Data has been included in the Group since its inception. As AsiaInfo Big Data was established on June 6, 2014, the capital contribution amount of RMB285,200,000 invested into AsiaInfo Big Data was shown as an increase in merger reserve in the consolidated statement of changes in equity.

(iii) 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.

(iv) In September 2017, the Group sold its entire 88% equity interest in AsiaInfo Software Limited ("**Software BVI**") and Software BVI's subsidiaries to AsiaInfo Innovation Limited ("**Innovation BVI**"), a company that is wholly-owned by AsiaInfo Cayman, the then parent company of the Group, for a cash consideration of RMB22,000 (Note 39). As these entities being disposed of are under the common control of AsiaInfo Cayman, the transaction is accounted for as an equity transaction with the difference between the cash received and carrying amount of the subsidiaries being recorded in other reserve.

(v) Upon the adoption of HKFRS 9 *Financial Instruments* on January 1, 2018, an accumulated impact of RMB19,576,000 was recorded as an adjustment to the retained profits at January 1, 2018, which represented the impairment loss allowance, net of deferred tax impact. Details of the adjustment are set out in Note 2.

(vi) On March 15, 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. (Note 38). 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before tax from continuing operations	**313,130**	423,760
Loss before tax from discontinued operations	**(1,279)**	(17,233)
Adjustments for:		
Depreciation of property, plant and equipment	**26,577**	35,744
Amortization of intangible assets	**38,963**	55,301
Amortization of prepaid lease payments	**2,019**	2,019
Loss on disposal of property, plant and equipment	**1,771**	5,135
Loss on disposal of intangible assets	**113**	413
Gain on disposal of subsidiaries	**–**	(37,647)
Finance costs	**70,594**	83,986
Net foreign exchange loss (gain)	**95,928**	(70,376)
Interest income from related parties	**(7,770)**	(19,001)
Bank interest income	**(26,873)**	(19,018)
Interest income from financial assets at fair value through profit or loss	**(416)**	–
Impairment loss of an available-for-sale investment	**–**	4,335
Impairment loss of intangible assets	**–**	2,200
Impairment loss of inventories	**–**	110
Allowance for trade receivables, net of reversal	**6,138**	4,714
Allowance for other receivables	**446**	1,123
Reversal of allowance for contract assets	**(9,464)**	–
Share-based compensation expenses	**155,502**	73,489
Share of results of associates	**1,242**	1,315
Share of results of joint ventures	**–**	646
Operating cash flows before movements in working capital	**666,621**	531,015
Decrease (increase) in inventories	**7,100**	(5,001)
Decrease (increase) in trade and notes receivables	**114,919**	(133,763)
Decrease (increase) in prepayment, deposits and other receivables	**40,825**	(10,601)
Decrease (increase) in contract assets	**286,643**	(15,031)
Decrease in amounts due from fellow subsidiaries	**57,842**	6,103
Increase in amounts due from associates	**–**	(5,826)
Decrease in other non-current assets	**11,222**	3,828
Decrease in amounts due to the then intermediate holding company	**–**	(5,134)
Decrease in amounts due to fellow subsidiaries	**(60,897)**	(28,034)
Decrease in amount due to a joint venture	**–**	(2,482)
Decrease in trade and notes payables	**(256,184)**	(153,918)
Decrease in contract liabilities	**(86,995)**	(131,255)
(Decrease) increase in other payables, deposits received and accrued expenses	**(106,079)**	525,450
Decrease in other non-current liabilities	**–**	(8,726)
Cash generated from operating activities	**675,017**	566,625
Income taxes paid	**(91,684)**	(56,208)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**583,333**	510,417

	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(65,203)**	(10,289)
Purchases of intangible assets	**(2,645)**	(1,659)
Purchases of financial assets at fair value through profit or loss	**(210,000)**	–
Payment for investment in associates	**–**	(56,000)
Proceeds on disposal of an unlisted equity investment	**3,665**	–
Proceeds on disposal of available-for-sale investments	**–**	20,000
Net cash outflow from disposal of subsidiaries	**–**	(32,615)
Repayment from related parties	**10,311**	45,793
Advance to related parties	**–**	(66,976)
Placement of pledged bank deposits	**(1,091,109)**	(179,159)
Withdrawal of pledged bank deposits	**550,376**	197,191
Interest received	**12,578**	18,004
NET CASH USED IN INVESTING ACTIVITIES	**(792,027)**	(65,710)
FINANCING ACTIVITIES		
New bank borrowings raised	**1,236,803**	1,515,450
Repayment of bank borrowings	**(1,168,551)**	(1,935,190)
Proceeds from issue of shares	**791,910**	–
Share issuance costs	**(18,144)**	(4,476)
Interest paid	**(69,041)**	(81,379)
Advance from related parties	**–**	14,695
Repayment to related parties	**(28,103)**	(5,271)
Repayments of loans from fellow subsidiaries	**–**	(56,345)
Acquisition of additional interests in a subsidiary	**(160,000)**	–
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**584,874**	(552,516)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**376,180**	(107,809)
CASH AND CASH EQUIVALENTS AT JANUARY 1	**1,450,588**	1,583,120
Effect of exchange rate changes	**(5,586)**	(24,723)
CASH AND CASH EQUIVALENTS AT DECEMBER 31 REPRESENTED BY BANK BALANCES AND CASH	**1,821,182**	1,450,588

1. GENERAL, GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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**"). The address of the registered office of the Company and the principal place of business of the Company and its subsidiaries (collectively referred to as the "**Group**") are disclosed in the section headed "Corporate Information" to the annual report. The Company changed its name from Linkage Technologies Investment Limited to AsiaInfo-Linkage Technologies Investment Limited on October 28, 2010, which was subsequently renamed as AsiaInfo Technologies Investment Limited on April 30, 2014, to AsiaInfo Technologies Limited (亞信科技有限公司) on June 28, 2018, and was further renamed to AsiaInfo Technologies Limited (亞信科技控股有限公司) on July 10, 2018.

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

Details of group reorganization in preparation for the listing of the Company's shares on the Stock Exchange are set out below:

(i) On April 29, 2018, the Company, AsiaInfo Holdings, LLC ("**AsiaInfo Holdings**") and AsiaInfo Technologies HK entered into a deed of reorganization (the "**Reorganization Deed**") pursuant to which the Company agreed to transfer all of the issued shares of Hong Kong AsiaInfo Technologies Limited ("**HK AsiaInfo Technologies**") and AsiaInfo Big Data to AsiaInfo Technologies HK, in consideration for AsiaInfo Technologies HK transferring all issued 9,288 shares in the Company to AsiaInfo Holdings. Upon the completion of the transfer under the Reorganization Deed, the Company became a direct wholly-owned subsidiary of AsiaInfo Holdings. HK AsiaInfo Technologies and AsiaInfo Big Data continued to be indirect wholly-owned subsidiary of AsiaInfo Holdings.

(ii) On April 30, 2018, the Company and AsiaInfo Holdings entered into a share transfer agreement pursuant to which the Company issued and allotted one new share to AsiaInfo Holdings in consideration for AsiaInfo Holdings transferring all of the issued shares of AsiaInfo Technologies HK to the Company. Immediately after the completion of the transfer, AsiaInfo Holdings held an aggregated 9,289 ordinary shares, representing the entire issued shares of the Company, and AsiaInfo Technologies HK became a direct wholly-owned subsidiary of the Company. Thereafter, the Company has become the holding company of the companies now comprising the Group.

(iii) On June 26, 2018, the Company allotted and issued 78,043,522 shares to all of the then existing shareholders of Skipper Holdings for an aggregate nominal consideration of RMB6.5 (equivalent to Hong Kong dollar ("**HK$**") 7.8).

(iv) On June 26, 2018, a share surrender letter was signed by AsiaInfo Holdings pursuant to which AsiaInfo Holdings surrendered all of the held 9,289 ordinary shares of the Company. The ordinary shares were cancelled on June 26, 2018. Upon the surrender of shares, AsiaInfo Holdings is no longer a shareholder of the Company.

1. GENERAL, GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Group resulting from the above mentioned reorganization is regarded as a continuing entity. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended December 31, 2018 and 2017 which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared as if the current group structure upon completion of the above mentioned reorganization had been in existence since January 1, 2017, or since their respective dates of incorporation, where there is a shorter period.

The consolidated statement of financial position of the Group as at December 31, 2017 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

The shares of the Company have been listed on the Stock Exchange with effect from December 19, 2018.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has consistently applied all the new and amendments to HKFRSs that are effective for the Group's accounting period beginning on January 1, 2018 for the years ended December 31, 2018 and 2017, except that the Group applied HKFRS 9 *Financial Instruments* on January 1, 2018 as detailed below and HKAS 39 *Financial Instruments*: *Recognition and Measurement* during the year ended December 31, 2017.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under the expected credit losses ("**ECL**") model) retrospectively to instruments that have not been derecognized as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018. The difference between the carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognized in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application on January 1, 2018.

	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount at December 31, 2017 under HKAS 39 RMB'000	Additional loss allowance recognized under HKFRS 9 RMB'000	New carrying amount at January 1, 2018 under HKFRS 9 RMB'000
Trade and notes receivables	Loans and receivables	Financial assets at amortised cost	888,445	(2,479)	885,966
Pledged bank deposits	Loans and receivables	Financial assets at amortised cost	576,758	–	576,758
Bank balances and cash	Loans and receivables	Financial assets at amortised cost	1,450,588	–	1,450,588
Other receivables	Loans and receivables	Financial assets at amortised cost	25,146	–	25,146
Available-for-sale investments	Available-for-sale equity investment	Financial assets at fair value through profit or loss ("**FVTPL**")	3,665	–	3,665
Contract assets	Contract assets under HKFRS 15 *Revenue from contracts with customers* subject to ECL measurement		1,632,039	(19,641)	1,612,398
Other non-current assets	Loans and receivables	Financial assets at amortised cost	46,247	–	46,247
Amounts due from fellow subsidiaries	Loans and receivables	Financial assets at amortised cost	269,583	–	269,583
Amount due from the then immediate holding company	Loans and receivables	Financial assets at amortised cost	614,150	–	614,150
Amounts due from the then intermediate holding company	Loans and receivables	Financial assets at amortised cost	5,645	–	5,645

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL or measured at amortized cost under HKAS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of HKFRS 9.

The table below shows the amount of adjustment for each financial statement line item of the Group affected by the application of HKFRS 9.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

Impact on assets and equity as at January 1, 2018:

	As previously reported RMB'000	HKFRS 9 adjusted RMB'000	As restated RMB'000
Trade and notes receivables	888,445	(2,479)	885,966
Contract assets	1,632,039	(19,641)	1,612,398
Deferred tax assets	194,389	2,544	196,933
Total effect on net assets		(19,576)	
Reserves	3,018,827	(19,576)	2,999,251
Total effect on equity		(19,576)	

There is no significant impact on other financial assets under the ECL model upon adoption at January 1, 2018.

New and amendments to HKFRSs and interpretations in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretations that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after January 1, 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after January 1, 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020
5 Effective for annual periods beginning on or after January 1, 2020

Except for the new HKFRS described below, the directors of the Company anticipate that the application of other new and amendments to HKFRSs and interpretations will have no material impact on the Group's consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs and interpretation in issue but not yet effective (Continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under HKAS 17, the Group has already recognized an asset for prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, in contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of RMB386,086,000 as disclosed in Note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term lease upon the application of HKFRS 16.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs and interpretation in issue but not yet effective (Continued)

HKFRS 16 Leases (Continued)

In addition, the Group currently considers refundable rental deposits paid of RMB27,845,000 as at December 31, 2018 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognized over the lease term.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. 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 applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognized the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on historical cost basis, except for certain financial instruments which are measured at fair value, at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements are determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Lease*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiaries, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of business, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- Assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving business under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period of when they first came under common control, whichever is shorter.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associates/joint ventures other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses.

Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there are objective evidence that the Group's investment in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 *Impairment of assets* to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39/HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or the joint venture that are not related to the Group.

Revenue from contracts with customers

Under HKFRS 15, the Group recognized revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously received and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment on a regular and individual basis. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Revenue is measured based on the consideration specified in a contract with customer and excluded amounts collected on behalf of third parties. The Group principally earns revenue from provision of software products and related services as well as a variety of other services including:

- Software business
  - Software products and related services
  - Data-driven operation services
  - Others
- Network security business

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Specifically, revenue is recognized in profit or loss as follows:

Software products and related services

The Group primarily is engaged in (i) the provision of software products and related deployment services, and (ii) the provision of ongoing operation and maintenance services ("**O&M services**").

(i) Software products and related deployment services

The software products and related deployment services include a comprehensive set of professional services, from demand analysis, project design and planning, software development and sourcing, system installation and launch to trial operation and acceptance, which are highly interrelated and significantly affected by other goods and services in the contract. The directors of the Company have assessed that the Group's performance creates and enhances an asset that the customers control as the Group performs. Therefore, the directors of the Company have satisfied that there is only one single performance obligation and the services are satisfied over time.

Accordingly, revenue from software products and related deployment services, which are generally under project based development contracts, is recognized based on the stage of completion of the contract which is determined as the proportion of the costs incurred for the works (i.e. subcontracting costs, material costs and direct staff costs incurred) performed to date relative to the estimated total costs to complete the satisfaction of these services and the margin of each project, to the extent that the amount can be measured reliably and its recovery is considered probable.

(ii) O&M services

Upon the launch of a system from the software products and related deployment services the Group provided, customers typically engage the Group to provide ongoing O&M services to ensure the stable functioning of the system.

Pursuant to the contracts of rendering related O&M services, the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring O&M services to customers. Additionally, the O&M services typically meet the criterion where customers simultaneously receive and consume the benefits of the Group's performance as the Group performs. The fact that another entity would not need to re-perform maintenance services for the service that the Group has provided to date also demonstrates that customers simultaneously receive and consume the benefits of the Group's performance as the Group performs. Therefore, the directors of the Company have satisfied that the performance obligation of rendering O&M services are satisfied over time which is recognized over the service period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Data-driven operation services

The Group provides data-driven operation services directly to telecom operators and/or in collaboration with telecom operators to the government and enterprise customers in relation to the rendering of comprehensive data operational analytics services to analyze customer behavior.

The directors of the Company have assessed that the data-driven operation service is one single performance obligation and the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs. Therefore, the directors of the Company have satisfied that the services are satisfied over time.

Others

The Group generates other revenues from sales of third-party hardware and software, system integration service, business consulting services and corporate trainings.

i. Sales of third-party hardware and software

   Revenue is recognized at a point in time when the customer obtains control of the third-party hardware and software.

ii. Provision of services – *system integration services, business consulting services and corporate trainings*

   The Group enters into system integration service agreements, consulting service agreements with telecom operators and large enterprises, the term of which generally ranges from two months to one year with a fixed contract price.

   The performance obligation of provision of such services is satisfied over time. Revenue from rendering business consulting services and corporate trainings is recognized based on the services provided as the customers simultaneously receive and consume the service provided by the Group over the period. Revenue from rendering system integration services is recognized over time based on the stage of completion of the contract which is determined as the proportion of the cost incurred for the work performed to date relative to the estimated total costs to complete the satisfaction of these services and the margin of each project as the Group's performance creates and enhances an asset that the customers control as the Group performs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Network security related software products and services

The Group was engaged in providing network security related software products and services, which is similar to software products and related services, and transformed the business model to provide similar network security related products and services to customers through outsourcing the entire work to AsiaInfo Technologies (Chengdu), Inc. ("**AsiaInfo Chengdu**").

The directors of the Company have assessed that the Group's services creates and enhances an asset that the customers control as the Group performs. Therefore, the directors of the Company have satisfied that the services are satisfied over time. Accordingly, revenue is recognized based on the stage of completion of the contract.

Some of the service contracts contain variable consideration in the form of cash payment based on final service evaluation result (usually in the form of a service evaluation score provided by the customer based on which cash payment is calculated). The Group estimates the amount of consideration to which it will be entitled using the most likely amount. The estimation of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognized as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employee (such as wages and salaries) after deducting any amount already paid.

Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

When no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments in respect of share options/restricted stock units ("**RSUs**") determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (other reserves). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserve.

When share options are exercised or when the RSUs are vested, the amount previously recognized in other reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in other reserve will be transferred to retained profits.

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of profit or loss and other comprehensive income and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings, leasehold improvements, motor vehicles, and furniture, fixtures and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill), the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives, except for the customer relationships being amortized on an accelerated basis over their estimated useful live. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets, the memberships, with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortization and accumulated impairment loss, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid lease payments

Land use rights represent prepayments for the land use rights in mainland China and are stated at cost initially and amortized on a straight-line basis over the lease terms.

Prepaid lease payments mainly represent payments for obtaining land use rights. Payment for obtaining land use rights is charged to profit or loss or included as part of costs of buildings under construction on a straight line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a first-in, first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an assets is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash – generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that required delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized in profit or loss and is included in the “other income” line item.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“**FVTOCI**”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“**OCI**”) if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

In addition, the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and debt instruments/receivables subsequently measured at FVOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or designated as FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other income” line item.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

(iii) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial assets measured at amortized cost, exchange differences are recognized in profit or loss and are included in the "other gains and losses" line item.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 2)

The Group recognizes a loss allowance for ECL on financial assets and other instruments which are subject to impairment under HKFRS 9 (including trade receivables and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast of future conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 2) (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 2) (Continued)

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 2) (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate determined at initial recognition.

Where ECL is measure on a collective basis or cater for cases where evidence at the individual instruments level may not yet be available, the financial instruments are grouped on the nature and size of debtors basis:

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments and other instruments by adjusting their carrying amount, with the exception of trade receivables, contract assets and other receivables where the corresponding adjustment is recognized through a loss allowance account.

In determining the ECL for other receivables, amounts due from related parties, bank balances and cash, pledged bank deposits, notes receivables and other non-current assets, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables, amounts due from related parties, bank balances and cash, pledged bank deposits, notes receivables and other non-current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. For the purposes of impairment assessment, other receivables, amounts due from related parties, bank balances and cash, pledged bank deposits, notes receivables and other non-current assets are considered to have low credit risk as the counterparties to these financial assets have a high credit rating and insignificant historical default experience. Accordingly, loss allowance is measured at an amount equal to 12m ECL.

At as January 1, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and other instruments for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on January 1, 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, available-for-sale ("**AFS**") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that required delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other income" line item. Fair value is determined in the manner described in Note 35.

(ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Other changes in carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on January 1, 2018) (Continued)

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and notes receivables, other receivables, other non-current assets, amounts due from related parties, pledged bank deposits and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on January 1, 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, the objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becomes probable that the borrower will enter bankruptcy or financial re-organization.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on January 1, 2018) (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivable and other receivables and contract assets, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities at amortized cost

Financial liabilities including trade and notes payables, other payables, amounts due to related parties, bank borrowings are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Judgments in determining the performance obligations

In making their judgments, the Group considered the detailed criteria for recognition of revenue set out in HKFRS 15. In determining performance obligations, the directors of the Company consider whether the customer benefits from each service on its own and whether it is distinct in the context of the contract. Specifically, when concluding a contract has multiple performance obligations, the directors of the Company consider that the individual performance obligation is satisfied separately and the service is separately identifiable from other promises within the contract.

Judgments in determining the timing of satisfaction of performance obligations

Note 3 describes the revenue recognition basis to each of the Group's revenue stream. The recognition of each of the Group's revenue stream requires judgment by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgment, the directors of the Company considered the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the detailed terms of transactions as stipulated in the contracts entered into with its customers.

For the Group's software business and network security business, the directors of the Company have assessed that the Group's performance creates and enhances an asset that the customer controls as the Group performs. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time and recognized the revenue over the service period.

For O&M services included in the software business, the directors of the Company have determined that the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time and recognized the revenue over the service period.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The recoverable amount determination of the cash-generating units as at December 31, 2018 and 2017 is based on the present value calculation which requires the Group to estimate the future cash flows expected to arise from the cash – generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a further impairment loss may arise. As at December 31, 2018, the carrying amount of goodwill was RMB1,932,246,000 (2017: RMB1,932,246,000). Details of the recoverable amount calculation are disclosed in Note 17.

Useful life of property, plant and equipment and intangible assets with finite useful lives

The management depreciates and amortizes the property, plant and equipment and intangible assets with finite useful lives on a straight-line basis over their estimated useful lives, except for the customer relationships which are amortized on an accelerated basis based on their estimated useful lives. The estimated useful lives reflect the estimation of the directors of the Company of the periods that the future economic benefits can be derived from the usage of the Group's property, plant and equipment and intangible assets with finite useful lives. If the estimated useful life did not reflect its actual useful life, additional depreciation and amortization may be required.

Project-based development contracts

Revenue from project-based development contracts is recognized under the stage of completion method which requires estimation made by management. The directors of the Company estimate the contract costs, outcome and expected cost to complete the contracts based on the budgets prepared for the contracts. Due to the nature of the activities, the directors of the Company review and revise the estimates of both contract outcome and expected costs to complete in the budget prepared for each contract as the contract progresses. Any revisions to estimates of contract outcomes and expected costs to completion would affect contract revenue recognition. Should expected costs to complete exceed contract revenue, a provision for contract loss would be recognized. A net aggregated amount of provision for contract loss of RMB19,083,000 was charged to profit or loss for the year ended December 31, 2018 (2017: net reversal of RMB3,285,000).

5. 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 recognized net of sales related taxes.

The Group's operating segments are determined based on information reported to the chief executive officer ("**CEO**") 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.

The following information disclosed does not include any amounts for the discontinued operations, which are described in more details in Note 11.

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, system integration services, business consulting services and corporate trainings.
Network security business:	Representing provision of network security related software products and services.

The performance obligation of rendering software products and related services is mainly derived from the project-based software development contracts and is satisfied over time which usually range from six months to eighteen months.

The rendering of data-driven operation services is mainly derived from telecom operators' government and enterprise customers with fixed-price contracts to perform data analysis services to analyze customer behavior and operational efficiency. The performance obligation of rendering of data driven operation services is satisfied over time, ranging from fifteen days to six months.

The performance obligation of sale of third-party hardware and software is satisfied at a point in time when the control of hardware and software is transferred to the customer.

The performance obligation of rendering the network security related software products and services is satisfied over time generally ranging from six months to eighteen months.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from continuing operations

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time	**158,685**	129,060
Over time	**5,052,292**	4,819,264
	5,210,977	4,948,324
Types of goods and services		
Provision of services(i)	**5,066,255**	4,828,000
Sales of goods	**144,722**	120,324
	5,210,977	4,948,324
Nature of goods and services		
Software business:		
Software products and related services	**4,852,159**	4,541,482
Data-driven operation services	**82,489**	41,745
Others(ii)	**257,315**	241,652
Network security business	**19,014**	123,445
	5,210,977	4,948,324

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. The transaction price allocated to performance obligations in relation to the non-refundable advance payments that were unsatisfied was amounted to RMB300,918,000 as at December 31, 2018 (2017: RMB387,913,000), representing the contract liabilities included in Note 24.

Respective transaction price allocated to the unsatisfied contracts, representing the contract liabilities, as at December 31, 2017 in the amount of RMB387,913,000 had been recognized as revenue over the contract periods for the year ended December 31, 2018. The management expects such amount allocated to the unsatisfied contracts as at December 31, 2018 of RMB300,918,000 will be all recognized as revenue during the year ending December 31, 2019.

All services provided and recognized overtime are with fixed-price contract. The performance obligation of provision of service 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 the provision of corporate trainings.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information

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

Year ended December 31, 2018

	Software business RMB'000	Network security business RMB'000	Total RMB'000
Revenue	5,191,963	19,014	5,210,977
Cost of sales	(3,309,719)	(18,634)	(3,328,353)
Gross profit	1,882,244	380	1,882,624
Other income	82,172	–	82,172
Net reversal of impairment losses on financial assets and contract assets	2,880	–	2,880
Other gains and losses	(102,706)	–	(102,706)
Selling and marketing expenses	(508,402)	–	(508,402)
Administrative expenses	(332,709)	(116)	(332,825)
Research and development expenses	(584,681)	–	(584,681)
Share of results of associates	(1,242)	–	(1,242)
Finance costs	(70,594)	–	(70,594)
Listing expenses	(54,096)	–	(54,096)
Profit before tax	312,866	264	313,130

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Year ended December 31, 2017

	Software business RMB'000	Network security business RMB'000	Total RMB'000
Revenue	4,824,879	123,445	4,948,324
Cost of sales	(3,156,920)	(120,976)	(3,277,896)
Gross profit	1,667,959	2,469	1,670,428
Other income	114,712	–	114,712
Net impairment losses on financial assets and contract assets	(10,172)	–	(10,172)
Other gains and losses	79,000	–	79,000
Selling and marketing expenses	(481,831)	–	(481,831)
Administrative expenses	(403,629)	(171)	(403,800)
Research and development expenses	(430,246)	–	(430,246)
Share of results of associates	258	–	258
Finance costs	(83,986)	–	(83,986)
Listing expenses	(30,603)	–	(30,603)
Profit before tax	421,462	2,298	423,760

The accounting policies of the reportable segments are the same as the Group's significant accounting policies described in Note 3.

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

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 and non-current assets of the Group are generated from and 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 years ended December 31, 2018 and 2017, there were no sales or service contracts with a signing party located outside of the PRC.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group during the reporting periods is as follows:

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Telecom operator A	**2,939,607**	2,736,689
Telecom operator B	**1,188,096**	1,173,224
Telecom operator C	**921,111**	845,696

Note: The customers as shown above are at their group level which aggregates the customer's headquarters, provincial, municipal and specialized companies which enters into contract with the Group individually.

6. OTHER INCOME

Continuing operations

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Government grants	**24,527**	44,098
Income from management support services[(i)]	**18,176**	29,179
Interest income from related parties (Note 38)	**7,770**	19,001
Bank interest income	**26,873**	19,018
Interest income from financial assets at FVTPL	**416**	–
Others	**4,410**	3,416
	82,172	114,712

Note:

(i) 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 (Note 38).

7. OTHER GAINS AND LOSSES

Continuing operations

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment	**(1,771)**	(5,135)
Loss on disposal of intangible assets	**(113)**	(413)
Impairment loss of intangible assets	**–**	(2,200)
Impairment loss of inventories	**–**	(110)
Gain from extinguishment of liabilities[i]	**2,432**	1,278
Exchange (loss) gain, net	**(104,517)**	84,029
Others	**1,263**	1,551
	(102,706)	79,000

Note:

(i) The amount mainly represents certain outstanding trade payables, other payables and accrued expenses, relating to project-based software development contracts, aged over years which has exceeded the maximum recourse period and is no longer payable by the Group.

8. FINANCE COSTS

Continuing operations

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Interest on bank borrowings	**70,594**	83,986

9. INCOME TAX EXPENSES

Continuing operations

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Current tax:		
Hong Kong Profits Tax		
– Current year	**–**	802
PRC enterprise income tax ("**EIT**")		
– Current year	**78,685**	92,440
Deferred tax (Note 30)	**30,211**	(4,658)
	108,896	88,584

9. 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 year ended December 31, 2018 (2017: 25%).

The Group's subsidiaries operating in the PRC are eligible for certain tax credits of 175% (2017:150%) deduction rates on certain research and development expenses for the year ended December 31, 2018.

On August 9, 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 years ended December 31, 2018 and 2017, 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 considers that AsiaInfo China and AsiaInfo Nanjing will re-apply for such tax preference provided that its business operations will continue to be qualified as key software enterprises.

Pursuant to the EIT Law effective on January 1, 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 December 31, 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% for the year ended December 31, 2018 (2017: 25%).

According to the relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from January 1, 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 March 21, 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 March 28, 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% (2017: 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 consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for 2018 (2017: 16.5%).

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

The income tax expenses for the years ended December 31, 2018 and 2017 can be reconciled to the profit before tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

9. INCOME TAX EXPENSES (Continued)

Continuing operations

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Profit before tax	**313,130**	423,760
Tax at applicable income tax rate of 10%	**31,313**	42,376
Tax effect of share of results of associates	**124**	26
Tax effect of 175% (2017: 150%) deduction rate on certain research and development expenses	**(28,747)**	(14,547)
Tax effect of expenses not deductible for tax purpose	**44,500**	19,532
Tax effect of income not taxable for tax purpose	**(12,757)**	(19,596)
Tax effect of tax losses not recognized	**63,327**	38,095
Tax effect of withholding tax on dividend distribution	**–**	26,861
Tax effect of different tax rates of subsidiaries not applicable of 10%		
PRC	**11,136**	(4,482)
Hong Kong	**–**	319
Income tax expenses for the year	**108,896**	88,584

10. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Profit for the year from continuing operations has been arrived at after charging:		
Staff costs, including directors' remuneration set out in Note 13		
Directors' remuneration	**21,638**	21,897
Employee benefit expenses		
Other staff costs (salaries, wages, allowance, bonus and others)	**2,885,332**	2,836,288
Contribution to retirement benefits scheme	**241,889**	208,215
Share-based compensation expenses	**139,078**	60,987
Total staff costs	**3,287,937**	3,127,387
Cost of inventories recognized as expenses (including in cost of sales)	**138,606**	115,217
Depreciation of property, plant and equipment	**26,577**	35,424
Amortization of prepaid lease payments	**2,019**	2,019
Amortization of intangible assets	**38,963**	55,301
Auditor's remuneration	**12,681**	9,631

11. DISCONTINUED OPERATIONS

Disposal of a business operation

During the year ended December 31, 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**").

Upon the acquisition of AsiaInfo Big Data in December 2017 as described in note (ii) of the consolidated statement of changes in equity, which is a business combination under common control, AsiaInfo Big Data is regarded as if it had been within the Group throughout the year ended December 31, 2017. Accordingly, the disposal of AsiaInfo Big Data's E-public Service Business incurred in November 2017 was considered as a discontinued operation of the Group. Such E-public Service Business was disposed of by AsiaInfo Big Data to Guangzhou AsiaInfo Cloud Bigdata Co., Ltd., a related party of the Group, for nil consideration. Through such disposal, substantial business of E-public Service Business was disposed of with an insignificant amount of contracts completed during the year ended December 31, 2018.

Analysis of loss for the year from discontinued operations

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Loss of E-public Service Business	**(1,279)**	(17,683)
Gain on disposal	**–**	450
Loss for the year from discontinued operations	**(1,279)**	(17,233)

11. DISCONTINUED OPERATIONS (Continued)

Discontinued E-public Service Business

The results of the discontinued E-public Service Business, for the years ended December 31, 2018 and 2017, which have been included in the consolidated statement of profit or loss and other comprehensive income, are set out as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Revenue	**986**	23,197
Cost of sales	**(2,265)**	(37,970)
Gross loss	**(1,279)**	(14,773)
Other income	**–**	40
Other gains and losses[i]	**–**	35,569
Selling and marketing expenses	**–**	(23,160)
Administrative expenses	**–**	(3,439)
Research and development expenses	**–**	(9,701)
Share of results of associates	**–**	(1,573)
Share of results of joint ventures	**–**	(646)
Loss before tax	**(1,279)**	(17,683)
Income tax expenses	**–**	–
Loss for the year	**(1,279)**	(17,683)

Note:

(i) Included in other gains and losses during the year ended December 31, 2017, there were gains on disposal of subsidiaries amounting to RMB37,197,000 (Note 39).

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Loss for the year from discontinued E-public Service Business has been arrived at after charging:		
Staff cost		
Staff salaries and other benefits	**1,470**	49,464
Contribution to retirement benefit scheme	**140**	4,503
Total staff cost	**1,610**	53,967
Depreciation of property, plant and equipment	**–**	320

12. 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:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**204,134**	328,765
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**629,198,865**	624,348,176
Effect of dilutive potential ordinary shares:		
Share options and RSUs	**9,508,736**	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**638,707,601**	N/A

The calculation of basic earnings per share for the years ended December 31, 2018 and 2017 was based on the profit for the year attributable to the owners of the Company.

The calculation of the number of shares for the purpose of basic earnings per share for the year ended December 31, 2017 has taken into account the allotment and issuance of new shares by the Company to all of the then existing shareholders on June 26, 2018 and the share subdivision into 8 shares of HK$0.0000000125 par value per share as if the new issuance and the share subdivision had been effective on January 1, 2017. The calculation of the number of shares for the purpose of basic earnings per share for the year ended December 31, 2018 has taken into account the allotment and issuance with regards to the new share option scheme and restricted share award scheme on July 11, 2018 and August 1, 2018 and the issuance of shares upon listing on December 19, 2018.

No diluted earnings per share for the year ended December 31, 2017 was presented as there were no potential ordinary shares in issue for 2017.

The computation of diluted earnings per share for the year ended December 31, 2018 did not assume the exercise of the Company's share options under the 2014 plan and the share options with exercise prices of US$1.9225 and US$1.2725 under the Pre-IPO share option scheme described in Note 36 since the exercise prices of those share options were higher than the average market price for shares of the Company.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors and chief executive

Mr. Nianshu Gao served as the CEO of the Company since July 11, 2016 and was appointed as an executive director of the Company on August 18, 2017. Mr. Jun Wu served as the Company's director and CEO since April 15, 2014 and terminated his role served as the CEO in July 2016, and his role served as the director of the Company on May 15, 2017. Mr. James Hsu was appointed as a director of the Company with effect from May 9, 2014 to January 31, 2018. Mr. Suning Tian, Mr. Jian Ding and Mr. Jingyang Wu were all appointed as directors of the Company since January 15, 2014; Mr. Suning Tian and Mr. Jian Ding were then both appointed as executive directors of the Company on June 26, 2018.

Mr. Yichen Zhang and Mr. Yuesheng Xin were executive directors of the Company since January 15, 2014 and August 24, 2012, respectively, and Mr. Liyang Zhang joined the Company on January 31, 2018 as an executive director of the Company; Mr. Liyang Zhang, Mr. Yichen Zhang and Mr. Yuesheng Xin were further re-designated as non-executive directors of the Company on June 26, 2018.

Mr. Ming Ge, Mr. Jack Qunyao Gao and Mr. Ya-Qin Zhang joined the Group and were appointed as the independent non-executive directors of the Company since December 19, 2018. Such appointments came into effective upon the Company's listing.

Details of the emoluments paid or payable to the directors and chief executive of the Company by entities comprising the Group during the years ended December 31, 2018 and 2017 are as follows:

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

Directors and chief executive (Continued)

Year ended December 31, 2018

	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Contribution to retirement benefit scheme RMB'000	Subtotal RMB'000	Share-based compensation RMB'000	Total RMB'000
Directors and chief executives:						
Mr. Nianshu Gao	2,519	2,640	55	5,214	16,424	21,638
Mr. James Hsu	–	–	–	–	–	–
Mr. Jian Ding	–	–	–	–	–	–
Mr. Suning Tian	–	–	–	–	–	–
Mr. Jingyang Wu	–	–	–	–	–	–
Sub-total	2,519	2,640	55	5,214	16,424	21,638
Non-executive directors:						
Mr. Yuesheng Xin	–	–	–	–	–	–
Mr. Yichen Zhang	–	–	–	–	–	–
Mr. Liyang Zhang	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Ming Ge	–	–	–	–	–	–
Mr. Jack Qunyao Gao	–	–	–	–	–	–
Mr. Ya-Qin Zhang	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–
Total	2,519	2,640	55	5,214	16,424	21,638

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

Directors and chief executive (Continued)

Year ended December 31, 2017

	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Contribution to retirement benefit scheme RMB'000	Subtotal RMB'000	Share-based compensation RMB'000	Termination expenses RMB'000	Total RMB'000
Directors and chief executives:							
Mr. Jun Wu	734	–	20	754	1,369	1,339	3,462
Mr. Nianshu Gao	2,052	4,860	51	6,963	11,133	–	18,096
Mr. James Hsu	339	–	–	339	–	–	339
Mr. Yuesheng Xin	–	–	–	–	–	–	–
Mr. Jian Ding	–	–	–	–	–	–	–
Mr. Suning Tian	–	–	–	–	–	–	–
Mr. Jingyang Wu	–	–	–	–	–	–	–
Mr. Yichen Zhang	–	–	–	–	–	–	–
	3,125	4,860	71	8,056	12,502	1,339	21,897

No emoluments were paid or payable to Mr. Jian Ding, Mr. Suning Tian, Mr. Jingyang Wu, Mr. Yuesheng Xin, Mr. Yichen Zhang, Mr. Liyang Zhang, Mr. Ming Ge, Mr. Jack Qunyao Gao and Mr. Ya-Qin Zhang, the directors of the Company during the years ended December 31, 2018 and 2017.

The emoluments of the directors and chief executive shown above were for their management services rendered to the Group. The emoluments of the non-executive directors and independent executive directors were for their services as directors of the Company or its subsidiaries.

During the year ended December 31, 2018, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the holding companies of the Company. Details of the share-based payments are set out in Note 36.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

The five highest paid individuals of the Group included one director for each of the years ended December 31, 2018 and 2017, whose emoluments were included in the disclosures above. The emoluments of the remaining individuals for the years ended December 31, 2018 and 2017 are as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Employees		
Salaries and other benefits	**4,298**	3,634
Discretionary bonus	**5,205**	8,822
Share-based compensation expenses	**23,143**	25,046
Contribution to retirement benefit scheme	**210**	163
	32,856	37,665

Their top five emoluments fell within the following bands:

	Number of employees Year ended December 31,	
	2018	2017
HK$8,500,001 to HK$9,000,000	**1**	–
HK$9,000,001 to HK$9,500,000	**1**	–
HK$9,500,001 to HK$10,000,000	**1**	–
HK$10,000,001 to HK$10,500,000	**–**	2
HK$11,000,001 to HK$11,500,000	**1**	1
HK$11,500,001 to HK$12,000,000	**–**	1
HK$20,500,001 to HK$21,000,000	**–**	1
HK$25,500,001 to HK$26,000,000	**1**	–
	5	5

Saved as disclosed above, during the year ended December 31, 2018, no emoluments were paid by the Group to the directors or chief executive of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2017: nil).

None of the directors of the Company and the five highest paid individuals of the Group waived or agreed to waive any emoluments during the year ended December 31, 2018 (2017: nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
COST					
At January 1, 2017	196,894	88,735	7,480	203,219	496,328
Additions	693	3,725	1,264	4,607	10,289
Disposals	(4)	(8,856)	(3,743)	(72,005)	(84,608)
At December 31, 2017	197,583	83,604	5,001	135,821	422,009
Additions	33,042	17,936	373	15,237	66,588
Disposals	–	(1,717)	–	(4,084)	(5,801)
At December 31, 2018	230,625	99,823	5,374	146,974	482,796
ACCUMULATED DEPRECIATION					
At January 1, 2017	(12,156)	(27,331)	(5,666)	(147,196)	(192,349)
Charged for the year	(4,235)	(10,690)	(576)	(20,243)	(35,744)
Eliminated on disposals	–	3,121	3,170	62,422	68,713
At December 31, 2017	(16,391)	(34,900)	(3,072)	(105,017)	(159,380)
Charged for the year	(4,454)	(10,572)	(572)	(10,979)	(26,577)
Eliminated on disposals	–	1,353	–	2,677	4,030
At December 31, 2018	(20,845)	(44,119)	(3,644)	(113,319)	(181,927)
CARRYING VALUES					
At December 31, 2018	209,780	55,704	1,730	33,655	300,869
At December 31, 2017	181,192	48,704	1,929	30,804	262,629

The above items of property, plant and equipment, taking into account their residual values of the cost, are depreciated on a straight-line basis over their useful lives shown as follows:

Buildings	40 to 47 years
Leasehold improvements	Shorter of the lease term or 5 to 10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 to 10 years

15. PREPAID LEASE PAYMENTS

	At December 31, 2018 RMB'000	2017 RMB'000
Analyzed for reporting purposes as:		
Non-current assets	**83,470**	85,489
Current assets (included in prepayments, deposits and other receivables – Note 23)	**2,019**	2,019
	85,489	87,508

The movements of the prepaid lease payments is as follows:

	RMB'000
COST	
At January 1, 2017, December 31, 2017 and 2018	100,971
ACCUMULATED AMORTIZATION	
At January 1, 2017	(11,444)
Charged for the year	(2,019)
At December 31, 2017	(13,463)
Charged for the year	(2,019)
At December 31, 2018	(15,482)
CARRYING VALUES	
At December 31, 2018	85,489
At December 31, 2017	87,508

The Group entered into the land use right transfer agreement with Beijing Municipal Bureau of Land and Resources pursuant to which the Group acquired the land use right with a 50-year term in Beijing in 2011. The prepaid lease payments represent the land use rights and are amortized on a straight-line basis over lease terms of 50 years as stated in the relevant land use right certificates granted for usage to the Group.

16. INTANGIBLE ASSETS

	Customer relationships RMB'000	Core technologies RMB'000	Non-compete agreements RMB'000	Software RMB'000	Memberships RMB'000	Total RMB'000
COST						
At January 1, 2017	779,585	295,512	6,729	9,848	3,400	1,095,074
Additions	–	–	–	1,659	–	1,659
Disposal	–	–	–	(1,845)	–	(1,845)
At December 31, 2017	779,585	295,512	6,729	9,662	3,400	1,094,888
Additions	–	–	–	2,645	–	2,645
Disposal	–	–	–	(1,101)	–	(1,101)
At December 31, 2018	779,585	295,512	6,729	11,206	3,400	1,096,432
AMORTIZATION AND IMPAIRMENT						
At January 1, 2017	(672,643)	(295,512)	(6,729)	(3,483)	–	(978,367)
Charged for the year	(52,331)	–	–	(2,970)	–	(55,301)
Eliminated on disposals	–	–	–	1,432	–	1,432
Impairments	–	–	–	–	(2,200)	(2,200)
At December 31, 2017	(724,974)	(295,512)	(6,729)	(5,021)	(2,200)	(1,034,436)
Charged for the year	(34,295)	–	–	(4,668)	–	(38,963)
Eliminated on disposals	–	–	–	988	–	988
At December 31, 2018	(759,269)	(295,512)	(6,729)	(8,701)	(2,200)	(1,072,411)
CARRYING VALUES						
At December 31, 2018	20,316	–	–	2,505	1,200	24,021
At December 31, 2017	54,611	–	–	4,641	1,200	60,452

All intangible assets have finite useful lives and are amortized on a straight-line basis based on their estimated useful lives, except for the customer relationships having finite useful lives and being amortized on an accelerated basis based on their estimated useful lives and the memberships having infinite lives, as follows:

Customer relationships	2 to 10 years
Software	1 to 6 years
Core technologies	5 to 6 years
Non-compete agreements	2 to 10 years

17. GOODWILL

The goodwill was primarily arisen from the acquisition of Linkage Technologies International Holdings Limited ("**Linkage**") on July 1, 2010. The carrying value was RMB1,932,246,000 as at December 31, 2018 (2017: RMB1,932,246,000), which is related to the Group's software business.

Impairment testing on goodwill

For the impairment testing, goodwill has been allocated to the Group's cash-generating units which are operating in the software business.

The basis of the recoverable amount of the above cash-generating units and the methodology used for the year are summarized below:

The recoverable amount of the group of cash-generating units have been determined based on a value in use calculation and are valued by the management with reference to valuations carried out by an independent qualified professional valuer not connected with the Group, which has appropriate qualifications and experience in valuation of similar testing.

The calculation uses cash flow projections based on financial budgets approved by management covering a four-year period, and at a pre-tax discount rate of 19.0% for the year ended December 31, 2018 (2017: 19.0%). The cash flows of the cash-generating units beyond the four-year period are extrapolated using a 3.0% growth rate considering the relevant industry growth rate forecast and the economic condition of the market and period which does not exceed the long-term average growth rate for the industry. The directors of the Company believe that the projected growth rates are reasonable. Other key assumptions for the value in use calculations relate to the estimation of cash inflows and/or outflows which include budgeted sales and gross profit margin. Such estimation is based on the past performance of the cash-generating units, industry information and management's expectations for the market development, including the fluctuation in the software products and related services business in the current economic environment.

The table below sets forth a sensitivity analysis of the impact of variations in key assumptions, namely the discount rate and the revenue growth rate, on the recoverable amount of the cash-generating units of software business, where the headroom represents the excess of the recoverable amount over the carrying amount of the goodwill. The directors of the Company believe that any reasonably possible change in any of other assumptions would not cause the aggregate carrying amount of the cash-generating units to exceed recoverable amount.

	Headroom	
	At December 31,	
	2018	2017
	RMB'000	RMB'000
Change in discount rate		
0%	**4,200,000**	1,213,770
+0.5%	**4,039,000**	1,072,770
+1%	**3,863,000**	940,770
Change in revenue growth rate		
0%	**4,200,000**	1,213,770
–0.5%	**4,020,000**	1,173,770
–1%	**3,841,000**	1,133,770

During the year ended December 31, 2018, no impairment loss was recognized (2017: nil).

17. GOODWILL (Continued)

Impairment testing on goodwill (Continued)

During the years ended December 31, 2018 and 2017, the management of the Group determines that there is no impairment. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

The recoverable amount of cash-generating units of software business is RMB7,435,533,000 as at December 31, 2018 (2017: RMB4,070,000,000), which were higher than the carrying value at the respective date and determined based on the value in use calculations.

18. INVESTMENTS IN ASSOCIATES

Details of the Group's investments in associates are aggregately presented as follows:

	At December 31, 2018 RMB'000	2017 RMB'000
Cost of unlisted investments in associates	**56,000**	56,000
Share of results and other comprehensive income	**(984)**	258
	55,016	56,258

Details of the Group's associates at the end of the years ended December 31, 2018 and 2017 are as follows:

Name of entity[i]	Place of incorporation/ registration	Principal place of operation	Proportion of ownership interest and voting rights held by the Group At December 31, 2018 Directly	2018 Voting	2017 Directly	2017 Voting	Principal activity
Dalian Xikang Yunshe Development Co., Ltd.[ii] (大連熙康雲舍發展有限公司)	PRC	PRC	**10.0%**	**20.0%**	10.0%	20.0%	Provision of hospitality management, travel planning management and other management services
Beijing Yangguang Tiannv Information Technology Co., Ltd.[iii] (北京陽光天女信息科技有限公司)	PRC	PRC	**9.0%**	**14.3%**	9.0%	14.3%	Provision of information technology development services.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

18. INVESTMENTS IN ASSOCIATES (Continued)

Notes:

(i) The English names of the companies are translated from their registered Chinese names for identification purpose only.

(ii) In 2017, the Group invested RMB50,000,000 into Dalian Xikang Yunshe Development Co., Ltd. ("**Dalian Xikang Yunshe**") for 10% equity interests. Pursuant to the articles of associations, the Group has the ability to exercise significant influence over the investee through the power to appoint one out of five seats in the board of directors.

(iii) On February 23, 2017, the Group invested RMB6,000,000 into Beijing Yangguang Tiannv Information Technology Co., Ltd. ("**Yangguang Tiannv**") for 10% equity interests. The Group has the ability to exercise significant influence over the investee through the power to appoint one out of seven seats in the board of directors and has the rights to exercise its voting power throughout any decision-making process of the investee.

On November 5, 2017, an independent third-party non-controlling shareholder contracted to inject RMB20,000,000 to Yangguang Tiannv with capital injections made separately in 2017 and 2018, which resulted in a dilution of the Group's interest in Yangguang Tiannv from 10% to 9%.

The summarized financial information in respect of each of the Group's associates is set out as follows:

A. Dalian Xikang Yunshe

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Current assets	**261,706**	317,187
Non-current assets	**394,477**	255,616
Current liabilities	**20,498**	7,109
Non-current liabilities	**31,594**	24,754
Net assets	**604,091**	540,940

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Revenue	**3,263**	3,081
Loss and total comprehensive expense for the year	**(13,860)**	(10,183)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017 is as follows:

18. INVESTMENTS IN ASSOCIATES (Continued)

A. Dalian Xikang Yunshe (Continued)

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Net assets of Dalian Xikang Yunshe	**604,091**	540,940
Less: non-controlling interest in Dalian Xikang Yunshe	**128,133**	51,123
	475,958	489,817
Proportion of the Group's ownership interests in Dalian Xikang Yunshe	**10%**	10%
Carrying amount of the Group's interests in Dalian Xikang Yunshe	**47,596**	48,982

B. Yangguang Tiannv

	At December 31, 2018 RMB'000	2017 RMB'000
Current assets	**8,640**	8,495
Non-current assets	**7,526**	8,457
Current liabilities	**1,257**	3,645
Net assets	**14,909**	13,307

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Revenue	**4,482**	10,319
Loss and total comprehensive expense for the year	**(8,398)**	(13,516)

On November 5, 2017, an independent third-party non-controlling shareholding company contracted to inject RMB20,000,000 to Yangguang Tiannv, which resulted in a dilution of the Group's interest in Yangguang Tiannv from 10% to 9% with RMB10,000,000 capital injection being made in 2017. Further injection, amounting to RMB10,000,000, was made separately in 2018 with no further impact on the Group's ownership in the associate. The gain on deemed disposal of partial interest, representing the difference between the share of net asset value before and after the dilution, amounting to RMB900,000 for the year ended December 31, 2018 (2017: RMB2,417,000), has been recognized in the consolidated statement of profit or loss and other comprehensive income.

18. INVESTMENTS IN ASSOCIATES (Continued)

B. Yangguang Tiannv (Continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Net assets of Yangguang Tiannv	**14,909**	13,307
Proportion of the Group's ownership interests in Yangguang Tiannv	**9%**	9%
The Group's share of net assets in Yangguang Tiannv	**1,342**	1,198
Goodwill(iv)	**6,078**	6,078
Carrying amount of the Group's interests in Yangguang Tiannv	**7,420**	7,276

Note:

(iv) On acquisition of the investment in Yangguang Tiannv, the excess of the cost of the investment over the Group's share of the realizable fair value of the identifiable assets and liabilities of the investee was recognized as goodwill, which has been included within the carrying amount of the investment. The entire carrying amount of the investment (including goodwill) was tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. No impairment loss has been recognized during the year ended December 31, 2018 (2017: nil).

19. FINANCIAL ASSETS AT FVTPL

Financial assets mandatorily measured at FVTPL:

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Unlisted investments classified as current assets:		
A wealth management product	**210,000**	–

The investment in a wealth management product, with a principal amount being RMB210,000,000, is issued by three major and reputable commercial banks which had an original maturity less than one year with an expected but not guaranteed return varying from 2.2% to 4.3%, which depending on the market price of underlying financial instruments, including money market funds and bonds. The Group estimated that its fair value approximated to the amount stated on the monthly investment reports provided by the bank or estimated results based on the agreements. The wealth management products were designated at FVTPL on initial recognition. Details of the fair value measurement of the wealth management products are set out in Note 35.

20. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31, 2017 RMB'000
Unlisted investments classified as current assets:	
An unlisted equity investment	8,000
Accumulated impairment	(4,335)
	3,665

The unlisted equity investment in the PRC held by the Group represents the investment in Baoku Online Inc. ("**Baoku**"), a private company incorporated in the PRC, primarily engaged in provision of travel management IT solution and maintenance service for airline companies. The interests of the equity investment held by the Group is 9.71%, without any rights to nominate directors, and such that the Group does not have a significant influence on the equity investment. The investment was measured at cost less impairment at the end of December 31, 2017 because (1) the investment did not have a quoted market price in an active market and (2) the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably and the probabilities of the various estimates cannot be reasonably assessed.

During the year ended December 31, 2017, the Group entered into a proposal to dispose of its AFS investment in Baoku and was actively engaged in locating a buyer. In December 2017, a pre-sale agreement was signed with a potential third-party buyer with a pre-determined selling price. Pursuant to the pre-sale agreement, which obligated the transaction to take place within 90 days of contact signing, the Group considered the disposal is highly probable and provided an impairment amount of RMB4,335,000.

Investment in Baoku was classified as financial assets at FVTPL upon application of HKFRS 9 on January 1, 2018 and disposed of in March 2018.

21. INVENTORIES

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Computer hardware and software products	**–**	7,100

22. TRADE AND NOTES RECEIVABLES

	At December 31, 2018 RMB'000	2017 RMB'000
Trade receivables	**757,331**	838,890
Notes receivables	**21,453**	56,638
Less: allowance for doubtful debts	**(13,875)**	(7,083)
	764,909	888,445

The Group generally grants 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.

Trade receivables relate to a number of independent customers that have a good track record with the Group. The allowance for doubtful debts of the Group is based on the evaluation of collectability and aging analysis of individual trade debts performed by the management. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer.

Notes receivables are bank acceptance notes, which management believes that no allowance is necessary as there is no significant change in credit quality and the balances are considered fully recoverable.

Aging of trade and notes receivables, net of allowance for doubtful debts, based on the dates when the Group has the right to bill, at the end of the years ended December 31, 2018 and 2017 is as follows:

	At December 31, 2018 RMB'000	2017 RMB'000
1-30 days	**476,622**	511,500
31-90 days	**154,180**	184,986
91-180 days	**90,212**	113,042
181-365 days	**28,588**	65,755
Over 365 days	**15,307**	13,162
	764,909	888,445

22. TRADE AND NOTES RECEIVABLES (Continued)

Trade receivables disclosed below are past due at the end of the year ended December 31, 2017 for which the Group has not recognized an allowance for doubtful debts because, based on past experience, the directors of the Company are of the opinion that there has not been a significant change in credit quality and the balances are still considered fully recoverable and the Group is satisfied with the subsequent settlement. There is no past due for notes receivables.

Aging of trade receivables that are past due but not impaired is as follows:

	At December 31, 2017 RMB'000
1-90 days	255,585
91-180 days	64,863
181-365 days	41,893
Over 365 days	6,541
	368,882

The Group provides allowance for trade receivables based on the evaluation of collectability and aging analysis. Certain judgment is applied in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of the customers. Reversals of allowance are made based on subsequent cash settlements collected, being partially or fully recovered.

Movements in the allowance for doubtful debts are as follows:

	At December 31, 2017 RMB'000
At beginning of the year	5,315
Provision of allowance for trade receivables	5,766
Reversal of allowance for trade receivables	(1,052)
Written-off as uncollectible	(2,015)
Disposal of subsidiaries	(919)
Exchange adjustments	(12)
At end of the year	7,083

Allowance for doubtful debts included individually impaired trade receivables with an aggregate gross principal balance of RMB13,162,000 as at December 31, 2017, which were either under dispute with the customers or the customers are in financial difficulties. The Group does not hold any collateral over these balances.

22. TRADE AND NOTES RECEIVABLES (Continued)

Movement in lifetime ECL that has been recognized for trade receivables in accordance with the simplified approach set out in HKFRS 9 for the year ended December 31, 2018 is as follows:

	RMB'000
At December 31, 2017 under HKAS 39	7,083
Adjustment upon application of HKFRS 9	2,479
At January 1, 2018 – restated under HKFRS 9	9,562
Allowance on trade receivables	6,138
Written-off as uncollectible	(1,825)
At December 31, 2018	13,875

The Group generally provides their customers with one to two years' assurance-type warranty period free of charge. As at December 31, 2018, no retention held by customers for trade receivables (2017: nil).

Details of impairment assessment on trade receivables are set out in Note 25.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Prepayment of value added tax	**40,166**	92,298
Prepayment for outsourcing system supporting service	**18,908**	27,341
Prepayment for technical service and telecommunication service	**15,838**	18,927
Project bidding and other deposits	**15,752**	11,249
Advances to suppliers	**6,718**	2,171
Deferred issue costs	**–**	5,026
Prepaid rental expenses	**19,223**	5,592
Staff advances	**170**	4,358
Interest receivable	**14,814**	4,135
Prepaid lease payments	**2,019**	2,019
Employee housing loans	**1,043**	1,992
Others	**2,397**	3,537
	137,048	178,645
Less: allowance for other receivables	**(1,344)**	(2,144)
	135,704	176,501

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Movements in the allowance for other receivables are as follows:

	At December 31, 2018 RMB'000	2017 RMB'000
At beginning of the year	**2,144**	1,525
Provision of allowance for other receivables	**446**	1,123
Written-off as uncollectible	**(1,246)**	(504)
At end of the year	**1,344**	2,144

24. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has rights to considerations from customers for the provision of software business and network security business. Contract assets arise when the Group has rights to considerations for completion of such services and not yet billed under the relevant contracts, and their rights are conditioned on factors other than passage of time. Any amount previously recognized as contract assets are transferred to trade receivables when the rights become unconditional. Remaining rights and performance obligations in a particular contract are accounted for and presented on a net basis, as either a contract asset or a contract liability.

	At December 31, 2018 RMB'000	2017 RMB'000
Analyzed for reporting purposes as follows:		
Contract assets	**1,335,219**	1,632,039
Contract liabilities	**(300,918)**	(387,913)

The contract assets are primarily related to the Group's rights to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically reclassifies contract assets to trade receivables on the date of acceptance reports issued by the customers when such right of collections becomes unconditional other than the passage of time.

For the contract liabilities as at December 31, 2018 and 2017, the entire balances were expected to be recognized as revenue during the year ending December 31, 2019 and the year ended December 31, 2018, respectively.

Contract assets and contract liabilities are analyzed and classified as current assets and current liabilities due to the contract assets and contract liabilities are expected to be recognized in normal operation cycle.

24. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

Movement in lifetime ECL that has been recognized for contract assets in accordance with the simplified approach set out in HKFRS 9 for the year ended December 31, 2018 is as follows:

	RMB'000
At December 31, 2017 under HKAS 39	–
Adjustment upon application of HKFRS 9	19,641
At January 1, 2018-restated under HKFRS 9	19,641
Reversal of allowance on contract assets	(9,464)
At December 31, 2018	10,177

25. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

In order to minimize credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on the historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off trade receivables and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following consideration details the risk profile of trade receivables and contract assets, based on the Group's provision matrix. As the Group's historical credit loss experience showed significantly different loss patterns for different customer portfolio (including strategic and normal risk type), the provision for loss allowance was further distinguished between the Group's customer portfolios of different risk type.

25. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

Strategic type customers	Represent the three largest telecom operators in the PRC (including their headquarters, provincial, municipal and specialized companies) and certain large state-owned enterprises in the PRC
Normal risk type customers	Represent the small to medium-sized enterprises in the PRC

As at January 1, 2018

Strategic type customers:

For the strategic type customers, the directors of the Company determines that the ECL rate is relatively low based on the size of the strategic type customers, which are the three telecom operators and other large state-owned enterprises. Such customers have good credit rating, very rare past default payment history with minimal amount. The directors of the Company have adopted average loss rates of 0.62% and 0.50% on the gross carrying amounts of the trade receivables and the contract assets for strategic type customers, respectively, as at January 1, 2018.

Strategic type customers	Average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Trade receivables	0.62%	824,340	5,081
Contract assets	0.50%	1,595,599	7,971

Normal risk type customers:

For the normal risk type customers, the provision matrix is adopted by the directors of the Company as below to determine the ECL on the gross carrying amount of trade receivables and contract assets for normal risk type customers as at January 1, 2018, amounted to RMB14,550,000 and RMB36,440,000, respectively.

Normal risk type customers	Average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Trade receivables	30.80%	14,550	4,481
Contract assets	32.03%	36,440	11,670

25. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

As at December 31, 2018

Strategic type customers:

For the strategic type customers, the directors of the Company have adopted the average loss rates of 0.53% and 0.48% on the gross carrying amounts of the trade receivables and the contract assets for strategic type customers, respectively, as at December 31, 2018, respectively. Included in the trade receivables of strategic type customers as at December 31, 2018, the gross amount of trade receivables identified as credit-impaired is RMB2,055,000 and fully provided.

Strategic type customers	Average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Trade receivables	0.53%	744,484	3,960
Contract assets	0.48%	1,327,679	6,384

Normal risk type customers:

For the normal risk type customers, the provision matrix is adopted by the directors of the Company as below to determine the ECL on the gross carrying amount of trade receivables and contract assets for normal risk type customers as at December 31, 2018, amounted to RMB12,847,000 and RMB17,717,000, respectively. Included in the trade receivables of normal risk type customers, the gross amount of trade receivables identified as credit-impaired is RMB5,267,000 and fully provided.

Normal risk type customers	Average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Trade receivables	20.18%	12,847	2,593
Contract assets	21.41%	17,717	3,793

In determining the ECL for other receivables, amounts due from related parties, and other non-current assets, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables, amounts due from related parties, and other non-current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. For the purposes of impairment assessment, other receivables, amounts due from related parties, and other non-current assets are considered to have low credit risk as the counterparties to these financial assets have a high credit rating. Accordingly, the loss allowance is measured at an amount equal to 12m ECL.

25. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

The Group's current credit risk grading framework comprises the following categories under the general approach:

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past due amounts within 1 year	12-months ECL
Doubtful	There has been a significant increase in credit risk since initial recognition (aged within 1 years but less than 2 years)	Lifetime ECL-not credit – impaired
In default	There is evidence indicating that the asset is credit – impaired (aged over 2 years)	Lifetime ECL – credit – impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

No allowance has been provided for notes receivables, pledged bank deposits, financial assets at FVTPL and bank balances and cash since the balances are all with the banks which have low credit risks during the year ended December 31, 2018.

There has been no change in the estimation technique or significant assumptions made throughout the year ended December 31, 2018.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group, obtain letters of credits or guarantees. Deposits amounting to RMB481,755,000 had been pledged to secure facilities and other short-term bank borrowings, letters of credits or guarantees as at December 31, 2018 (2017: RMB537,089,000), and therefore, were classified as current assets. The deposits amounting to RMB39,669,000 as at December 31, 2017 had been pledged to secure long-term borrowings, and were classified as non-current assets. The deposits amounting to RMB635,736,000 as at December 31, 2018 had been pledged for a period longer than one year to secure renewable short-term bank borrowings, other letters of credits, guarantees and facilities of the Group based on the banks' requirement, and therefore, were classified as non-current assets as at December 31, 2018.

Pledged bank deposits of the Group carried interests at market rates which range from 1.3% to 2.1% as at December 31, 2018 (2017: 0.3% to 2.8%).

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH (Continued)

Bank balances and cash

Bank balances and cash of the Group comprised cash and bank balances that bear interest at prevailing market rates, per annum, ranging from 0% to 4.18% as at December 31, 2018 (2017: 0.3% to 1.553%).

27. TRADE AND NOTES PAYABLES

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Trade payables	**238,316**	529,808
Notes payables	**118,000**	82,692
	356,316	612,500

The table below sets forth, as at the end of the reporting period, the aging analysis of the trade and notes payables:

	At December 31,	
	2018	2017
	RMB'000	RMB'000
1-90 days	**175,362**	233,444
91–180 days	**24,848**	84,739
181–365 days	**25,603**	74,079
1–2 years	**77,922**	173,673
Over 2 years	**52,581**	46,565
	356,316	612,500

The average credit period on purchases of goods and services is 90 days. The Group has financial risk management policies in place to ensure that sufficient working capital is maintained to meet its obligations when they fall due.

28. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	At December 31, 2018 RMB'000	2017 RMB'000
Accrued payroll and welfare	**1,624,231**	1,601,912
Accrued expenses	**48,107**	122,336
Other tax payables	**28,998**	85,601
Accrued listing expenses and issue costs	**27,218**	31,153
Employee reimbursement payable	**11,732**	19,607
Advance from customers	**11,886**	14,148
Other payable	**4,753**	3,352
Accrued liabilities	**26,416**	3,665
Others	**4,663**	8,726
	1,788,004	1,890,500

29. BANK BORROWINGS

	At December 31, 2018 RMB'000	2017 RMB'000
Analyzed as:		
Secured bank borrowings carrying interest at variable rates	**1,915,484**	1,747,337
Carrying amount repayable:		
Within one year	**1,915,484**	1,154,593
More than one year but not exceeding two years	**–**	592,744
	1,915,484	1,747,337

The Group had bank borrowings denominated in U.S. dollar ("**US$**") as at December 31, 2017. On April 24, 2018, AsiaInfo Technologies HK and an offshore bank entered into a supplementary agreement, pursuant to which the original bank borrowing denominated in US$ with the principal amount of US$60,000,000 was exchanged to the equivalent amount of a bank borrowing denominated in HK$. The Group had bank borrowings denominated in both US$ and HK$ as at December 31, 2018.

During the year ended December 31, 2018, the Group obtained new bank borrowing facilities from two offshore banks of US$158,800,000 (equivalent to RMB1,089,876,000) and drew down an amount of US$149,800,000 (equivalent to RMB1,028,107,000). The borrowings are repayable in 12 months. The proceeds were used to refinance the existing offshore bank borrowings from an offshore bank ("**Refinancing of bank borrowings**").

29. BANK BORROWINGS (Continued)

Prior to the Refinancing of bank borrowings in 2018, the bank borrowings denominated in US$ from the offshore bank were secured by the equity interests of AsiaInfo Technologies HK and its subsidiaries pursuant to the respective loan agreement and equity interest pledge agreement. Upon the Refinancing of bank borrowings, the Group's bank borrowings are no longer secured by the equity interests of AsiaInfo Technologies HK and its subsidiaries, but instead, are secured by the respective pledged bank deposits.

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Analysis of borrowings by currency:		
Denominated in US$	**1,503,041**	1,747,337
Denominated in HK$	**412,443**	–
	1,915,484	1,747,337

Interests on bank borrowings denominated in US$ are at variable interest rates based on three-month London Interbank Offered Rate plus 1.45% to one-month London Interbank Offered Rate plus 2% as at December 31, 2018 (2017: three-month London Interbank Offered Rate plus 1% to 3.2%). Interests on bank borrowings denominated in HK$ are at variable interest rates based on three-month Hong Kong Interbank Offered Rate plus 1% as at December 31, 2018.

The Group's short-term borrowings and/or long-term borrowings do not contain any financial covenants. As at December 31, 2018, the Group had unutilized committed credit facilities amounting to RMB923,356,000 (2017: RMB1,440,900,000).

30. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Deferred tax assets	**163,292**	194,389
Deferred tax liabilities	**(127,541)**	(130,971)
	35,751	63,418

30. DEFERRED TAXATION (Continued)

The following are the major deferred tax assets (liabilities) recognized from continuing operation and movement thereon during the years reported:

	Impairment loss RMB'000	Accrued payroll and welfare RMB'000	Accrued expense RMB'000	Tax losses RMB'000	Undistributable profits of the PRC subsidiaries RMB'000	Intangible assets RMB'000	Total RMB'000
At January 1, 2017	2,880	90,519	54,004	20,700	(98,648)	(10,695)	58,760
Credited (charged) to profit or loss	493	32,034	936	(7,177)	(26,861)	5,233	4,658
At December 31, 2017	3,373	122,553	54,940	13,523	(125,509)	(5,462)	63,418
Effect arising from initial application of HKFRS 9	2,544	–	–	–	–	–	2,544
Credited (charged) to profit or loss	726	28,002	(48,846)	(13,523)	–	3,430	(30,211)
At December 31, 2018	6,643	150,555	6,094	–	(125,509)	(2,032)	35,751

As at December 31, 2018, the Group has unused tax losses of RMB1,535,889,000 (2017: RMB980,787,000) available for offset against future profits. A deferred tax asset has been recognized in respect of RMB54,092,000 as at December 31, 2017 and no deferred tax asset has been recognized as at December 31, 2018 of such tax losses.

No deferred tax assets has been recognized in respect of the tax losses of RMB1,535,889,000 at December 31, 2018 (2017: RMB926,695,000), due to the unpredictability of future profit streams.

The unrecognized tax losses with expiring date are summarized below:

Unused tax losses expiring in:

	At December 31, 2018 RMB'000	2017 RMB'000
2020	**–**	1,022
2021	**25,820**	88,888
2022	**32,936**	32,936
2023	**107,299**	–
	166,055	122,846

30. DEFERRED TAXATION (Continued)

The Group has also unused tax losses without expiring date, amounting to RMB1,369,834,000 as at December 31, 2018 (2017: RMB803,849,000).

Deferred tax assets are recognized if it is probable that all of the deferred tax assets will be realized through the recovery of taxes previously paid and/or future taxable income. The directors of the Company have reviewed the deferred tax assets of the Group at the end of the reporting period and considered that it was probable that the deferred tax assets of the Group will be realized through future taxable income based on directors' assessment of the probability that taxable profits will be available over the years which the deferred tax assets can be realized or utilized.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or further cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Dividend payables RMB'000	**Accrued issue costs** RMB'000	**Bank borrowings** RMB'000	**Amounts due to related parties (non-trade)** RMB'000	**Total** RMB'000
At December 31, 2016	–	–	2,276,987	70,942	2,347,929
Financing cash flows[i]	–	(761)	(501,119)	(46,921)	(548,801)
Settled with amounts due from related parties	–	–	–	(224)	(224)
Deferred issue costs	–	5,026	–	–	5,026
Effect of exchange differences	–	–	(112,517)	(942)	(113,459)
Interest expense	–	–	83,986	–	83,986
At December 31, 2017	–	4,265	1,747,337	22,855	1,774,457
Financing cash flows[i]	–	(18,144)	(789)	(28,103)	(47,036)
Dividend declared	693,447	–	–	–	693,447
Settled with amounts due from related parties	(709,629)	–	–	–	(709,629)
Share issuance costs	–	16,208	–	–	16,208
Effect of exchange differences	21,430	–	98,342	–	119,772
Interest expense	–	–	70,594	–	70,594
Reclassification to amounts due to related parties	(5,248)	–	–	5,248	–
At December 31, 2018	–	2,329	1,915,484	–	1,917,813

Note:

(i) The financing cash flows represent the net amount of new bank borrowings raised, repayment of bank borrowings, interest paid, advance from related parties, repayment to related parties and payment of issue costs.

32. SHARE CAPITAL

The Group

For the purpose of the presentation of the consolidated statement of financial position, the share capital of the Group represents the share capital of the Company as at December 31, 2018 and 2017.

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 January 1, 2017 and December 31,2017	500,000	US$0.1	US$50,000
Authorized during the year[i]	100,000,000,000	HK$0.0000001	HK$10,000
Cancelled during the year	(500,000)	US$0.1	US$(50,000)
Share subdivision[vi]	(100,000,000,000)	HK$0.0000001	HK$(10,000)
	800,000,000,000	HK$0.0000000125	HK$10,000
At December 31,2018	800,000,000,000	HK$0.0000000125	HK$10,000
Issued			
At January 1, 2017 and December 31, 2017	9,288	US$0.1	US$928.8
Cancelled during the year upon the Group Reorganization[ii]	(9,288)	US$0.1	(US$928.8)
Issued and re-denominated par value during the year upon the Group Reorganization[iii]	9,288	HK$0.0000001	HK$0.0009288
Issued during the year upon the Group Reorganization[iii]	1	HK$0.0000001	HK$0.0000001
Cancelled during the year upon the Group Reorganization[iv]	(9,289)	HK$0.0000001	HK$(0.0009289)
Issued during the year[iv]	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 shares upon listing[vii]	85,652,000	HK$0.0000000125	HK$1.07
At December 31,2018	713,776,184	HK$0.0000000125	HK$8.92

	At December 31, 2018 RMB'000	2017 RMB'000
Presented as	–	8

32. SHARE CAPITAL (Continued)

Notes:

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

(ii) On April 16, 2018, the 9,288 ordinary shares at a par value of US$0.1 held by AsiaInfo Technologies HK were cancelled as part of the Group Reorganization.

(iii) On April 16, 2018, the par value of the issued shares was re-denominated from US$0.10 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 at a par value of HK$0.0000001 each. Subsequently on April 29, 2018, the 9,288 ordinary shares with a par value of HK$0.0000001 held by AsiaInfo Technologies HK were transferred to AsiaInfo Holdings. On April 30, 2018, the Company further allotted and issued one ordinary share at HK$0.0000001 par value to AsiaInfo Holdings as a part of the Group Reorganization.

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

(v) On July 11, 2018, pursuant to the new share option scheme and restricted share award scheme approved and adopted on June 28, 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) with a par value 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 November 26, 2018, the shareholders of the Company resolved that each issued and unissued ordinary shares of HK$0.0000001 par value each of the Company be subdivided into 8 shares of HK$0.0000000125 par value each.

(vii) On December 19, 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 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.

33. DIVIDENDS

On May 21, 2018, a dividend in an aggregate amount of US$108,000,000 (equivalent to RMB693,447,000) was declared by the Company and payable to the Company's then sole holding company, AsiaInfo Holdings, of which US$107,207,000 (equivalent to RMB688,199,000) were settled as at June 30, 2018 through a series of debt restructuring arrangements that the Group carried out in 2018. An aggregated balance of US$793,000 (equivalent to RMB5,248,000) was fully settled on July 16, 2018, offsetting the remaining balance of dividend payable to AsiaInfo Holdings.

No other dividend has been paid or declared by the Company or by other companies comprising the Group during the year ended December 31, 2018 (2017: nil).

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure entities in the Group will be able to continue as a going concern with maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged over the year ended December 31, 2018.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in Note 29, net of cash and cash equivalents, and total equity of the Group, comprising share capital and reserves.

The directors of the Company reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through raising of new capital, issue of new debt or the redemption of the existing debts.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Financial assets		
Fair value through profit or loss		
Designated as at FVTPL	**210,000**	–
Financial assets at amortized costs	**3,792,958**	–
Available-for-sale investments	**–**	3,665
Loans and receivables (including cash and cash equivalents)	**–**	3,876,562

35. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments (Continued)

	At December 31, 2018 RMB'000	2017 RMB'000
Financial liabilities		
Financial liabilities measured at amortized cost	**2,323,881**	2,578,556

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, available-for-sale investments (before the adoption of HKFRS 9 on January 1, 2018), trade and notes receivables, other receivables, other non-current assets, amounts due from related parties, pledged bank deposits, bank balances and cash, trade and notes payables, other payables, amounts due to related parties and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, pledged bank deposits and bank balances. The Group keeps its bank borrowings, pledged bank deposits and bank balances at floating rate of interests so as to minimize the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Benchmark Lending Rates of the London Interbank Offered Rate and the Hong Kong Interbank Offered Rate arising from the Group's US$ and HK$ denominated borrowings, respectively. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowings.

The Group currently does not have an interest rate hedging policy to mitigate interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

35. FINANCIAL INSTRUMENTS (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances and cash, pledged bank deposits and variable rate bank borrowings at the end of the reporting period and assumed that the amount of such balances outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2018 would increase/decrease by RMB3,953,000 (2017: decrease/increase by RMB8,505,000). This is mainly attributable to the Group's exposure on interest rates on its bank balances, pledged bank deposits and bank borrowings.

Currency risk

The Group has bank balances which are denominated in foreign currencies, mainly US$, as at December 31, 2018 and 2017 and bank borrowing balances which are denominated in foreign currencies, mainly US$ and HK$, as at December 31, 2018 and 2017, that are exposed to currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities, excluded related party borrowings, at the end of the reporting period are set forth as follows:

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Assets		
US$	**743,570**	60,283
HK$	**80,056**	1,225
Great Britain Pound	**–**	342
Rupees	**53**	55
	823,679	61,905
Liabilities		
US$	**1,503,041**	1,747,337
HK$	**412,443**	–
	1,915,484	1,747,337

35. FINANCIAL INSTRUMENTS (Continued)

Sensitivity analysis (Continued)

Currency risk (Continued)

The Group has related party borrowing balances which are denominated in foreign currency, US$, as at December 31, 2017 that are exposed to currency risk. The balance of related party borrowing as at December 31, 2018 was nil.

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Amounts due from related parties	**–**	654,597

Foreign currency sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external bank borrowings from the PRC banks' overseas branches. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates.

If RMB has been appreciated/depreciated 5% against the foreign currency and all other variable were held constant, the Group's post-tax profit for the year ended December 31, 2018 would decrease/increase by RMB77,298,000 (2017: decrease/increase by RMB63,104,000). This is mainly attributable to the Group's exposure to foreign currency rates of US$ and HK$(2017: US$ only) on its bank borrowings and the foreign currency bank balances.

Credit risk

The Group's maximum exposure to credit risk which causes a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade and notes receivables, other receivables, other non-current assets, amounts due from related parties and contract assets.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, investments to be placed and entered into with financial institution of good reputation. These internal procedures help to minimize the Group's credit risk exposure.

35. FINANCIAL INSTRUMENTS (Continued)

Foreign currency sensitivity analysis (Continued)

Credit risk (Continued)

The credit risk on bank balances and pledged bank deposits is limited because the counterparties are banks with high credit rating.

The Group has concentration of credit risk on amounts due from related parties. Amounts due from related parties amounted to RMB18,934,000 as at December 31, 2018 (2017: RMB889,378,000). In the opinion of directors of the Company, credit risk is not significant as the counterparties are controlled by the controlling shareholders. The majority of the related party balances had been settled through cash and/or a series of debt restructuring structure during the year ended December 31, 2018.

Due to the nature of business of the Group, the Group has significant concentration of credit risk on a number of customers. During the year ended December 31, 2018, the aggregate amount of the Group's revenue amount to the top three customers was RMB5,048,814,000 (2017: RMB4,755,609,000), representing 96.9% (2017: 96.1%) of total revenue of the Group for the year indicated. The aggregated balance of the Group's trade and notes receivables from the top three customers was RMB722,357,000 (2017: RMB816,157,000), representing 94.4% (2017: 91.9%) of the total trade and notes receivables as at December 31, 2018. In addition, the Group's concentration of credit risk by geographical locations is solely in the PRC. In the opinion of directors of the Company, those customers are mainly large telecommunication companies owned by the PRC government with good financial backgrounds.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, who have established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The directors of the Company are of the opinion that taken into account the above plans and measures, the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from the end of the reporting period. The consolidated financial statements have been prepared on the going concern basis.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

35. FINANCIAL INSTRUMENTS (Continued)

Foreign currency sensitivity analysis (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate	On demand or within 3 months	3 months to 1 year	1-5 years	Total undiscounted cash flow	Carrying value
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2018						
Financial liabilities						
Trade and notes payables	–	356,316	–	–	356,316	356,316
Other payables	–	4,753	–	–	4,753	4,753
Amounts due to fellow subsidiaries	–	47,328	–	–	47,328	47,328
Bank borrowings	3.6578%	1,742,865	242,568	–	1,985,433	1,915,484
		2,151,262	242,568	–	2,393,830	2,323,881
At December 31, 2017						
Financial liabilities						
Trade and notes payables	–	612,500	–	–	612,500	612,500
Other payables	–	3,352	–	–	3,352	3,352
Amounts due to fellow subsidiaries	–	200,672	–	14,695	215,367	215,367
Bank borrowings	3.2709%	–	1,192,359	637,253	1,829,612	1,747,337
		816,524	1,192,359	651,948	2,660,831	2,578,556

Fair value measurement

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

This note provides information about how the Group determines fair values of the following financial assets.

	Fair value as at December 31, 2018	2017	Fair value hierarchy	Valuation technique and key input
	RMB'000	RMB'000		
A wealth management product	**210,000**	–	Level 2	Estimated return rates are key input

There were no transfers between Level 1 and 2 during both years.

35. FINANCIAL INSTRUMENTS (Continued)

Foreign currency sensitivity analysis (Continued)

Fair value measurement (Continued)

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

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

36. SHARE-BASED PAYMENTS

Before the year ended December 31, 2017, the Group did not issue its own stock option scheme. The employees of the Company and its subsidiaries are eligible for the 2011 stock inventive plan (the "**2011 Plan**") and the 2014 stock inventive plan (the "**2014 Plan**") adopted by the then immediate holding company, AsiaInfo Holdings, and the then intermediate holding company, Skipper Holdings, respectively. Accordingly, the Group accounted for such plans by measuring the services received from the grantee in accordance with the requirement applicable to equity-settled share-based payment transactions, and recognized a corresponding increase in equity as a contribution from the parent companies in accordance with HKFRS 2 *Share-based Payment*.

2011 Plan

On April 21, 2011, AsiaInfo Holdings approved a stock incentive plan with the purpose of enhancing the long-term stockholder value by offering employees and directors to participate in the Group's growth and success and to encourage them to remain the service in the Group. The 2011 Plan is valid and effective for 10 years from the approval date. Under the 2011 Plan, AsiaInfo Holdings is authorized to grant participants restricted stock awards, stock options, or other types of equity incentives with a total number of 7,501,752 ordinary shares of AsiaInfo Holdings.

Furthermore, in connection with the privatization and delisting from the National Association of Securities Dealers Automated Quotations Global Market of the United States of America ("**NASDAQ**") of AsiaInfo Holdings, the share incentives granted under the 2011 Plan were converted into the share incentive issued by Skipper Holdings with granting the equivalent numbers of ordinary shares of Skipper Holdings without any change of terms as stated under the 2011 Plan in 2014.

36. SHARE-BASED PAYMENTS (Continued)

2011 Plan (Continued)

Stock Options under the 2011 Plan

In December 2011, pursuant to the 2011 Plan, the compensation committee of the board of directors of AsiaInfo Holdings approved to grant options to certain employees and executive officers. The stock options are valid and effective for 10 years from the approval date and have graded vesting terms of four years and vest in different schedules from the grant date, on condition that employees remain in service without any performance requirements. For the stock options granted to employees of the Group, they will be vested on annual basis equally over four years, 25% on each anniversary of the grant date. For the stock options granted to the then chief executive officer, 17.5%, 17.5%, 32.5% and 32.5% are vested at each anniversary of the grant date over four years. For the stock options granted to the vice president of AsiaInfo Holdings, 20%, 20%, 30% and 30% are vested at each anniversary of the grant date over four years. For the stock options granted in 2017, 0%, 50%, 25% and 25% are vested at each anniversary of the grant date over four years.

The fair value of each stock option was calculated using the binomial option-pricing model. Option valuation models require the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying share, and changes in the subjective input assumptions can materially affect the fair value estimate of employee stock options.

The movements of stock options held by the Group's employees and directors under the 2011 Plan are summarized as follows:

	Number of stock options	Weighted average exercise price per option (US$)
Outstanding as at January 1, 2017	2,604,750	
Granted	659,398	4.42
Forfeited	(54,000)	4.42
Exercised	(2,936,681)	4.42
Outstanding as at December 31, 2017	273,467	4.42
Share subdivision (Note 32(vi))	1,914,269	
Outstanding as at December 31, 2018	2,187,736	0.55

36. SHARE-BASED PAYMENTS (Continued)

2011 Plan (Continued)

RSUs under the 2011 Plan

Under the 2011 Plan, AsiaInfo Holdings granted certain RSUs to the directors of the Company and employees of the Group.

The RSUs vest in two equal installments on the 6-month and 12-month anniversaries of the grant date, or vest 25% on each anniversary or vest 0%, 50%, 25% and 25% on each anniversary of the grant date over four years. The fair value of each RSU is measured based on the market price of the stock on the grant date as AsiaInfo Holdings was still listed on NASDAQ.

The movements of RSUs under the 2011 Plan are summarized as follows:

	Number of RSUs	Weighted average grant date fair value per RSU of the original awards (US$)
RSUs unvested as at January 1, 2017	–	
Granted	33,360	7.60
Vested	(33,360)	7.60
RSUs unvested as at December 31, 2017 and 2018	–	

The Group recognized share-based compensation expenses of nil in profit or loss and other comprehensive income during the year ended December 31, 2018 (2017: RMB1,686,000) in relation to the stock options and RSUs issued under the 2011 Plan.

2014 Plan

On June 1, 2015, the board of directors of Skipper Holdings, the then intermediate holding company of the Company, approved the 2014 Plan with the purpose of enhancing the long-term stockholder value by offering employees and directors to participate in the Group's growth and success and to encourage them to remain the service in the Group. The 2014 Plan is valid and effective for 10 years from the approval date. Under the 2014 Plan, Skipper Holdings is authorized to grant participants restricted stock awards, stock options, or other types of equity incentives with a total number of 14,733,653 ordinary shares of Skipper Holdings.

36. SHARE-BASED PAYMENTS (Continued)

2014 Plan (Continued)

Stock Options under the 2014 Plan

Under the 2014 Plan, Skipper Holdings granted certain options to the directors of the Company and the employees of the Group on July 1, 2015. The stock options are valid and effective for 10 years from the approval date and have graded vesting terms of four years. The stock options are vested at 0%, 50%, 25% and 25% on each anniversary of the grant date over four years.

The movements of stock options under the 2014 Plan are summarized as follows:

	Number of stock options	Weighted average exercise price per option (US$)
Outstanding as at January 1, 2017	5,562,357	
Forfeited	(1,037,484)	15.38
Exercised	(26,727)	15.38
Outstanding as at December 31, 2017 (note)	4,498,146	
Forfeited	(1,583,370)	15.38
Exercised	(5,625)	15.38
Share subdivision (Note 32(vi))	20,364,057	
Outstanding as at December 31, 2018	23,273,208	1.92

Note: Upon the grant of the stock options, 1/3 of the options can be exercised at a price of US$15.38, 1/3 of the options can be exercised at a price of US$21.15 and the remaining 1/3 can be exercised at a price of US$26.92. On November 1, 2017, the Group modified the stock option by changing the exercise price to US$15.38 for all stock options granted. Such modification resulted in an additional share-based compensation expenses of RMB4,384,000 for the year ended December 31, 2017.

RSUs under the 2014 Plan

Under the 2014 Plan, Skipper Holdings granted certain RSUs to the employees and executive officers. The RSUs are valid and effective for 10 years from the approval date and are vested at 0%, 50%, 25% and 25% on each anniversary of the grant date over four years.

36. SHARE-BASED PAYMENTS (Continued)

2014 Plan (Continued)

RSUs under the 2014 Plan (Continued)

The movements of RSUs issued under the 2014 Plan are summarized as follows:

	Number of RSUs	Weighted average grant date fair value per RSU of the original awards (US$)
Outstanding as at January 1, 2017	892,752	
Granted	589,544	7.60
Forfeited	(155,257)	6.83
Vested	(589,544)	6.83
Outstanding as at December 31, 2017	737,495	6.83
Forfeited	(61,868)	6.83
Vested	(557,794)	6.83
Share subdivision (Note 32(vi))	824,831	
Outstanding as at December 31, 2018	942,664	0.85

Fair Value of Stock Options and RSUs under the 2014 Plan

The Group has used the discounted cash flow method to determine the underlying ordinary share fair value of Skipper Holdings. Based on the fair value of the underlying ordinary shares, the Group has used binomial option-pricing model to determine the fair value of the stock option as of the grant date. Option valuation models require the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying share, and changes in the subjective input assumptions can materially affect the fair value estimate of employee stock options.

	July 1, 2015 RSU	May 1, 2017 RSU	November 1, 2017 Options
Weighted average grant date fair value per option/RSU (US$)	6.83	7.60	1.34
Grant date share price (US$)	6.83	7.60	7.69
Weighted average exercise price (US$)	–	–	15.38
Expected volatility	50%	–	49%
Contractual life	10 years	7 years	10 years
Risk-free rate	2.82%	–	2.97%
Expected dividend yield	0%	0%	0%

36. SHARE-BASED PAYMENTS (Continued)

2014 Plan (Continued)

Fair Value of Stock Options and RSUs under the 2014 Plan (Continued)

The Group recognized a total share-based compensation expenses of RMB10,556,000 in profit or loss during the year ended December 31, 2018 (2017: RMB67,419,000), in relation to the stock options and RSUs issued under the 2014 Plan.

Treasury shares incentive plan under the 2014 Plan

In preparation of the global offering and listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, in order to provide an incentive to the executive management team of the Company, on March 8, 2018, the board of directors of Skipper Holdings approved a treasury share incentive plan, pursuant to which Skipper Holdings proposed to transfer an aggregate of 335,282 shares at par value of US$0.0005 each, which is held by Skipper Holdings as treasury shares for nil consideration.

As at December 31, 2018, all of the 335,282 treasury shares were granted to the senior management of the Company. The fair value is US$9.10 (equivalent to RMB57.33) per share, which is valued by the management with reference to valuations carried out by an independent qualified professional valuer not connected with the Group.

The Group recognized a total share-based compensation expenses of RMB19,223,000 in profit or loss during the year ended December 31, 2018 in relation to the shares granted.

Subsequently on July 11, 2018, the Company entered into individual agreements with all the grantees for share options and RSUs granted under the 2011 Plan and 2014 Plan, pursuant to which all the then outstanding share options and RSUs granted by Skipper Holdings, the then intermediate holding company, and AsiaInfo Holdings, the then immediate holding company, were pushed down to the Company.

Pre-IPO Share Option Scheme

On June 26, 2018, the Company adopted the Pre-IPO Share Option Scheme. On July 11, 2018 and August 1, 2018, pursuant to the Pre-IPO Share Option Scheme, the Company granted an aggregate of 15,055,107 share options (being 120,440,856 share options after taking into account the share subdivision), representing rights to subscribe for 15,055,107 Shares (being 120,440,856 shares after taking into account of share subdivision) to certain grantees who are employees (including senior management) and a consultant.

On July 11, 2018, a total of 5,875 shares (being 47,000 shares after taking into account of share subdivision) were issued to certain grantees of the share options as a result of the exercise of certain share options granted under the Pre-IPO Share Option Scheme.

36. SHARE-BASED PAYMENTS (Continued)

Pre-IPO Share Option Scheme (Continued)

The maximum number of shares in respect of which options may be granted (including shares in respect of which options, whether exercised or still outstanding, have already been granted and shares which shall have been issued under options which have been canceled) under the Pre-IPO Share Option Scheme shall be 15,055,107 shares (being 120,440,856 shares after taking into account the share subdivision), within which an aggregate of 11,781,558 shares (being 94,252,464 shares after taking into account the share subdivision) were granted on July 11 and August 1, 2018 under the Pre-IPO Share Option Scheme.

Details of the outstanding share options as at December 31, 2018 under the Pre-IPO Share Option Scheme held by grantees are set out below:

Exercise Price (US$)	Number of shares underlying the share options	Grant date	Vesting date	Option period
1.9225	8,964,736[(i)]	July 11, 2018	July 11, 2018, July 1, 2019 and July 1, 2020	10 years from the grant date
0.84	64,000	August 1, 2018	50% vested on the 30th day after the listing date ("**First Vesting Date**") 20% vested on the first anniversary of the First Vesting Date 30% vested on the second anniversary of the First Vesting Date	10 years from the grant date
0.5525	25,000	August 1, 2018	50% vested on the First Vesting Date 20% vested on the first anniversary of the First Vesting Date 30% vested on the second anniversary of the First Vesting Date	10 years from the grant date
1.9225	55,140,048[(ii)]	August 1, 2018	50% vested on the First Vesting Date 20% vested on the first anniversary of the First Vesting Date 30% vested on the second anniversary of the First Vesting Date	10 years from the grant date
1.2725	29,233,544[(iii)]	August 1, 2018	50% vested on the First Vesting Date 20% vested on the first anniversary of the First Vesting Date 30% vested on the second anniversary of the First Vesting Date	10 years from the grant date

Notes:

(i) The stated outstanding number of shares underlying the share options with an exercise price of US$1.9225 granted on July 11, 2018 is arrived at after deduction of 13,425 forfeited share options (before completion of the share subdivision) in 2018.

(ii) The stated outstanding number of shares underlying the share options with an exercise price of US$1.9225 granted on August 1, 2018 is arrived at after deduction of 60,216 forfeited share options (before completion of the share subdivision) in 2018.

(iii) The stated outstanding number of shares underlying the share options with an exercise price of US$1.2725 granted on August 1, 2018 is arrived at after deduction of 29,501 forfeited share options (before completion of the share subdivision) in 2018.

36. SHARE-BASED PAYMENTS (Continued)

Pre-IPO Share Option Scheme (Continued)

The movements of stock options under the Pre-IPO Share Option Scheme are summarized as follows:

	Number of stock options	Weighted average exercise price per option (US$)
Grant on July 11 and August 1, 2018	11,781,558	13.75
Forfeited	(103,142)	13.86
Share subdivision (Note 32(vi))	81,748,912	
Outstanding as at December 31, 2018	93,427,328	1.72

Pre-IPO RSU Scheme

Pursuant to the Pre-IPO RSU Scheme, on July 11, 2018 and August 1, 2018, the Company granted an aggregate of 2,322,074 RSUs, representing rights to receive 2,322,074 shares (being 18,576,592 shares after completion of the share subdivision described in Note 32(vi)), within which a total of 345,819 shares (being 2,766,552 shares after completion of the share subdivision) were issued on the grant date of July 11, 2018 to certain RSU grantees as a result of the vesting of certain RSUs granted under the Pre-IPO RSU Scheme.

Details of the outstanding RSUs as at December 31, 2018 under the Pre-IPO RSU Scheme held by the grantees are set out below:

Number of shares underlying the RSUs	Grant date	Vesting date
2,712,752[(i)]	July 11, 2018	July 1, 2019 and July 1, 2020
12,985,808[(ii)]	August 1, 2018	50% vested on the First Vesting Date 20% vested on the first anniversary of the First Vesting Date 30% vested on the second anniversary of the First Vesting Date

Notes:

(i) The total number of RSUs granted on July 11, 2018 was 689,648 (before completion of the share subdivision), out of which 345,819 RSUs (before completion of the share subdivision) were vested immediately on July 11, 2018 and another 4,735 RSUs (before completion of the share subdivision) were forfeited during the year.

(ii) The total number of RSUs granted on August 1, 2018 was 1,632,426 (before completion of the share subdivision), out of which 9,200 RSUs (before completion of the Share subdivision) were forfeited during the year.

36. SHARE-BASED PAYMENTS (Continued)

Pre-IPO RSU Scheme (Continued)

The movements of RSUs issued under the Pre-IPO RSU Scheme are summarized as follows:

	Number of RSUs	Weighted average grant date fair value per RSU of the original awards (US$)
Grant on July 11 and August 1, 2018	2,322,074	9.64
Forfeited	(13,935)	9.64
Vested	(345,819)	9.64
Share subdivision (Note 32(vi))	13,736,240	
Outstanding as at December 31, 2018	15,698,560	1.21

Fair Value of Stock Options and RSUs under the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme

The Group has used the discounted cash flow method to determine the underlying ordinary share fair value of the Company. Based on the fair value of the underlying ordinary shares, the Group has used binomial option-pricing model to determine the fair value of the stock option as of the grant dates. Option valuation models require the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying share, and changes in the subjective input assumptions can materially affect the fair value estimate of employee stock options.

	July 11, 2018 and August 1, 2018 Pre-IPO Scheme
Weighted average grant date fair value per option/RSU (US$)	9.64
Grant date share price (US$)	9.64
Weighted average exercise price (US$)	13.75
Expected volatility	51.0%
Contractual life	10 years
Risk-free rate	3.57%
Expected dividend yield	0%

The Company recognized a total share-based compensation expenses of RMB125,723,000 in profit or loss during the year ended December 31, 2018, in relation to the stock options and RSUs issued under the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme.

37. RETIREMENT BENEFIT SCHEME

As stipulated by the rules and regulations in the PRC, the Group contributes to state-managed retirement plans for its employees in the PRC. The Group is required to contribute a certain percentage of the basic salaries of its employees to the retirement plans, and has no further obligation for the actual payment of the previous or post-retirement benefits. The relevant state-managed retirement plans are responsible for the entire present obligation to retired employees.

In accordance with the relevant mandatory provident fund laws and regulations of HK, the Group operates a Mandatory Provident Fund ("**MPF**") scheme ("**MPF Scheme**") for all qualifying HK employees. The assets of the scheme are held separately from those of the Group and under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme to employees and directors during the years ended December 31, 2018 and 2017 are disclosed in Note 10, Note 11 and Note 13.

38. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Related parties of the Group

The directors of the Company consider that the following entities are related parties of the Group:

Name[(i)]	**Relationship**
Skipper Holdings[(iii)]	The then intermediate holding company of the Company
AsiaInfo Holdings[(iii)]	The then immediate holding company of the Company
AsiaInfo Cayman	Entity controlled by Skipper Holdings
AsiaInfo Chengdu[(viii)]	Controlled by Mr. Suning Tian
Beijing AsiaInfo Data Co., Ltd.	Entity controlled by Skipper Holdings
Beijing AsiaInfo Innovation Technologies Limited[(ii)]	Entity controlled by Skipper Holdings
Nanjing AsiaInfo Network Technology Co., Ltd.[(viii)]	Controlled by Mr. Suning Tian
Beijing AsiaInfo Dataware Technology Co., Ltd. ("**Beijing Dataware**")[(iv)]	Entity controlled by Skipper Holdings
Bonson Information Technology Limited ("**Bonson BVI**")[(vi)]	Entity controlled by Skipper Holdings
AsiaInfo (Guangzhou) Software Service ("**AsiaInfo Guangzhou Software**")	Entity controlled by Skipper Holdings
AsiaInfo International (H.K.) Limited ("**International HK**")	Controlled by Mr. Suning Tian
Beijing AsiaInfo (Xintong) Technology Co., Ltd. ("**Beijing Xintong**")	Entity controlled by Skipper Holdings
Nanjing AsiaInfo Information Security Technology Co., Ltd.[(viii)]	Controlled by Mr. Suning Tian
Software BVI[(vii)]	Entity controlled by Skipper Holdings
Skipper Parent (US), LLC[(iii)]	Entity controlled by Skipper Holdings and the then intermediate holding company of the Company
AsiaInfo International Pte. Ltd.	Controlled by Mr. Suning Tian
AsiaInfo Software (Hong Kong) Co., Ltd.	Entity controlled by Skipper Holdings
AsiaInfo Security (Hong Kong) Co., Ltd.[(viii)]	Controlled by Mr. Suning Tian
AsiaInfo International US Corporation[(v)]	Entity controlled by Skipper Holdings

38. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(a) Related parties of the Group (Continued)

Name[i]	Relationship
Innovation BVI	Entity controlled by Skipper Holdings
Beijing AsiaInfo Voyager Consulting Co., Ltd.	Controlled by Mr. Suning Tian
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	Controlled by Mr. Suning Tian
AsiaInfo Electronics (Fujian) Technology Co., Ltd.	Entity controlled by Skipper Holdings
Guangzhou AsiaInfo Zhihang Technologies Limited (“**Guangzhou AsiaInfo Zhihang**”)	Controlled by Mr. Suning Tian

Notes:

(i) The English name is for identification purpose only and the official names of the companies are in Chinese.

(ii) Beijing AsiaInfo Innovation Technologies Limited was disposed of during the year of 2017 and account for as a related party that controlled by the then intermediate holding company of the Group.

(iii) As part of the Group Reorganization, AsiaInfo Holdings surrendered all of the then held 9,289 ordinary shares of the Company on June 26, 2018 and was no longer the immediate holding company of the Company. AsiaInfo Holdings became a fellow subsidiary of the Group immediately upon the cancellation of shares of the Company on June 26, 2018. Skipper Holdings and Skipper Parent (US), LLC were the then intermediate holding company of AsiaInfo Holdings and the then intermediate holding company of the Company prior to the Group Reorganization and became a fellow subsidiary of the Group upon the completion of Group Reorganization.

(iv) Beijing Dataware was a joint venture the Group invested in with equity interest of 48.67% in 2016 and was disposed of in 2017 to a related company, Beijing Xintong, and continued to be a related party of the Group (no longer in the form of a joint venture investment).

(v) AsiaInfo International US Corporation was deregistered in November 2018.

(vi) Bonson BVI, an International Business company incorporated in the BVI on September 10, 1999, which is a wholly-owned subsidiary of AsiaInfo Innovation (H.K.) Limited, indirectly controlled by Skipper Holdings.

(vii) In September 2017, the Group sold its entire 88% equity interest in Software BVI and its subsidiaries to Innovation BVI, a company that is wholly-owned by AsiaInfo Cayman, the parent company of the Group, for a cash consideration of RMB22,000 (Note 39).

(viii) AsiaInfo Chengdu was under the common control of Skipper Holdings through AsiaInfo Cayman until September 2018 when Mr. Suning Tian obtained indirect control over AsiaInfo Chengdu through a transfer agreement. The control of other related companies relating to the network security business was also obtained by Mr. Sunning Tian through the transfer agreement.

38. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(b) Amounts due from related parties

The following balances were the amounts due from related parties:

Amounts due from related parties – trade nature

	At December 31, 2018 RMB'000	2017 RMB'000
Beijing Xintong	–	25,488
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	2,548	22,550
Beijing AsiaInfo Data Co., Ltd.	2,407	8,913
Skipper Parent (US), LLC	–	4,639
Beijing Dataware	–	1,693
Skipper Holdings	–	1,006
AsiaInfo Guangzhou Software	367	926
Nanjing AsiaInfo Network Technology Co., Ltd.	815	825
AsiaInfo Software (Hong Kong) Co., Ltd.	–	131
AsiaInfo International Pte. Ltd.	–	94
Innovation BVI	22	22
AsiaInfo Chengdu	9,219	–
Guangzhou AsiaInfo Zhihang	69	–
	15,447	66,287

	At December 31, 2018 RMB'000	2017 RMB'000
Analyzed for reporting purpose as:		
Current assets	15,447	66,287
Non-current assets	–	–
	15,447	66,287

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

38. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(b) Amounts due from related parties (Continued)

Amounts due from related parties – trade nature (Continued)

	At December 31, 2018 RMB'000	2017 RMB'000
1-90 days	**11,608**	62,918
91-180 days	**1,251**	786
181-365 days	**1,173**	529
Over 365 days	**1,415**	2,054
	15,447	66,287

Prepayment to related parties

	At December 31, 2018 RMB'000	2017 RMB'000
AsiaInfo Chengdu	**1,764**	73,197
AsiaInfo Guangzhou Software	**–**	6,030
AsiaInfo Electronics (Fujian) Technology Co., Ltd.	**–**	4,839
Beijing AsiaInfo Data Co., Ltd.	**549**	3,174
Beijing AsiaInfo Innovation Technologies Limited	**1,174**	725
Total	**3,487**	87,965

	At December 31, 2018 RMB'000	2017 RMB'000
Analyzed for reporting purpose as:		
Current assets	**3,487**	87,965
Non-current assets	**–**	–
	3,487	87,965

38. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(b) Amounts due from related parties (Continued)

Amounts due from related parties – non-trade nature

	At December 31, 2018 RMB'000	2017 RMB'000
AsiaInfo Holdings	–	614,150
Beijing AsiaInfo Voyager Consulting Co., Ltd.	–	50,000
AsiaInfo Cayman	–	37,559
Bonson BVI	–	23,339
International HK	–	6,484
AsiaInfo International US Corporation	–	3,267
AsiaInfo Security (Hong Kong) Co., Ltd.	–	327
	–	735,126

Note: The balances, except for certain related party borrowings, are unsecured, interest-free and repayable on demand.

	At December 31, 2018 RMB'000	2017 RMB'000
Analyzed for reporting purpose as:		
Current assets	–	97,637
Non-current assets	–	637,489
	–	735,126

Maximum amount outstanding during the year are as follows:

	At December 31, 2018 RMB'000	2017 RMB'000
AsiaInfo Holdings	743,528	647,762
Beijing AsiaInfo Voyager Consulting Co., Ltd.	50,000	50,000
AsiaInfo Cayman	37,559	37,559
Bonson BVI	23,339	24,575
International HK	6,484	6,696
AsiaInfo International US Corporation	3,267	3,469
AsiaInfo Security (Hong Kong) Co., Ltd.	331	347
Nanjing AsiaInfo Information Security Technology Co., Ltd.	–	44,123

38. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(c) Amounts due to related parties

The following balances were the amounts due to related parties:

Amounts due to related parties – trade nature

	At December 31, 2018 RMB'000	2017 RMB'000
AsiaInfo Chengdu	**40,771**	135,013
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	**–**	18,427
Beijing AsiaInfo Data Co., Ltd.	**1,170**	14,623
AsiaInfo Electronics (Fujian) Technology Co., Ltd.	**2,842**	6,429
Bonson BVI	**–**	6,088
Software BVI	**–**	5,930
Beijing AsiaInfo Innovation Technologies Limited	**2,545**	5,121
Beijing Dataware	**–**	861
International HK	**–**	20
	47,328	192,512

	At December 31, 2018 RMB'000	2017 RMB'000
Analyzed for reporting purpose as:		
Current liabilities	**47,328**	192,512
Non-current liabilities	**–**	–
	47,328	192,512

The average credit period granted by the related parties is 90 days. Aging of amounts due to related parties – trade nature are as follows:

	At December 31, 2018 RMB'000	2017 RMB'000
1-90 days	**33,395**	142,778
91-180 days	**7,353**	26,752
181-365 days	**6,580**	–
Over 365 days	**–**	22,982
	47,328	192,512

38. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(c) Amounts due to related parties (Continued)

Amounts due to related parties – non-trade nature

	At December 31, 2018 RMB'000	2017 RMB'000
AsiaInfo Guangzhou Software	–	14,695
AsiaInfo Cayman	–	7,831
Nanjing AsiaInfo Network Technology Co., Ltd.	–	329
	–	22,855

	At December 31, 2018 RMB'000	2017 RMB'000
Analyzed for reporting purpose as:		
Current liabilities	–	8,160
Non-current liabilities	–	14,695
	–	22,855

(d) The significant transactions with related parties during the years ended December 31, 2018 and 2017 are listed out below

During the years, the Group had the following major transactions with related companies, other than those disclosed elsewhere in the consolidated financial statement:

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Purchase of property, plant and equipment from:		
AsiaInfo Guangzhou Software	–	319
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	–	327
Beijing Dataware	–	206
AsiaInfo International Pte. Ltd.	92	–
	92	852

38. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(d) The significant transactions with related parties during the years ended December 31, 2018 and 2017 are listed out below (Continued)

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Interest expenses charged by:		
International HK	–	261
Beijing Xintong	–	219
	–	480
Interest income generated from:		
AsiaInfo Holdings	7,497	15,672
Nanjing AsiaInfo Information Security Technology Co., Ltd.	–	1,188
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	261	749
Beijing Xintong	–	1,053
Beijing Dataware	–	339
AsiaInfo Cayman	12	–
	7,770	19,001
Network security outsourcing services charged by:		
AsiaInfo Chengdu	18,634	120,976
	18,634	120,976
Technological support services charged by:		
AsiaInfo Chengdu	15,065	20,310
Beijing AsiaInfo Data Co., Ltd.	178	2,038
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	193	2,193
Beijing AsiaInfo Innovation Technologies Limited	117	182
Beijing Dataware	–	495
AsiaInfo Electronics (Fujian) Technology Co., Ltd.	573	–
	16,126	25,218

38. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(d) The significant transactions with related parties during the years ended December 31, 2018 and 2017 are listed out below (Continued)

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Subcontract cost from discontinued operations charged by:		
Beijing AsiaInfo Innovation Technologies Limited	**713**	1,209
Beijing AsiaInfo Data Co., Ltd.	**1,530**	555
AsiaInfo Electronics (Fujian) Technology Co., Ltd.	**22**	–
	2,265	1,764
Technological support services provided to:		
AsiaInfo Chengdu	**–**	287
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	**1,241**	2,497
Guangzhou AsiaInfo Zhihang	**65**	–
Beijing Xintong	**99**	–
	1,405	2,784
Office rental provided to:		
AsiaInfo Chengdu	**4,031**	3,442
Beijing Dataware	**–**	945
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	**541**	433
Beijing AsiaInfo Data Co., Ltd.	**638**	–
	5,210	4,820
Management support services provided to:		
AsiaInfo Chengdu	**12,282**	17,494
Beijing AsiaInfo Data Co., Ltd.	**3,061**	111
International HK	**–**	5,267
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	**2,833**	6,307
	18,176	29,179

38. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(e) Related party debt restructuring

The Group carried out a series of related party debt restructuring arrangements in 2018 to settle the outstanding non-trade nature balances of related parties.

On April 30 and June 25, 2018, the Company and its subsidiaries, including AsiaInfo Nanjing, AsiaInfo China and AsiaInfo Technologies HK (the "**Transferors**") entered into a series of agreements with related parties including Beijing Xintong, Bonson BVI, AsiaInfo Cayman, International HK, AsiaInfo International US Corporation, AsiaInfo Holdings and Skipper Holdings (the "**Related Parties**"). Pursuant to the agreements, the receivables from the Related Parties of the Transferors were transferred to AsiaInfo Holdings, through which AsiaInfo Holdings became a debtor of AsiaInfo Technologies HK.

Furthermore, pursuant to the written resolutions dated May 21, 2018, the Company declared to AsiaInfo Holdings a dividend in aggregate amount of US$108,000,000 (equivalent to RMB693,447,000) as described in Note 33 which is used to settle the outstanding receivables from AsiaInfo Holdings upon restructuring arrangements.

An aggregated balance of US$793,000 (equivalent to RMB5,248,000) were fully settled on July 16, 2018 through offsetting with dividend payable to AsiaInfo Holdings upon completion of the above restructuring arrangements.

(f) 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 the years are as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Salaries and other benefits	**7,682**	5,597
Discretionary bonus	**8,342**	13,957
Contributions to retirement benefits scheme	**294**	230
Share-based compensation expenses	**40,251**	34,341
Total emoluments	**56,569**	54,125

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.

Saved as disclosed above, there were no other significant transactions with related parties during the year or other significant balances with them at the end of the reporting period.

39. DISPOSAL OF SUBSIDIARIES

On the following respective dates, the Group entered into transfer agreements with either independent third parties or related parties under common control of the then intermediate shareholder of the Group. The management of the Group considered that it was beneficial to enter into the disposals since these subsidiaries were not related to the principal activities of the Group and were in accordance with the Group's ongoing business strategy, which is mainly to discontinue the E-public Service Business.

On September 21, 2017, the Group disposed of its 88% owned subsidiaries, including Software BVI, AsiaInfo Software (H.K.) Limited ("**Software HK**") and AsiaInfo Guangzhou Software, to a related party, Innovation BVI, for a consideration of RMB22,000.

On November 3, 2017, as part of the discontinued operations, the Group disposed of a wholly-owned subsidiary, Beijing AsiaInfo Century Big Data Co., Ltd. ("**Century Big Data**"), along with its subsidiaries, to a related party for a consideration of nil.

No subsidiaries were disposed of during the year ended December 31, 2018.

	2017		
	Software BVI, Software HK and AsiaInfo Guangzhou Software at September 21, 2017 RMB'000	Century Big Data at November 3, 2017 RMB'000	Total RMB'000
Property, plant and equipment	4,828	4,550	9,378
Investments in associates	–	2,159	2,159
Investments in joint ventures	–	9,648	9,648
Amounts due from associate	–	4,820	4,820
Inventories	–	88	88
Trade and notes receivables	6,770	9,722	16,492
Prepayments, deposits and other receivables	25,664	19,109	44,773
Contract assets	6,732	59,495	66,227
Bank balances and cash	2,638	29,977	32,615
Trade and notes payables	(2,228)	(23,602)	(25,830)
Contract liabilities	(3,986)	(10,382)	(14,368)
Other payables, deposits received and accrued expenses	(80,166)	(126,900)	(207,066)
Income tax payable	(20,872)	(1,031)	(21,903)
Other non-current liabilities	–	(11,958)	(11,958)
Non-controlling interest	7,274	(2,892)	4,382
Net liabilities disposed of	(53,346)	(37,197)	(90,543)

39. DISPOSAL OF SUBSIDIARIES (Continued)

	2017		
	Software BVI, Software HK and AsiaInfo Guangzhou Software at September 21, 2017 RMB'000	Century Big Data at November 3, 2017 RMB'000	Total RMB'000
Consideration	22	–	22
Net liabilities disposed of	53,346	37,197	90,543
Cumulative exchange differences reclassified to profit or loss upon disposal	450	–	450
Gain on disposal	53,818	37,197	91,015
Satisfied by:			
Cash	22	–	22
Net outflow arising on disposal of subsidiaries:			
Cash consideration received	–	–	–
Bank balances and cash disposed of	(2,638)	(29,977)	(32,615)
	(2,638)	(29,977)	(32,615)

Gains on disposal of subsidiaries

	Year ended December 31,	
	2018 RMB'000	2017 RMB'000
Gains on disposal of subsidiaries[(i)]		
– recognized in equity	**–**	53,368
– recognized in profit or loss and other comprehensive income	**–**	37,647
	–	91,015

Note:

(i) The entire equity interests that the Group held in Century Big Data were disposed of in 2017, to the independent third-party company on which the gains were recognized in the consolidated statement of profit or loss from discontinued operations. The remaining disposal of subsidiaries were all disposed of to the companies under common control of the then intermediate holding company of the Group, on which the gains other than cumulative exchange differences were recognized in the consolidated statement of changes in equity.

40. MAJOR NON-CASH TRANSACTIONS

A dividend was approved by the board of directors of the Company, pursuant to which the Company declared a dividend on May 21, 2018, amounting to US$108,000,000 (equivalent to RMB693,447,000), to the then sole holding company, AsiaInfo Holdings. The dividend declared was primarily for the purpose of related party debt restructuring and offset by the balance of amount due from AsiaInfo Holdings as described in Note 38(e).

AsiaInfo Nanjing made further capital injection, amounting to RMB11,119,000, through retained profits to its registered capital on December 29, 2018, resulting in an increase in the paid-in capital of AsiaInfo Nanjing from US$11,000,000 to RMB100,000,000 as at December 31, 2018.

41. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Within one year	**102,849**	59,772
In the second to the fifth year inclusive	**257,419**	270,880
Over five years	**25,818**	46,472
	386,086	377,124

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for lease terms ranging from one year to five years for the Group and rentals are normally fixed during the lease periods. The operating lease with future minimum lease commitments for over five years relates to an agreement signed on February 6, 2016 with a third party pursuant to which a lease term of five years shall start upon the completion of the construction of the building.

42. CAPITAL COMMITMENTS

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment and intangible assets	**7,971**	17,860

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Since the completion of the Group Reorganization, the Company has direct and indirect shareholders/equity interest in the following subsidiaries:

Name of subsidiary(i)	Place and date of establishment/ acquisition	Issued and fully paid ordinary share capital/ registered capital	Proportion of interest attributable to the Company 2018		2017		Principal activities
			Directly	Indirectly	Directly	Indirectly	
AsiaInfo China 亞信科技(中國)有限公司 (Previously known as AsiaInfo – Linkage Technologies (China), Inc. 亞信聯創科技(中國)有限公司)	The PRC May 2, 1995	US$26,040,570	–	100%	–	100%	Provision of software solutions
AsiaInfo Nanjing 亞信科技(南京)有限公司 (Previously known as Linkage AsiaInfo Technologies (Nanjing), Inc. 聯創亞信科技(南京)有限公司)	The PRC February 16, 2004	RMB100,000,000 (Note 40)	–	100%	–	100%	Provision of software solutions
Shanghai AsiaInfo Online Technology Limited 上海亞信在線科技有限公司 (Previously known as Shanghai Xinjia Information Technology Co., Ltd. 上海信迦信息科技有限公司)	The PRC September 25, 2008	RMB20,000,000	–	100%	–	100%	Provision of software solutions
Hangzhou AsiaInfo Cloud Information Technologies Limited 杭州亞信雲信息科技有限公司 (Previously known as Hangzhou Zhongbo Software Technology Co., Ltd. 杭州中博軟件技術有限公司)	The PRC February 25, 2007	RMB10,000,000	–	100%	–	100%	Provision of software solutions
Nanjing AsiaInfo Software Co., Ltd. 南京亞信軟件有限公司	The PRC February 6, 2015	RMB30,000,000	–	100%	–	100%	Provision of software solutions
Hunan AsiaInfo Software Co., Ltd. 湖南亞信軟件有限公司	The PRC April 16, 2015	RMB30,000,000	–	100%	–	100%	Provision of software solutions
Hangzhou AsiaInfo Software Co., Ltd. 杭州亞信軟件有限公司	The PRC May 15, 2015	RMB50,000,000	–	100%	–	100%	Provision of software solutions
Guangzhou AsiaInfo Technology Co., Ltd. 廣州亞信技術有限公司	The PRC August 11, 2017	RMB200,000,000	–	100%	–	100%	Provision of software solutions
Beijing AsiaInfo Smart Big Data Co. Ltd.(ii) 北京亞信智慧數據科技有限公司	The PRC August 21, 2014	RMB285,200,000	–	100%	–	92.023%	Provision of software services
Guangzhou Zhihui Online Technology Co., Ltd. 廣州智匯在線科技有限公司 (Previously known as Guangzhou AsiaInfo Big Data Co., Ltd. 廣州亞信數據有限公司)	The PRC October 19, 2016	RMB10,000,000	–	100%	–	100%	Provision of software services

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary[i]	Place and date of establishment/ acquisition	Issued and fully paid ordinary share capital/ registered capital	Proportion of interest attributable to the Company 2018 Directly	2018 Indirectly	2017 Directly	2017 Indirectly	Principal activities
Beijing Shangxin Yitong Information Technology Limited (iii) ("**Shangxin Yitong**") 北京尚信易通信息技術有限公司	The PRC June 1, 2018	RMB10,000,000	–	100%	–	–	Provision of software solutions
AsiaInfo (H.K.) Development Limited (Previously known as Linkage – AsiaInfo (H.K.) Limited)	HK January 20, 2011	US$90,000,000	–	100%	–	100%	Investment holding
AsiaInfo (H.K.) Limited (Previously known as AsiaInfo-Linkage (H.K.) Limited)	HK November 8, 2010	US$9,500,000	–	100%	–	100%	Investment holding
AsiaInfo Big Data (H.K.) Limited 亞信大數據(香港)有限公司	HK June 20, 2014	US$44,440,417	–	100%	–	100%	Investment holding
Hong Kong AsiaInfo Technologies Limited (Previously known as Hong Kong AsiaInfo-Linkage Technologies Limited)	HK November 25, 1998	HK$20,000	–	100%	–	100%	Investment holding
AsiaInfo Technologies HK 香港亞信科技有限公司	HK January 20, 1997	HK$12.75	100%	–	100%	–	Investment holding
AsiaInfo Big Data Limited	The BVI June 6, 2014	US$44,440,417	–	100%	–	100%	Investment holding

Notes:

(i) The English name is for identification purpose only and the official names of the companies are in Chinese.

(ii) On March 15, 2018, Beijing AsiaInfo Smart Big Data entered into an investment termination agreements with its non-controlling shareholders, Pursuant to which, Beijing AsiaInfo Smart Big Data acquired the entire non-controlling interests from the non-controlling shareholders and became a wholly-owned subsidiary.

(iii) Pursuant to an acquisition agreement on May 22, 2018, the Group acquired 100% equity interests in Shangxin Yitong for a consideration of RMB584,000 from a third-party company, SmartCall Group Limited. Such consideration payable to SmartCall Group Limited was outstanding as at December 31, 2018.

Shangxin Yitong is mainly engaged in provision of software solutions. Assets and liabilities recognized at the date of acquisition were RMB601,000 and RMB16,000, respectively, resulting in a negative goodwill of RMB1,000 arising on such acquisition, which were charged to the consolidated statement of profit or loss.

None of the subsidiaries had issued any debt securities at the end of the year.

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Non-current asset		
Unlisted investments in subsidiaries	**212,569**	81,598
Current assets		
Amounts due from subsidiaries	**784,652**	3,626
Deferred issue costs	**–**	5,026
Bank balances and cash	**763,746**	2
Total current assets	**1,548,398**	8,654
Current liabilities		
Amounts due to subsidiaries	**751,840**	32,638
Accrued listing expenses and issue costs	**27,218**	31,153
Other payables, deposits received and accrued expenses	**602**	–
	779,660	63,791
Net current assets (liabilities)	**768,738**	(55,137)
Net assets	**981,307**	26,461
Capital and reserves		
Share capital	**–**	8
Reserves	**981,307**	26,453
Total equity	**981,307**	26,461

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

The movement in the reserves of the Company is shown as follows:

	Share premium reserve RMB'000	**Other reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At January 1, 2017	104,146	–	(63,524)	40,622
Profit (loss) and total comprehensive income (expense) for the year	–	9,723	(23,892)	(14,169)
At December 31, 2017	104,146	9,723	(87,416)	26,453
Profit and total comprehensive income for the year	–	–	746,646	746,646
Recognition of equity-settled share-based payments	–	130,971	–	130,971
Dividend distribution	–	–	(693,447)	(693,447)
Cancellation of shares of the Company upon Group Reorganization	–	8	–	8
Issue of new shares upon listing	791,910	–	–	791,910
Share issuance cost	(21,234)	–	–	(21,234)
Vesting of restricted stock units	22,392	(22,392)	–	–
At December 31, 2018	897,214	118,310	(34,217)	981,307

45. SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the Group had the following events:

(a) On January 15, 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 December 19, 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.

(b) On January 18, 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 June 26, 2018.

Save as disclosed above, there has been no other material events subsequent to the year, which require adjustment or disclosure in accordance with HKFRSs.

FINANCIAL SUMMARY

For the four years ended December 31, 2018

RESULTS

	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Continuing operations				
Revenue	4,764,871	4,855,953	4,948,324	**5,210,977**
Cost of sales	(2,991,246)	(3,183,328)	(3,277,896)	**(3,328,353)**
Gross profit	1,773,625	1,672,625	1,670,428	**1,882,624**
Other income	92,258	141,791	114,712	**82,172**
Net (impairment losses) reversal of impairment losses on financial assets and contract assets	(2,699)	(2,196)	(10,172)	**2,880**
Other gains and losses	(1,397)	(43,032)	79,000	**(102,706)**
Selling and marketing expenses	(572,945)	(614,572)	(481,831)	**(508,402)**
Administrative expenses	(255,754)	(273,079)	(403,800)	**(332,825)**
Research and development expenses	(629,601)	(636,614)	(430,246)	**(584,681)**
Share of results of associates	–	–	258	**(1,242)**
Share of results of joint ventures	–	(10,000)	–	**–**
Finance costs	(6,075)	(93,905)	(83,986)	**(70,594)**
Listing expenses	–	–	(30,603)	**(54,096)**
Profit before tax	397,412	141,018	423,760	**313,130**
Income tax expenses	(87,622)	(66,998)	(88,584)	**(108,896)**
Profit for the year from continuing operations	309,790	74,020	335,176	**204,234**
Discontinued operations				
Loss for the year from discontinued operations	(420,462)	(294,873)	(17,233)	**(1,279)**
(Loss) profit for the year	(110,672)	(220,853)	317,943	**202,955**
Other comprehensive income (expense) for the year:				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of an available-for-sale investment, net of tax	971	–	–	**–**
Release of translation reserve to profit or loss upon disposal of subsidiaries	(10,464)	11,594	(450)	**–**
Reclassification adjustment to profit or loss during the year upon disposal of an available-for-sale investment, net of tax	(13,491)	–	–	**–**
Exchange differences arising on translation of foreign operations	381	2,422	3,813	**(9,367)**
	(22,603)	14,016	3,363	**(9,367)**
Total comprehensive (expense) income for the year	(133,275)	(206,837)	321,306	**193,588**

	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
(Loss) profit for the year attributable to:				
Owners of the Company	(105,212)	(211,415)	328,765	**204,134**
Non-controlling interests	(5,460)	(9,438)	(10,822)	**(1,179)**
	(110,672)	(220,853)	317,943	**202,955**
Total comprehensive (expense) income for the year attributable to:				
Owners of the Company	(127,815)	(197,427)	332,162	**194,767**
Non-controlling interests	(5,460)	(9,410)	(10,856)	**(1,179)**
	(133,275)	(206,837)	321,306	**193,588**
Profit (loss) for the year attributable to the owners of the Company from:				
Continuing operations	309,837	81,315	338,174	**205,413**
Discontinued operations	(415,049)	(292,730)	(9,409)	**(1,279)**
	(105,212)	(211,415)	328,765	**204,134**
Loss for the year attributable to the non-controlling interests from:				
Continuing operations	(47)	(7,295)	(2,998)	**(1,179)**
Discontinued operations	(5,413)	(2,143)	(7,824)	**–**
	(5,460)	(9,438)	(10,822)	**(1,179)**

ASSETS AND LIABILITIES

	At December 31,			
	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current assets				
Property, plant and equipment	314,164	303,979	262,629	**300,869**
Prepaid lease payments	145,677	87,508	85,489	**83,470**
Intangible assets	212,986	116,707	60,452	**24,021**
Goodwill	1,932,246	1,932,246	1,932,246	**1,932,246**
Investments in associates	14,025	12,704	56,258	**55,016**
Investments in joint ventures	4,491	2,300	–	**–**
Available-for-sale investments	8,000	8,000	–	**–**
Amounts due from fellow subsidiaries	23,004	68,698	23,339	**–**
Amounts due from the then immediate holding company	71,960	597,235	614,150	**–**
Deferred tax assets	122,911	168,103	194,389	**163,292**
Pledged bank deposits	45,379	71,020	39,669	**635,736**
Derivative financial instruments	9,643	–	–	**–**
Other non-current assets	33,970	50,075	46,247	**35,025**
Total non-current assets	2,938,456	3,418,575	3,314,868	**3,229,675**

	At December 31,			
	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Current assets				
Inventories	31,817	2,297	7,100	**–**
Trade and notes receivables	787,491	775,888	888,445	**764,909**
Prepayments, deposits and other receivables	154,345	204,335	176,501	**135,704**
Available-for-sale investments	–	20,000	3,665	**–**
Derivative financial instruments	749	–	–	**–**
Financial assets at fair value through profit or loss	–	–	–	**210,000**
Contract assets	1,650,905	1,683,234	1,632,039	**1,335,219**
Amounts due from fellow subsidiaries	142,947	193,785	246,244	**18,934**
Amount due from an associate	14	13,203	–	**–**
Amounts due from the then intermediate holding companies	–	–	5,645	**–**
Pledged bank deposits	230,704	523,770	537,089	**481,755**
Bank balances and cash	1,409,205	1,583,120	1,450,588	**1,821,182**
Total current assets	4,408,177	4,999,632	4,947,316	**4,767,703**
Current liabilities				
Trade and notes payables	601,778	792,246	612,500	**356,316**
Contract liabilities	647,356	533,536	387,913	**300,918**
Other payables, deposits received and accrued expenses	1,540,866	1,611,040	1,890,500	**1,788,004**
Amounts due to a joint venture	–	2,482	–	**–**
Amounts due to fellow subsidiaries	278,404	290,712	200,672	**47,328**
Amounts due to the then intermediate holding company	–	5,134	–	**–**
Income tax payable	125,183	201,770	238,820	**226,268**
Bank borrowings	422,352	1,237,502	1,154,593	**1,915,484**
Total current liabilities	3,615,939	4,674,422	4,484,998	**4,634,318**
Net current assets	792,238	325,210	462,318	**133,385**
Total assets less current liabilities	3,730,694	3,743,785	3,777,186	**3,363,060**

For the four years ended December 31, 2018

	At December 31,			
	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current liabilities				
Deferred tax liabilities	103,682	109,343	130,971	**127,541**
Bank borrowings	1,025,440	1,039,485	592,744	**–**
Amounts due to fellow subsidiaries	–	–	14,695	**–**
Other non-current liabilities	3,175	8,726	–	**–**
Total non-current liabilities	1,132,297	1,157,554	738,410	**127,541**
Net assets	2,598,397	2,586,231	3,038,776	**3,235,519**
Capital and reserves				
Paid-in capital/share capital	285,208	285,208	8	**–**
Reserves	2,309,084	2,274,608	3,018,827	**3,235,519**
Equity attributable to owners of the Company	2,594,292	2,559,816	3,018,835	**3,235,519**
Non-controlling interests	4,105	26,415	19,941	**–**
Total equity	2,598,397	2,586,231	3,038,776	**3,235,519**

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