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AsiaInfo Technologies Limited

亞信科技控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1675)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of AsiaInfo Technologies is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020.

ANNUAL RESULTS HIGHLIGHTS:

- Total revenue amounted to approximately RMB6,020 million, increased by 5.2% year-on-year.
- Revenue of “Three New” businesses¹ amounted to approximately RMB780 million, increased by 106.5% year-on-year, accounted for approximately 13.0% of its total revenue.
- Gross profit amounted to approximately RMB2,303 million, increased by 8.3% year-on-year. Gross profit margin reached 38.3%, representing an increase of 1.1 percentage points as compared with last year.
- Profit for the year amounted to approximately RMB662 million, increased by 62.0% year-on-year, and profit margin for the year reached 11.0%, representing an increase of 3.9 percentage points as compared with last year.
- Basic earnings per Share were approximately RMB0.85, increased by 51.8% year-on-year.
- Adjusted net profit² amounted to approximately RMB737 million, and adjusted net profit margin reached 12.2%, representing an increase of 0.4 percentage point as compared with last year.
- A final dividend of HK\$0.345 per Share was proposed. Annual dividend payout ratio was approximately 40%.

Note 1: “Three New” businesses represent data-driven operation DSaaS, vertical industries and enterprise cloudification, operations supporting system OSS.

Note 2: To facilitate comparisons of the overall operating performance of the Group 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 its 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.

CHAIRMAN’S STATEMENT

Dear Shareholders,

Looking back, 2020 was an extremely extraordinary year. The sudden onslaught of the COVID-19 epidemic had caused significant adverse impact on the economy and the society with all industries facing unprecedented difficulties and challenges in production and operation. At the same time, guided by the national “new infrastructure” strategy, the transformation on digitisation, cyberisation and intelligentisation of the economy society was further accelerated, bringing new opportunities for the development of industrial internet.

During the Reporting Period, AsiaInfo Technologies boldly shouldered its social responsibilities to work with operators, governments and other social sectors to fully support the epidemic prevention and control, and facilitate the resumption of work and production on one hand, and it actively responded, turned crises into opportunities, and seized the development opportunities brought by the new infrastructure to accelerate its strategic transformation on the other hand. It achieved steady improvement in overall performance in the first half year and accelerated its development in the second half year with a sound growth for the entire year, especially the rapid development in the “Three New” businesses (data-driven operation DSaaS, vertical industries and enterprise cloudification, OSS), which accounted for double-digit of its total revenue for the first time and achieved a new milestone. The Company continued to accelerate its development pace and moved forward unwaveringly driven by its “One consolidation, Three developments” strategy.

On behalf of the Board, I hereby present the annual results announcement of the Group for the year ended 31 December 2020 to the Shareholders.

OVERALL RESULTS

In 2020, despite the impact of the epidemic, the overall operation of the Company still maintained a sound growth momentum. Especially driven by the rapid development of the “Three New” businesses, our revenue amounted to approximately RMB6,020 million, increased by 5.2% year-on-year, among which, revenue from the “Three New” businesses amounted to approximately RMB780 million, increased by 106.5% year-on-year and accounted for double-digit (approximately 13.0%) of its total revenue for the first time. Profit for the year amounted to approximately RMB662 million, increased by 62.0% year-on-year. The adjusted net profit amounted to approximately RMB737 million and the adjusted net profit margin amounted to approximately 12.2%, representing a year-on-year increase of 0.4 percentage point, which recorded a new high in profitability.

The Board, after taking into full consideration of various factors including Shareholders' returns, profitability, cash flow level and capital needs for future development of the Company, has decided to propose the distribution of the 2020 final dividend of HK\$0.345 per Share at the AGM with the annual dividend payout ratio of approximately 40%.

BUSINESS DEVELOPMENT

Accelerating the development of DSaaS business with strong doubled revenue growth

The current digitalisation process in society is accelerating and the coverage of information services is further extended. Facing the COVID-19 epidemic, digitalised economy has rebounded and moved further ahead with robust development, and the value of data resources in the operation and management of various industries is further demonstrated. The Company continues to increase its efforts in expanding its DSaaS business with “abundant compliant data resources, innovative leading new technologies based on AIOT, cloudification and 5G, and digitalised products based on business scenarios” by cooperating with operators to provide assistance for customers in relevant key industries with precision marketing, intelligence-based operation, and quality and efficiency improvements to leverage on the value of digitisation.

In 2020, our products and applications of the DSaaS business continued to innovate and diversify and the results-based charging model was further promoted on a scalable basis, with expanding customer layout and strong willingness to continue in use and was highly recognised. In particular, we became the ecological partner for the Tencent Enterprise Wechat to jointly explore the large government and business customer-oriented market for the enterprise wechat and develop the wechat ecology-based private traffic. In addition, the value of the DSaaS business has become more prominent during the course of combating against the epidemic spread. We complemented with the National Health Commission and Ministry of Industry and Information Technology to provide systematic and all-round product support for epidemic prevention and control. Our self-developed products such as epidemic trend sensing products, visualisation of 3D immersive data on sensitive regions and joint public health emergency response plans of COVID-19 were strongly recommended by the Ministry of Science and Technology of the PRC, CAICT and the Cloud Computing Open Source Industry Alliance, and have been widely applied. In 2020, the revenue from the DSaaS business was approximately RMB352 million, up by 131.7% year-on-year, recording a new high in growth rate.

Focusing on the development of vertical industries and enterprise cloudification with continuous customer layout expansion

In 2020, the Company continued to expand its layout in the vertical industries and enterprise cloudification market by focusing on five strategic vertical industries including the finance, energy, transportation, government affairs and postal services sectors, tapping into customer demand and providing CRM, data management, DevOps, Cloud MSP, smart city development and other products and services, created benchmark product models, gradually replicated and promoted them in the industry, hence the network of large corporate customers was further expanded.

In the five strategic vertical industry sectors, we received high recognition from our insurance and banking customers in respect of our DataGo data governance, CRM, DevOps, unified certification and other products. We launched the 5G smart energy solutions to provide assistance in the new infrastructure of the energy industry. We built an enterprise-level comprehensive operation management system for expressways and promoted charging products to facilitate the informatisation of the expressways transportation industry. We built key projects such as CRM, data centers, and Postal Savings Bank of China big data platforms to contribute efforts in technological innovations in the postal industries. In the smart cities sector, we entered into “smart city” strategic partnerships with the two core cities Chongqing and Shenzhen, achieving a breakthrough in the “smart city” sector.

In the cloud business sector, we provided customers with cloud-native technologies and products, cloud MSP, cloudification and cloud-based intelligent transformation services, and deepened the co-operation with mainstream cloud vendors to facilitate customers to adopt and apply cloud technology. We completed projects co-supported by Alibaba Cloud’s technology one after another, and expanded new projects including Hebei Steel, Delong Steel and Sany Group after the successful implementation of the OCJ e-commerce project. Moreover, we were rated as the “Excellent” grade, the highest level of Trusted Cloud MSP certification in the Trusted Cloud • Cloud MSP Competency Assessment hosted by the CAICT.

As of the end of 2020, the Company provided services to 85 large-scale corporate customers, up by 44.1% year-on-year, and customer retention rate continued to maintain a high level of over 99%. The revenue from vertical industries and enterprise cloudification business amounted to approximately RMB180 million, up by 63.7% year-on-year.

Accelerating 5G business expansion with solid, leading position in operators market

Guided by the national “new infrastructure” strategy, the 5G construction was in full swing and had entered into its “fast track” development, and operators were accelerating the integration of cloud-network. The Company closely leveraged on the development trend of BSS & OSS integration in the 5G era, vigorously promoted the business integration in several segments, continued to enhance BSS software and service advantages, provided BSS systems that enable 5G business operation scenarios, provided strong support for operators’ 5G business development as well as expanded and upgraded 5G OSS network intelligent products, deeply engaged in the formulation of 5G OSS system protocol to create first-mover advantages and provided assistance for operators in optimising 5G network quality and improving network experience.

For the BSS business, we proactively overcame the adverse impact of the epidemic, quickly established an emergency support mechanism, and utilised online collaborative tools to provide service support to customers to ensure project progress and improve efficiency. We actively engaged in the formulation of proposals and specifications for operators’ smart middle office platform, assisted in the construction of projects for smart middle office platform in various regions. We actively explored 5G multi-quantity, multi-dimensional and multi-model billing capabilities and propelled the launching of the 5G SA billing system. We assisted operators in the construction of digitalised new IT, reconstructed the digitalised ecosystem and accelerated integrated new operations. In 2020, the number of telecom operator customers the Company served increased steadily, and the customer retention rate continued to maintain a high level of over 99%.

For the OSS business, we cooperated closely with the three major telecom operators and always committed to the innovation and commercialisation of 5G network intelligence. For the 5G OSS network intelligent products, we have established several provincial-level or the Group’s commercialised works, provided assistance for operators in 5G network intelligent operation and maintenance. Further to the 27 commercialised works in the 5G OSS business in the first half of 2020, 73 commercialised works were achieved throughout the year, accelerated the development from “multi-sites layout” to “all-round deployment”. In 2020, the revenue from the Company’s OSS business amounted to approximately RMB248 million, up by 114.0% year-on-year.

Creating quality products with leading technology R&D capabilities and craftsmanship

Adhering to the philosophy of “R&D first, innovation as priority”, we continued to enhance our R&D innovation capabilities and technology-driven capabilities, increased the innovation and R&D efforts in emerging businesses, built a high-end product planning system, and empowered the vertical industries and ecological partners. In 2020, we have built an industry-leading 5G cloud network product system, in which the 5G network slicing technology and products are leading the industry and 5G network middle office system product has a demonstration effect in the industry. Customers experience management (i.e. CEM) covers all domain, SDN/NFV product accelerates the cloud network integration, and 5G private network is deployed in advance to continuously enhance the influence of the 5G cloud network intelligence industry. The Company has created a data and AI product system, and many products have been fully commercialised in vertical industries such as data middle office, AI middle office, edge AI, intelligent operation and maintenance (i.e. AIOps), knowledge mapping, RPA robot process automation platform, etc. The Company also further evolves the middle office product system, including cloud management platform, PaaS platform, big data platforms, GIS platform, AI platform, etc. to constitute the technical foundation that empowers various industries. In addition, the Company created a series of innovative product sets, including 5G urban digital twin platforms, 3D visualisation, 5G private network operation platforms, DevOps, etc. to help operators and vertical industry customers carry out digital transformation and innovation.

In 2020, we made great efforts to strengthen our capability, with multiple key innovative technologies and products granted with patents and software copyrights. At present, the Company owns over 900 software copyrights in total. While strengthening our technological innovation, we had also established an innovative closed-looped model from standardisation to commercialisation, and actively participated in 19 international/national technical standards organisations such as 3GPP, ITU, ETSI, IEEE, TMF and O-RAN, leading and contributing to the 19 international communication technology standards. Moreover, in the context of new infrastructure and IT innovation, we actively facilitated the construction of independent controlled products and technology stacks to promote IT innovation development in domestic software. Our data base product AntDB was selected as the key product on innovative aspect for information technology application by the ITAIWC.

Building an ecological cooperation system of “One Mainstay, Three Links”, and co-operating with industry partners for synergistic development

By taking our own internal development as the mainstay and to coordinate with the external “Three Links”, we had initially built an ecological co-operation system of “One Mainstay, Three Links” to explore the continuous deepening co-operation with all the parties in the industry through diversified co-operation methods, and jointly explore development opportunities to achieve complementary advantages, resources sharing, and win-win co-operation. In the capital link, we promoted the implementation and growth of

the Company's strategic business through capital linkage. In the future, we will continue to proactively identify investment and merger opportunities which will achieve the Company's strategic synergy. In the strategic link, we had entered into strategic partnerships with 70 companies: we deepened the strategic co-operation with China Telecom, China Mobile and China Unicom to jointly propel the development of 5G technology, especially the strategic shareholding investment from China Mobile, which further promoted the long-term strategic co-operation between the two parties, and explored development opportunities in face of new strategic sectors. We promoted the cloud ecosystem construction and digital transformation for corporate customers with strategic partners such as Alibaba Cloud, Tencent Cloud, Baidu and Huawei. We established strategic partnerships with the governments of Shenzhen and Chongqing and their affiliated enterprises to promote the construction and operation of smart cities. In the business link, we deepened the business co-operation with industry partners to promote coordinated business development, especially the rapid development of the "Three New" businesses.

LOOKING FORWARD

Looking forward, opportunities and challenges still coexist for a long period of time.

We will embrace 5G, cloud computing, big data, AI, IOT and other advanced technologies actively, promote strategic transformation unswervingly and solidify "One consolidation" with high-quality and promote "Three developments" with high speed. For traditional business, we will continue to strengthen the leading position in operators market, explore business potentials vigorously and continue to improve efficiency. For "Three New" businesses, we will accelerate the scalable expansion, in which DSaaS business attaches equal importance to its scale and model innovation; vertical industries and enterprise cloudification business focuses on the industry and high-quality development; OSS business accommodates both stock and increment to increase their market shares.

We will work together with industry partners to build an open, co-operative ecosystem, continue to facilitate the reform of business models, accelerate the construction of China's "domestic circulation", "new infrastructure" and "new-type smart city", aiming to become the enabler of the digital transformation for large enterprises in the 5G era.

Finally, on behalf of the Board, I would like to take this opportunity to express our heartfelt thanks to all Shareholders, our customers and all circles of society for their support to the Company. I would also like to express our gratitude to all our staff for their relentless efforts and contributions. We will work together to build AsiaInfo Technologies into a respectable enterprise with pride for staff.

Dr. TIAN Suning
Chairman and Executive Director

RESULTS OF THE GROUP

Overview

The Group's key operating performance indicators for the Reporting Period are as follows:

(Expressed in thousands of RMB unless otherwise stated)	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	6,019,855	5,721,416
Include: Revenue from new businesses	779,709	377,652
Gross profit	2,303,235	2,127,005
Gross profit margin	38.3%	37.2%
Profit for the year	662,103	408,815
Profit margin for the year	11.0%	7.1%
Basic earnings per Share (RMB)	0.85	0.56
Adjusted net profit (unaudited)	736,941	672,537
Adjusted net profit margin (unaudited)	12.2%	11.8%
Net cash generated from operating activities	710,425	546,305

In 2020, the revenue of the Group amounted to approximately RMB6,020 million, representing a year-on-year increase of 5.2%, among which, the revenue from “Three New” businesses amounted to approximately RMB780 million, representing a year-on-year increase of 106.5%, which achieved another new record high in its growth.

In 2020, the Company's profitability continued to strengthen. The gross profit of the Company was approximately RMB2,303 million, representing a year-on-year increase of 8.3%, and the gross profit margin was 38.3%, representing an increase of 1.1 percentage points as compared with last year. Profit for the year amounted to approximately RMB662 million, representing a substantial increase of 62.0% as compared with last year. Profit margin for the year reached 11.0%, representing an increase of 3.9 percentage points as compared with last year. Basic earnings per Share were approximately RMB0.85, representing a year-on-year increase of 51.8%. The adjusted net profit amounted to approximately RMB737 million, and the adjusted net profit margin was 12.2%, representing an increase of 0.4 percentage point as compared with last year.

In 2020, the net cash generated from operating activities amounted to approximately RMB710 million, representing a year-on-year increase of 30.0%. Net cash generated from operating activities kept improving.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Revenue	4	6,019,855	5,721,416
Cost of sales		<u>(3,716,620)</u>	<u>(3,594,411)</u>
Gross profit		2,303,235	2,127,005
Other income	5	143,289	103,759
Impairment losses under expected credit loss model, net of reversal		(35,051)	(28,366)
Other gains and losses		15,956	(736)
Selling and marketing expenses		(472,786)	(461,997)
Administrative expenses		(321,442)	(292,586)
Research and development expenses		(840,225)	(862,419)
Share of results of associates		(1,567)	(3,983)
Impairment losses on associates		(6,410)	—
Finance costs		<u>(20,672)</u>	<u>(39,907)</u>
Profit before tax		764,327	540,770
Income tax expenses	6	<u>(102,224)</u>	<u>(131,955)</u>
Profit for the year	7	<u>662,103</u>	<u>408,815</u>
Other comprehensive income for the year		<u>—</u>	<u>—</u>
Total comprehensive income for the year		<u>662,103</u>	<u>408,815</u>
Profit for the year/total comprehensive income for the year attributable to:			
Equity holders of the Company		<u>662,103</u>	<u>408,815</u>
Earnings per Share			
—Basic (RMB)	9	0.85	0.56
—Diluted (RMB)	9	<u>0.84</u>	<u>0.56</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 DECEMBER 2020

		31 December 2020	31 December 2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		293,224	288,261
Right-of-use assets		257,534	169,465
Intangible assets		3,818	7,708
Goodwill	10	1,932,246	1,932,246
Investments in associates		—	51,033
Deferred tax assets		133,111	135,766
Pledged bank deposits		8,737	28,612
Term deposits		240,000	170,000
Other non-current assets		17,088	39,641
		2,885,758	2,822,732
Current assets			
Inventories		392	304
Trade and notes receivables	11	941,957	841,182
Prepayments, deposits and other receivables		114,386	183,706
Contract assets	12	1,722,485	1,554,521
Financial assets at fair value through profit or loss ("FVTPL")		1,103,800	—
Amounts due from related parties		10,233	6,358
Pledged bank deposits		263,067	321,246
Term deposits		140,923	—
Bank balances and cash		1,690,151	1,810,591
		5,987,394	4,717,908
Current liabilities			
Trade and notes payables	13	149,454	358,048
Contract liabilities	12	393,371	296,945
Other payables, deposits received and accrued expenses	14	2,063,218	1,922,837
Amounts due to related parties		9,154	18,092
Income tax payable		278,420	244,573
Bank borrowings	15	137,023	594,372
Lease liabilities		46,201	36,213
		3,076,841	3,471,080
Net current assets		2,910,553	1,246,828
Total assets less current liabilities		5,796,311	4,069,560

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — CONTINUED

As at 31 DECEMBER 2020

	31 December 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
Non-current liabilities		
Deferred tax liabilities	123,205	122,983
Lease liabilities	<u>117,658</u>	<u>39,374</u>
	<u>240,863</u>	<u>162,357</u>
Net assets	<u>5,555,448</u>	<u>3,907,203</u>
Capital and reserves		
Share capital	—	—
Reserves	<u>5,555,448</u>	<u>3,907,203</u>
Total equity	<u>5,555,448</u>	<u>3,907,203</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to equity holders of the Company							Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (note i)	Other reserves RMB'000	Retained profits RMB'000	
At 1 January 2019	—	897,214	285,200	(15,129)	174,425	1,390,128	503,792	3,235,630
Profit for the year and total comprehensive income for the year	—	—	—	—	—	—	408,815	408,815
Recognition of equity-settled share-based payments	—	—	—	—	—	233,648	—	233,648
Lapse of share options and restricted stock Units	—	—	—	—	—	(6,298)	6,298	—
Issue of new shares upon exercise of the over-allotment option	—	27,162	—	—	—	—	—	27,162
Share issuance costs	—	(681)	—	—	—	—	—	(681)
Vesting of restricted stock units	—	69,362	—	—	—	(69,362)	—	—
Exercise of share options	—	4,897	—	—	—	(2,268)	—	2,629
Transfer to statutory surplus reserve	—	—	—	—	1,822	—	(1,822)	—
Changes in equity for the year	—	100,740	—	—	1,822	155,720	4,476	262,758
At 31 December 2019	—	997,954	285,200	(15,129)	176,247	1,545,848	917,083	3,907,203
Profit for the year and total comprehensive income for the year	—	—	—	—	—	—	662,103	662,103
Issue of new shares upon the contribution from shareholders (note ii)	—	1,222,099	—	—	—	—	—	1,222,099
Recognition of equity-settled share-based payments	—	—	—	—	—	267,642	—	267,642
Lapse of share options and restricted stock units	—	—	—	—	—	(11,833)	11,833	—
Dividends approved in respect of the previous year (Note 8)	—	—	—	—	—	—	(168,936)	(168,936)
Purchase of Shares for share award scheme	—	(364,284)	—	—	—	—	—	(364,284)
Vesting of restricted stock units	—	215,886	—	—	—	(215,886)	—	—
Exercise of share options	—	43,972	—	—	—	(14,351)	—	29,621
Transfer to statutory surplus reserve	—	—	—	—	4,562	—	(4,562)	—
Changes in equity for the year	—	1,117,673	—	—	4,562	25,572	(161,665)	986,142
At 31 December 2020	—	2,115,627	285,200	(15,129)	180,809	1,571,420	1,417,521	5,555,448

Note:

- (i) In accordance with the Articles of Association of all subsidiaries established in 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.
- (ii) Please refer to the “USE OF NET PROCEEDS FROM THE SUBSCRIPTION” on page 51 in this announcement for details. Total amount of consideration related to the transaction was HK\$1,385,175,000 (equivalent to RMB1,222,099,000).

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
OPERATING ACTIVITIES		
Profit before tax	764,327	540,770
Adjustments for:		
Depreciation of property, plant and equipment	32,581	32,034
Depreciation of right-of-use assets	64,449	39,394
Amortisation of intangible assets	7,428	18,199
Gain on disposal of property, plant and equipment	(1,194)	(337)
Gain on disposal of investments in associates	(6,944)	—
Finance costs	20,672	39,907
Net foreign exchange loss	841	3,570
Interest income from term deposits	(5,612)	(4,625)
Bank interest income	(23,331)	(24,533)
Net gains on disposal of financial assets	(23,104)	(4,774)
Changes in fair value of financial assets at FVTPL	(7,400)	—
Impairment loss on associates	6,410	—
Allowance for trade receivables, net of reversal	29,621	8,841
Net reversal of allowance for other receivables	(432)	(4)
Allowance for contract assets, net of reversal	5,862	19,529
Share-based compensation expenses	267,642	233,648
Share of results of associates	1,567	3,983
	<hr/>	<hr/>
Operating cash flows before movements in working capital	1,133,383	905,602
Increase in inventories	(88)	(304)
Increase in trade and notes receivables	(130,396)	(85,290)
Decrease/(increase) in prepayments, deposits and other receivables	118,024	(62,931)
Increase in contract assets	(173,826)	(238,831)
(Increase)/decrease in amounts due from related parties	(3,875)	12,576
Decrease/(increase) in other non-current assets	22,553	(4,616)
Decrease in amounts due to related parties	(8,938)	(29,236)
(Decrease)/increase in trade and notes payables	(208,594)	1,732
Increase/(decrease) in contract liabilities	96,426	(3,973)
(Decrease)/increase in other payables, deposits received and accrued expenses	(68,744)	142,270
	<hr/>	<hr/>
Cash generated from operating activities	775,925	636,999
Income taxes paid	(65,500)	(90,694)
	<hr/>	<hr/>
NET CASH GENERATED FROM OPERATING ACTIVITIES	710,425	546,305

CONSOLIDATED STATEMENT OF CASH FLOWS — CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(39,352)	(23,064)
Purchases of intangible assets	(3,538)	(1,886)
Payments for right-of-use assets	—	(7,499)
Purchases of financial assets at fair value through profit or loss	(2,292,156)	(84,000)
Net cash outflows on acquisition of a subsidiary	—	(584)
Proceeds on disposal of financial assets at fair value through profit or loss	1,417,585	298,774
Proceeds on disposal of property, plant and equipment	4,870	738
Proceeds on disposal of investment in associates	20,000	—
Placement of pledged bank deposits	(516,051)	(449,295)
Withdrawal of pledged bank deposits	594,105	1,216,801
Placement of term deposits	(533,488)	(170,000)
Withdrawal of term deposits	317,062	—
Interest received	19,106	42,482
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(1,011,857)	822,467
FINANCING ACTIVITIES		
Repayment of bank borrowings	(1,360,914)	(1,310,122)
New bank borrowings raised	931,647	—
Capital element of lease rentals paid	(67,328)	(40,150)
Interest element of lease rentals paid	(7,038)	(2,514)
Proceeds from issue of shares	1,222,099	27,162
Share issuance costs	—	(3,010)
Proceeds from issue of ordinary shares under share option schemes	29,011	1,420
Purchase of Shares for share award scheme	(364,284)	—
Borrowing interest paid	(13,622)	(38,504)
Other cash flows arising from financial activities	(3,576)	—
Dividend paid	(167,455)	—
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	198,540	(1,365,718)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(102,892)	3,054
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,810,591	1,821,182
Effect of exchange rate changes	(17,548)	(13,645)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH	1,690,151	1,810,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

AsiaInfo Technologies was 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. The address of the registered office of the Company is Craigmuir Chambers, Road Town, Tortola, VG1110, British Virgin Islands.

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

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The HKICPA have issued the following amendments to HKFRSs and HKASs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKFRS 16, Covid-19-Related Rent Concessions
- Amendments to HKAS1 and HKAS 8, Definition of Material

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendments to HKFRS 16, Covid-19-Related Rent Concession, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Moreover, the consolidated financial statements set out the applicable disclosure requirements under the the Rules Governing the Listing of Securities of the Stock Exchange and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Except certain financial instruments were measured at fair value at the end of Reporting Period, the consolidated financial statements have been prepared on the historical cost convention.

4. REVENUE AND SEGMENT INFORMATION

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

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

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 contracts with telecom operators' government and enterprise customers to perform data analysis services to analyse 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.

4. REVENUE AND SEGMENT INFORMATION — CONTINUED

Disaggregation of revenue

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
<i>Timing of revenue recognition</i>		
At a point in time	241,914	127,306
Over time	5,777,941	5,594,110
	<u>6,019,855</u>	<u>5,721,416</u>
<i>Types of goods and services</i>		
Provision of services ⁽ⁱ⁾	5,779,166	5,599,429
Sales of goods	240,689	121,987
	<u>6,019,855</u>	<u>5,721,416</u>
<i>Nature of goods and services</i>		
Software business:		
Software products and related services	5,319,011	5,329,715
Data-driven operation services	351,600	151,737
Others ⁽ⁱⁱ⁾	348,867	237,212
Network security business	377	2,752
	<u>6,019,855</u>	<u>5,721,416</u>

Notes:

- (i) The Group records contract liabilities when receiving consideration from customers prior to its provision of services or the amount is due. The transaction price allocated to performance obligations in relation to the non-refundable advance payments that were unsatisfied was amounted to RMB393,371,000 as at 31 December 2020 (2019: RMB296,945,000), representing the contract liabilities included in Note 12.

The services provided and recognised overtime are mainly about fixed-price contracts. Respective transaction price allocated to the unsatisfied contracts, representing the contract liabilities, as at 31 December 2019 in the amount of RMB296,945,000 had been recognised as revenue over the contract periods for the year ended 31 December 2020. The management expects such amount allocated to the unsatisfied contracts as at 31 December 2020 of RMB393,371,000 will be all recognised as revenue during the year ending 31 December 2021.

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

4. REVENUE AND SEGMENT INFORMATION — CONTINUED

Segment information

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

Year ended 31 December 2020

	Software business <i>RMB'000</i>	Network security business <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	6,019,478	377	6,019,855
Cost of sales	<u>(3,716,250)</u>	<u>(370)</u>	<u>(3,716,620)</u>
Gross profit	2,303,228	7	2,303,235
Other income	143,289	—	143,289
Impairment losses under expected credit loss model, net of reversal	(35,051)	—	(35,051)
Other gains and losses	15,956	—	15,956
Selling and marketing expenses	(472,786)	—	(472,786)
Administrative expenses	(321,442)	—	(321,442)
R&D expenses	(840,225)	—	(840,225)
Share of results of associates	(1,567)	—	(1,567)
Impairment losses on associates	(6,410)	—	(6,410)
Finance costs	<u>(20,672)</u>	<u>—</u>	<u>(20,672)</u>
Profit before tax	<u><u>764,320</u></u>	<u><u>7</u></u>	<u><u>764,327</u></u>

Year ended 31 December 2019

	Software business <i>RMB'000</i>	Network security business <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	5,718,664	2,752	5,721,416
Cost of sales	<u>(3,591,714)</u>	<u>(2,697)</u>	<u>(3,594,411)</u>
Gross profit	2,126,950	55	2,127,005
Other income	103,759	—	103,759
Net reversal of impairment losses under expected loss model	(28,366)	—	(28,366)
Other gains and losses	(736)	—	(736)
Selling and marketing expenses	(461,997)	—	(461,997)
Administrative expenses	(292,573)	(13)	(292,586)
R&D expenses	(862,419)	—	(862,419)
Share of results of associates	(3,983)	—	(3,983)
Finance costs	<u>(39,907)</u>	<u>—</u>	<u>(39,907)</u>
Profit before tax	<u><u>540,728</u></u>	<u><u>42</u></u>	<u><u>540,770</u></u>

4. REVENUE AND SEGMENT INFORMATION — CONTINUED

Segment information — continued

The accounting policies of the reportable segments are the same as the Group's significant accounting policies.

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. Substantially all revenue 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 external customers is presented based on the location of the signing parties of the sales or service contracts. During the years ended 31 December 2020 and 2019, substantially all the sales and service contracts were with a signing party located in the PRC.

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 are as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Telecom operator A	3,841,488	3,353,138
Telecom operator B	1,043,724	1,136,023
Telecom operator C	831,183	1,002,837

Note: The customers as shown above are at their group level which aggregates the customer's headquarters, provincial, municipal and specialised subsidiaries which enter into contracts with the Group individually.

5. OTHER INCOME

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	50,398	44,254
Bank interest income	23,331	24,533
Net gains on disposal of financial assets	23,104	4,774
Changes in fair value of financial assets at FVTPL	7,400	—
Gain from additional input VAT credit	14,988	9,052
Income from management support services	9,647	12,521
Interest income from term deposits	5,612	4,625
Others	8,809	4,000
	<u>143,289</u>	<u>103,759</u>

6. INCOME TAX EXPENSES

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC enterprise income tax (“EIT”) — Current year	99,347	90,898
Deferred tax	2,877	42,956
	<u>102,224</u>	<u>133,854</u>
Over provision in prior year:		
PRC EIT	—	(1,899)
	<u>102,224</u>	<u>131,955</u>

Under the Law of the PRC on EIT (the “EIT Law”) and implementation regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the year ended 31 December 2020 (2019: 25%).

The Group’s subsidiaries operating in the PRC are eligible for tax credits of 175% (2019: 175%) deduction rates on certain R&D expenses for the year ended 31 December 2020.

On 9 August 2012, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC and the State Taxation Administration promulgated and implemented Trial Measures for the Administration over the Certification of Key Software Enterprises and Integrated Circuit Design Enterprises under the State Planning (“Cai Shui 2012 NO. 2413”), pursuant to which key software enterprises under the State Planning layout could go through tax reduction procedures with the relevant tax authorities to enjoy preferential tax policies.

During the years ended 31 December 2020 and 2019, 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 under the State Planning. Such tax preference was applied and entitled by performing the record filling to the tax authorities on a yearly basis. The Directors 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.

6. INCOME TAX EXPENSES — CONTINUED

The Ministry of Finance of the PRC and the State Taxation Administration promulgated and implemented Income Tax Policies for Integrated Circuit Design and Software Enterprises (the “**Policies**”) in 2011, pursuant to which, all eligible software enterprises that were profit-making up to the year ended 31 December 2017 were to be entitled to two-year EIT exemptions followed by three years’ 50% EIT reduction of the statutory EIT rates, starting from their first profit making year. In May 2019, the relevant taxation authority renewed this Policies for the first time to make eligible software enterprises that were profit-making for the year ended 31 December 2018 to be entitled for such preferential EIT rates. Nanjing AsiaInfo Software Co., Ltd (“**Nanjing Software**”) had met all the requirements to be eligible under the Policies and therefore, Nanjing Software has EIT exemptions for two year starting from the year ended 31 December 2019 and be entitled to a preferential EIT rate of 12.5% from 2021 to 2023. Meanwhile, pursuant to the Policies, effective from its profit-making year, Hunan AsiaInfo Software Co., Ltd. enjoys EIT exemptions for the next first two years of profit-making, starting 2018 (retrospectively applied in 2018 as it was the first year the relevant taxation authority renewed the Policies) and was entitled to a preferential EIT rate of 12.5% from 2020 to 2022.

Hangzhou AsiaInfo Cloud Information Technologies Limited (“**Hangzhou Cloud**”) was designated as “High and New Technology Enterprise” in 2019 for a period up to 31 December 2021. Guangzhou AsiaInfo Technology Co. Ltd. and Beijing AsiaInfo Smart Big Data Co., Ltd. were designated as “High and New Technology Enterprise” in 2020 for a period up to 31 December 2022. As a result, the three companies above were entitled to a preferential income tax rate of 15% for the year ended 31 December 2020 (2019: Hangzhou Cloud 15%, the other two 25%).

According to the relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the EIT Law and Article 91 of its Detailed Rules for the Implementation of the Regulation.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25% and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2019: 16.5%). The Directors 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 2020 (2019: 16.5%).

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

6. INCOME TAX EXPENSES — CONTINUED

The income tax expenses for the years ended 31 December 2020 and 2019 can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>764,327</u>	<u>540,770</u>
Notional tax at applicable income tax rate of 10%	76,433	54,077
Tax effect of share of results of associates	157	398
Tax credits on eligible R&D expenses	(44,842)	(25,353)
Tax effect of expenses not deductible for tax purpose	60,921	47,475
Tax effect of income not taxable for tax purpose	(2,933)	(3,534)
Tax effect of tax losses not recognised	22,895	51,463
Over provision in respect of prior years	—	(1,899)
Tax effect of withholding tax on dividend distribution ⁽ⁱ⁾	—	16,955
Effect of using the deductible losses for which no deferred tax asset was recognised in previous periods	(6,671)	—
Tax effect of opening deferred tax assets from changes in applicable tax rates	—	3,507
Tax effect of different tax rates of subsidiaries not applicable of 10% (2019: 10%)	<u>(3,736)</u>	<u>(11,134)</u>
Income tax expenses for the year	<u><u>102,224</u></u>	<u><u>131,955</u></u>

Note:

- i. In 2019, the Group adopted a non-binding general dividend policy with a dividend payout ratio of no less than 40% of its distributable profit for the year, and therefore, the Group considered the tax effect of withholding tax on dividend distribution with respect to profit for the year of the Group for the year ended 31 December 2019. In 2020, according to the financing arrangement of the Company, it has been determined that subsidiaries on-shore would not declare dividend to the subsidiaries off-shore in the near future to support the general dividend policy of the Group, and therefore, no withholding tax was recognised for the year ended 31 December 2020.

7. PROFIT FOR THE YEAR

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Staff costs, including Directors' and chief executive's remuneration		
Directors' remuneration	101,375	25,439
Employee benefit expenses		
Other staff costs (salaries, wages, allowance, bonus and others)	3,074,613	3,089,651
Contribution to retirement benefits scheme	219,705	285,661
Share-based compensation expenses	172,600	214,612
Total staff costs	<u>3,568,293</u>	<u>3,615,363</u>
Cost of inventories recognised as expenses (transferred into cost of sales)	230,580	118,040
Depreciation of property, plant and equipment	32,581	32,034
Depreciation of right-of-use assets	64,449	39,394
Amortisation of intangible assets	7,428	18,199
Expense of short-term and low value lease	68,112	83,351
Auditor's remuneration	<u>5,178</u>	<u>5,508</u>

8. DIVIDENDS

(i) Dividends payable to equity holders of the Company attributable to the year

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend proposed after the end of the Reporting Period of HK\$0.345 (equivalent to RMB0.290) per ordinary share (2019: HK\$0.252 (equivalent to RMB0.226) per ordinary share)	<u>264,841</u>	<u>168,936</u>

The final dividend proposed after the end of the Reporting Period has not been recognised as a liability at the end of the Reporting Period.

(ii) Dividends payable to equity holders of the Company attributable to the previous financial year, approved and paid during the year

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.252 (equivalent to RMB0.226) per ordinary share (2019: N/A)	<u>168,936</u>	<u>N/A</u>

9. EARNINGS PER SHARE

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per Share	662,103	408,815
Number of shares:		
Issued ordinary shares at 1 January	726,044,916	713,776,184
Effect of over-allotment to the underwriters in the global offering	—	2,860,698
Effect of shares issued to Subscriber	60,255,320	—
Effect of shares repurchased	(10,577,531)	—
Effect of share options exercised and restricted stock units (“RSUs”) vested	4,685,691	7,613,444
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	780,408,396	724,250,326
Effect of dilutive potential ordinary shares:		
Share options and RSUs	6,276,616	3,292,366
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	786,685,012	727,542,692

The calculation of basic earnings per share for the years ended 31 December 2020 and 2019 was based on the profit for the year attributable to the equity holders of the Company.

The calculation of the number of shares for the purpose of basic earnings per share for the year ended 31 December 2019 has taken into account the over-allotment to the Company’s underwriters in the Company’s global offering on 15 January 2019 and the allotment and issuance of ordinary shares with regard to the exercise and vesting of share options and RSUs in 2019.

The calculation of the number of shares for the purpose of basic earnings per share for the year ended 31 December 2020 has taken into account the issuance of shares with regard to the exercise and vesting of share options and RSUs, purchase of shares in 2020, and the issuance of shares to the Subscriber.

The computation of diluted earnings per share for the year ended 31 December 2019 did not assume the exercise of the 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 since such share options have an anti-dilutive effect.

The computation of diluted earnings per share for the year ended 31 December 2020 did not assume the exercise of the share options under the 2014 plan, the share options that exercised with exercise prices of US\$1.9225 and partly of US\$1.2725 under the Pre-IPO share option scheme, the exercise of share options granted under the 2019 share option scheme and the vesting of share awards granted under the 2020 share award scheme since such share options and share awards had an anti-dilutive effect.

10. GOODWILL

The goodwill was primarily arisen from the acquisition of Linkage Technologies International Holdings Limited on 1 July 2010. The carrying value was RMB1,932,246,000 as at 31 December 2020 (2019: 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 ("CGU") 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 summarised below:

The recoverable amount of the group of CGU has been determined based on a value in use calculation and is assessed by the management with reference to valuations carried out by an independent professional valuer 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 five-year period, and at a pre-tax discount rate of 19.5% for the year ended 31 December 2020 (2019: 19.5%). The cash flows of the CGU beyond the five-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 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, with expected gross profit margin for 5-year-period floating up and down within 1% compared with that of the year. Such estimation is based on the past performance of the CGU, 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.

For the years ended 31 December 2020 and 2019, the management of the Group confirmed there was no impairment. The management believed that any reasonably possible change in these assumptions would not cause the aggregate carrying amount to exceed the recoverable amount.

11. TRADE AND NOTES RECEIVABLES

	At 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Notes receivables	76,562	101,442
Trade receivables	913,583	762,456
Amounts due from third parties	320,740	762,456
Amounts due from related parties	592,843	—
Less: allowance for credit losses	(48,188)	(22,716)
	<u>941,957</u>	<u>841,182</u>

For the purpose of data comparison, the amounts above included the trade and notes receivables from the China Mobile Group.

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, 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 realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

Notes receivables are bank acceptance notes and commercial acceptance notes issued by large enterprise customers, which management believes that all the counterparties are of high credit quality and the expected credit loss isn't significant.

11. TRADE AND NOTES RECEIVABLES — CONTINUED

Aging of trade and notes receivables, net of allowance for credit losses based on the dates when the Group has the right to bill, at the end of the years ended 31 December 2020 and 2019 is as follows:

	At 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
1–30 days	689,984	517,754
31–90 days	82,109	164,928
91–180 days	111,407	109,482
181–365 days	45,677	37,482
Over 365 days	12,780	11,536
	<u>941,957</u>	<u>841,182</u>

Movement in lifetime ECL that has been recognised for trade receivables in accordance with HKFRS 9 for the years ended 31 December 2020 and 2019 is as follows:

	Total
	<i>RMB'000</i>
At 1 January 2019	13,875
Allowance for trade receivables	<u>8,841</u>
At 31 December 2019	22,716
Allowance for trade receivables, net of reversal	29,621
Written-off as uncollectible	<u>(4,149)</u>
At 31 December 2020	<u>48,188</u>

12. 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 recognised 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 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Analysed for reporting purposes as follows:		
Contract assets	1,722,485	1,554,521
Contract liabilities	<u>(393,371)</u>	<u>(296,945)</u>

For the contract liabilities as at 31 December 2020 and 2019, the entire balances were expected to be recognised as revenue during the year ending 31 December 2021 and the year ended 31 December 2020, respectively.

Contract assets and contract liabilities are analysed and classified as current assets and current liabilities due to the contract assets and contract liabilities are expected to be recognised in normal operation cycle.

Movement in lifetime ECL that has been recognised for contract assets in accordance with HKFRS 9 for the year ended 31 December 2020 is as follows:

	<i>RMB'000</i>
At 31 December 2018	10,177
Reversal of allowance for contract assets	<u>19,529</u>
At 31 December 2019	29,706
Allowance for contract assets, net of reversal	<u>5,862</u>
At 31 December 2020	<u>35,568</u>

13. TRADE AND NOTES PAYABLES

	At 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	149,454	198,188
Notes payables	—	159,860
	<u>149,454</u>	<u>358,048</u>

The table below sets forth, as at the end of the Reporting Period, the aging analysis of the trade and notes payables presented based on the invoice date:

	At 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
1-90 days	79,538	199,152
91-180 days	13,922	90,751
181-365 days	12,171	13,463
1-2 years	15,338	21,001
Over 2 years	28,485	33,681
	<u>149,454</u>	<u>358,048</u>

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.

14. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	At 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Accrued payroll and welfare	1,866,996	1,621,850
Accrued liabilities	73,968	13,881
Other tax payables	40,390	27,646
Accrued expenses	45,727	54,808
Advance from customers	16,083	183,282
Employee reimbursement payable	9,924	12,528
Other payables	5,630	4,116
Others	4,500	4,726
	<u>2,063,218</u>	<u>1,922,837</u>

15. BANK BORROWINGS

	At 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Analysed as:		
Secured bank borrowings carrying interest at variable rates	<u>137,023</u>	<u>594,372</u>
Analysis of borrowings by currency:		
Denominated in US\$	<u>137,023</u>	<u>594,372</u>

The Group had bank borrowings denominated in US\$ as at 31 December 2020 and 2019. The Group's bank borrowings are secured by the respective pledged bank deposits as at 31 December 2020 and 2019.

	At 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
The carrying amounts of the above borrowings contain a repayment on demand clause (shown under current liabilities)	<u>137,023</u>	<u>594,372</u>

The above bank borrowings denominated in US\$ was at variable interest rates based on three-month London Interbank Offered Rate plus 1.11% as at 31 December 2020 (2019: three-month London Interbank Offered Rate plus 1.2% to one-month London Interbank Offered Rate plus 1%).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Summary

In 2020, all industries experienced unprecedented difficulties and challenges under the impact of the pandemic. Facing this, the Company went all out to take active response, further deepened the “One consolidation, Three developments” strategy and achieved continuous efficiency improvement in the core business, full-speed growth for “Three New” businesses and sound growth in overall results. Meanwhile, the Company bravely undertook social responsibilities to fully support epidemic prevention and control. We ensured the safe and stable operation of IT support systems of customers, and also provided systematic and all-round product support for the epidemic prevention and control for government departments, for which we obtained many awards.

During the Reporting Period, revenue of the Company amounted to approximately RMB6,020 million, up by 5.2% year-on-year. Among them, the “Three New” businesses, namely DSaaS, vertical industries and enterprise cloudification and OSS, achieved revenue of approximately RMB780 million, up by 106.5% year on year. “Three New” businesses accounted for 13.0% of total revenue in 2020 when compared with 6.6% in 2019, marking a double-digit contribution. Profit for the year reached approximately RMB662 million, increased by 62.0% year-on-year, and the adjusted net profit reached approximately RMB737 million, hitting a new high in profitability.

I. Speeding up the expansion of DSaaS business, with continuous doubled growth in revenue

In 2020, the pandemic promoted the digital transformation demand for infrastructure, social governance, mode of production, work and life, accelerated the process of data being taken as a production factor in resources distribution, and data resources further demonstrated the value in operation and management of enterprises. The demand for data-driven operation in telecommunications, finance, government affairs, transportation, energy and other industries is increasing day by day.

During the Reporting Period, the Company leveraged the abundant compliance data resources, applied innovative leading AI technology development and developed digital products and services for different business scenarios. The Company also kept optimising the business models and helped customers to improve their quality and performance in marketing, service and operation.

In terms of operation products and services, the Company provides financial marketing cloud, API service, risk control service and other personalised industry digital operation services for financial industry customers, and deliver government affairs customers with digital operation services of public governance, such as smart population, integrated governance, smart public security, smart park, etc.; provides operators with abundant products and services including stock operation, 5G innovative operation, smart middle office operation, equity operation, grid-based operation and multiple channel operation. In terms of business model optimisation, we have actively promoted the results-based charging, with the settlement commission revenue with a group customer exceeding RMB10 million and have successfully replicated and promoted the model to several provinces. As an ecosystem partner of Tencent Enterprise WeChat, we carried out private traffic projects around Tencent WeChat and other ecosystems, with continuous expansion in customer scale and tens of million of orders were accumulated for the whole year. The “Big Data Product Development and Joint Operation Laboratory” in collaboration with China Mobile was successfully selected into the “Benchmarking Project” of China Mobile, and was released and promoted to the entire group. In terms of customer base expansion, we added new key customers such as Migu Video, China Mobile Online, municipal governments, China Huarong, China UnionPay, Shanghai Pudong Development Bank, DIMA Industry, Enovate Motors, China Tobacco, Chongqing Gas, etc.

II. Focusing on the development of vertical industries and enterprise cloudification, and continuously expanding customer base

In 2020, the government intensely introduced new infrastructure, information innovation and other related policies, which further accelerated the digital transformation process in China. The size of China's software market continues to grow at a high speed. According to the forecast by CAICT, the software industry revenue will exceed RMB15 trillion by 2025, with a compound annual growth rate of 13.8%. In the process of digital transformation, more large government and enterprise customers choose cloud services which enable the cloud market in continuous and rapid growth. Meanwhile, as a complex of information technology and various urban sectors, smart city is enjoying a strong momentum of development. Large smart city projects commenced construction one after another, and government departments at all levels are increasing their investments in the relevant fields.

During the Reporting Period, the Company continued to increase its presence in the vertical industries and enterprise cloudification, focusing on the five industries of finance, energy, transportation, government affairs and postal service by relying on our four core capabilities to expand customer base. In the field of energy and electricity, the Company offered 5G smart energy solutions to empower the new infrastructure of the energy industry, which won multiple orders in LTE/5G wireless private network, cloud platform construction and AI application from China Nuclear Power Engineering, China Energy, State Power Investment, etc., and signed strategic co-operation agreements with China National Nuclear Power, China Nuclear Power Engineering, CHN Energy, SPIC and YUDEAN Group. In the field of transportation, the Company built an enterprise-level comprehensive expressway operation and management system, promoted the informatisation of the transportation industry, and obtained multiple expressway projects of several provinces including Yunnan, Guangdong and Hunan. In the financial field, our DataGo data governance product and CRM products obtained orders from insurance customers such as PICC Life Insurance, our DevOps products obtained orders from Guangfa Bank and Huarong Technology, our unified certification products obtained orders from Huatai Securities, and the Company continued to deepen the co-operation with China Construction Bank, Agricultural Bank of China, CITIC Bank, Harbin Bank and other customers. In the field of postal service, the Company delivered key projects such as China Post CRM and data center, and helped the head office and branches of Postal Savings Bank of China to build a big data platform to facilitate technological innovation in the postal industry.

In the field of cloud business, on one hand, the Company actively sought for co-operation opportunities with major cloud manufacturers, expanded the share of customer-side projects, and provided clients with cloud native technology and products, cloud MSP, cloudification and cloud intelligent transformation services. On the other hand, the Company created business opportunities in vertical industries and helped to bring project orders of cloud infrastructure to the cloud cooperative partners. During the Reporting Period, the Company and Alibaba Cloud achieved fruitful results in their cooperation. On the basis of OCJ e-commerce Project, we jointly expanded Hebei Iron and Steel, DeLong Iron and Steel, Sany Group and other data middle office projects. In addition, the Company obtained the highest level of Trusted Cloud MSP, “Excellent Level” certification, in the Trusted Cloud • Cloud MSP Capability Assessment hosted by CAICT.

In the field of smart city, the Company reached a strategic co-operative relationship with two core cities, Chongqing and Shenzhen, and achieved a breakthrough in the “smart city” sector. Based on its core competence, the Company has made presence in niche fields such as government data governance, data middle office, AI middle office, smart environmental protection, smart energy, smart construction site, smart pension, and integrated visual cloud.

III. Seizing the development opportunity of BO domain integration in 5G era with OSS business growing rapidly

Under the guidance of the national “new infrastructure” strategy, 5G development has entered the “fast track”. In 2020, China built over 600,000 new 5G base stations and over 718,000 have been opened. With the commercialisation of 5G, operators will continue to accelerate 5G construction, and investment in OSS software and services will also maintain a healthy trend. In addition, 5G private network is accelerating its penetration into vertical industries, which will bring a new increment space to the OSS development.

In 2020, the Company followed the 5G development trend and continued to deepen BO domain integration and upgrade smart 5G network products. 5G network slicing, network middle office, ReTiNA, SDN and other products continued to improve, 5G network slicing products embraced the industry leading position, 5G private network gained a first-mover advantage, network middle office in the leading camp, and 5G network intelligent products possessed industry-leading influence.

In terms of technology leadership, the Company continued to build the influence of 5G network intelligent technology, and actively participated in the work of international standards and industrial alliances. The Company continued to promote 3GPP, ITU-T, ETSI, O-RAN, ISO, IEEE, CCSA, 5G Slicing Alliance and other related works, which passed 19 international standards in total and won 2 TMF Catalyst Awards in 2020. The Company jointly innovated with operators in 5G private network smart SLA, NWDAF and other fields, deeply participated in the specification formulation of the next generation OSS system, and seized the technical high ground for the subsequent commercialisation of 5G OSS.

IV. Further consolidating the leading position in the operator market and continuing to guide the transformation and upgrading of BSS

The year 2020 was the year for the universal commercialisation of 5G in China. The three major operators accelerated 5G networks construction and business development. The number of current 5G package users in China has exceeded 300 million. With the growth of 5G users and the continuous business development, operators' investment in 5G business support, smart operation, IT transformation and centralisation, and product innovation will continue to grow.

During the Reporting Period, the Company actively followed up the development strategy of operators, continued to strengthen its leading position in the telecom BSS market and continued to expand its business presence and maintained high market shares. The Company sustained to strengthen the long-term stable cooperative partnership with existing customers including operator headquarters, provincial companies and municipal companies on the one hand, and followed the trend in the operators' investment diversion and sought cooperation opportunities proactively with potential customers including professional operator companies, government departments and enterprises on the other hand.

In terms of 5G business support, the Company has steadily promoted the construction of operators' 5G SA billing system, 5G multi-dimensional billing, 5G network slicing end-to-end management, 5G cloud network integration support, 5G integration package support, and 5G business end-to-end support upgrades and other 5G business support work. In terms of 5G smart operations, the Company actively participated in the construction of the smart middle office and rights center of operators, continued to deepen customer operations such as grid operations, digital content and service operations, and private traffic operations, so as to enable operators to refine their operations. In terms of IT support transformation and centralization, the Company continued to guide operators' IT support transformation planning, and promoted the construction of large-scale IT projects such as centralised nodes, big data platforms, business operation management center supported by China Mobile, IoT billing, government and enterprise billing centers, and accounting centers. In terms of digital product innovation, the self-developed databases supported the domestication of operator databases, the R&D of RPA

robots helped automate and intelligentised business processes, the development of knowledge mapping products helped customer service systems to be more intelligent, and the building of an all domain AI platform contributed to smart front office business.

V. Leading in technology R&D and product strength, and building high-quality products with craftsmanship

In 2020, the Company adhered to the philosophy of “R&D first, innovation as priority”, further improved technology and product R&D system, continued to improve the R&D innovation strength and technology leading capability, optimised the R&D layout, and increased the innovation and R&D investment in emerging businesses. Meanwhile, the Company continued to build AsiaInfo Competitive Products Plan System, building quality products with craftsmanship, enabling vertical industry and ecosystem partners. In 2020, with the 5G commercial in acceleration, the Company has built the core product system of AsiaInfo Technology, cultivated the capabilities of all domain products and solutions, and accelerated to promote the commercialisation of our products in the telecommunication and other vertical industries.

The Company has built an industry-leading 5G cloud network product system, in which the 5G network slicing technology and products are leading the industry and 5G network middle office system product has a demonstration effect in the industry. Customers experience management (i.e. CEM) covers all domain, SDN/NFV product accelerates the cloud network integration, and 5G private network is deployed in advance to continuously enhance the influence of the 5G cloud network intelligence industry. In the BSS field, the Company has successfully helped operators to achieve the upgrade of the core IT system for 5G SA, and the full commercialisation of smart middle office system. The Company has created a data and AI product system, and many products have been fully commercialised in vertical industries such as data middle office, AI middle office, edge AI, AIOps, knowledge mapping, RPA robot process automation platform and other products. The Company also further pushes forward the evolution of the middle office system, including cloud management platform, PaaS platform, big data platforms, GIS platform, AI platform, etc. to constitute the technical foundation that empowers various industries. In addition, the Company has established a IT application innovation system with AntDB selected as the key product on innovative aspect for information technology application by the ITAIWC and created a series of innovative product sets, including 5G urban digital twin platforms, 3D visualisation, 5G private network operation platforms, DevOps, etc. to help communication and vertical industry customers carrying out digital transformation and innovation.

VI. Building an ecological cooperation system of “One Mainstay, Three Links”, co-operating with industrial partners for synergistic development, and winning wide recognition in comprehensive strengths

During the Reporting Period, the Company constructed the preliminary ecological co-operation system of “One Mainstay, Three Links”, and the exploration in ecological co-operation achieved initial results. First of all, the Company used the capital link in the “capital ring” to promote the strategic business implementation and growth, sought investment as well as merger and acquisition opportunities which will bring strategic synergy to the Company proactively, invested in innovative enterprises with core technology, core product and new operation mode, or established joint ventures to expand new business, strengthened the synergies at capital level and business level, and injected new growth impetus to the outward development. Secondly, the Company reached strategic co-operation with more enterprises in the “strategy ring” to join hands with operators, cloud manufacturers and device makers for complementary purposes and win-win co-operation. In particular, after China Mobile made a strategic investment in AsiaInfo to be its second largest shareholder, both parties deepened strategic co-operation, jointly explored opportunities in digital intelligence, and provided customers with richer and multi-level communication, information infrastructure and digital services. Finally, the Company sought complementary co-operation opportunities in the “business ring”, realised rapid complement of their own technical and product capabilities through various forms of co-operation, and rapidly transformed product technical capabilities into business implementation. As of 31 December 2020, the Company had a total of 70 strategic partners, including operators, cloud manufacturers and 5G manufacturers, and enterprises in vertical industries.

In 2020, the Company also won a number of awards, and its industry influence continued to rise. The awards included the China's Top 100 Comprehensive Competitiveness in Software and Information Technology Services in 2020, China's Most Influential Enterprise Brand in Software Industry, the Top 100 "Leap Technology Enterprise" Award in Hong Kong Stock in 2020, and Outstanding Enterprise Award in Software and Information Services in China. The Company's technology and solutions have been highly recognised by the industry by winning two Golden Purple Bamboo Award in the communication industry in 2020, namely "Excellent Product and Technical Solution" and "5G Scenario Billing Contribution Enterprise", and four awards of TMF, including "Best New Catalyst Project", "Digital Presentation Award", "Best Social Influence Award" and "Best Catalyst Award", as well as "2020 China Artificial Intelligence Leading Enterprise" Award, the runners-up for 2020 International AIOps Challenge, the Champion of 2020 International Telecommunication Union (ITU) 5G Artificial Intelligence Challenge in China, and the "2020 CIS Annual Innovation Product" Award for the Edge AI All-in-one Machine. Many of our products have won China Excellent Software Product Award by China Software Industry Association and the Annual 100 Independent Innovation Achievement Awards by China International Software Expo. The Company actively participated in the work of standardisation organisations and associations, and now serves as a member of international standardisation organisations such as 3GPP, GSMA, TMF, ETSI and ITU, as well as the standing director of the China Information Industry Technology Federation, and vice chairman unit of Alliance of Industrial Internet, Internet Society of China, China Software Industry Association, a member of the Working Group for DevOps Standards, a member of the Cloud Computing Standards and Open Source Promotion Committee, a vice chairman unit of the RPA Industries Development Alliance, and a vice chairman unit of the Modern Digital City Industry Alliance. In addition, based on the original qualifications, the Company has further won the capability assessment of Information System Construction and Service (CS4 level), the excellent qualification of the "Cloud Management Service Capability Assessment Certificate" by CAICT, the Level 3 evaluation in the continuous delivery of "DevOps Capability Maturity Model", the first batch of the highest certification of "Advanced Level" for the DevOps tool evaluation, and successively passed the international certification of CMMI Level 5, the world's highest international software certification.

Future Outlook:

The year 2021 is the inauguration year of China's "14th Five-Year Plan". The Company will seize the opportunity to build "One consolidation" with high quality, promote "Three developments" at a high speed. The Company will fully support 5G construction and promotion, assist the cloudification and cloud use of large enterprises in vertical industries, further promote the enhancement of data-driven operation value of various industries, and strive to become an enabler of the digital transformation of large enterprises.

In the DSaaS sector, we will further develop the leading edge, continue to expand the scale and seize the market share. On one hand, we will continue to deepen the success models such as results-based charging and make persistent efforts to promote it to more customers. On the other hand, we will actively expand customers in vertical fields such as finance, government affairs and public services, and continues to expand the customer base and business scale.

In the sector of vertical industries and enterprise cloudification, we will focus on five major industries for in-depth development, further enhance sales and product capabilities, and continue to expand the business scale. In the MSP sector, we will make deep binding with cloud vendors, facilitate the implementation of co-operation projects, build benchmarks and expand market share. In the smart city sector, we adhere to the product principle of "strengthening the middle office, participating in applications and integrating the bottom", and actively seek co-operation with local governments, operators, cloud giants and regional leading companies to promote the implementation of smart city projects.

In the OSS sector, we will actively participate in operator network intelligence and network management system upgrades to expand market share. Relying on the industry-leading 5G cloud network product system, we will continue to enhance the influence of our 5G OSS products in the industry and help operators accelerating the cloud network integration and 5G private network layout to realise the sustained and rapid growth of 5G OSS.

In the telecom BSS sector, we will seize the opportunity to accelerate the 5G popularisation, provide customers with 5G business support, smart operations, professional company business support platforms, localised independent controllable products in the telecommunications industry, etc., further expand the business presence and continue to consolidate the leading position in the operator market.

FINANCIAL OVERVIEW

Summary

In 2020, the Company continued to enhance the “One consolidation, Three developments” strategic development thinking, and had achieved a good momentum of development and operating results. Driven by the rapid development of “Three New” businesses, in 2020, the revenue amounted to approximately RMB6,020 million (2019: approximately RMB5,721 million), increased by 5.2% year-on-year, among which, the revenue from the “Three New” businesses amounted to approximately RMB780 million (2019: approximately RMB378 million), increased by 106.5% year-on-year, with the growth reaching a new high. DSaaS business revenue was approximately RMB352 million, increased by 131.7% year-on-year; vertical industries and enterprise cloudification business revenue was approximately RMB180 million, increased by 63.7% year-on-year; OSS business revenue was approximately RMB248 million, increased by 114.0% year-on-year.

In 2020, the Company’s profitability continued to increase. Our gross profit was approximately RMB2,303 million (2019: approximately RMB2,127 million), increased by 8.3% year-on-year, and our gross profit margin was 38.3% (2019: 37.2%), representing a year-on-year increase of 1.1 percentage points. Profit for the year was approximately RMB662 million (2019: approximately RMB409 million), representing a significant year-on-year increase of 62.0%, and profit margin for the year reached 11.0% (2019: 7.1%), up by 3.9 percentage points year-on-year. The adjusted net profit amounted to approximately RMB737 million (2019: approximately RMB673 million), and the adjusted net profit margin was 12.2% (2019: 11.8%), representing a year-on-year increase of 0.4 percentage point.

In 2020, the net cash generated from operating activities amounted to approximately RMB710 million (2019: approximately RMB546 million), increased by 30.0% year-on-year, the net cash generated from operating activities remained increasing.

Revenue

During 2020, the Company adhered to the business development strategy of “One consolidation, Three developments”, and through industry-focused and digital transformation, the Company accelerated its scalable expansion in the new business sectors in DSaaS, vertical industries and enterprise cloudification, OSS business and brought revenue growth.

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

	2020		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue				
Software business:				
Traditional business	5,239,769	87.0	5,341,013	93.4
New businesses	779,709	13.0	377,651	6.6
DSaaS	351,600	5.8	151,737	2.7
Vertical industries and enterprise cloudification	180,329	3.0	110,143	1.9
OSS	247,780	4.2	115,771	2.0
Total software business	6,019,478	100.0	5,718,664	100.0
Network security business	377	—	2,752	—
Total	6,019,855	100.0	5,721,416	100.0

Revenue in 2020 amounted to approximately RMB6,020 million (2019: approximately RMB5,721 million), representing a year-on-year increase of 5.2%. Among which, revenue from the “Three New” businesses was approximately RMB780 million (2019: approximately RMB378 million), a growth of 106.5% year-on-year, accounting for approximately 13.0% of the revenue (2019: approximately 6.6%), and became an important driver for the Company’s business expansion.

Traditional business includes BSS business and sale of third-party hardware and software, system integration services, business consulting services and corporate trainings. In 2020, revenue from traditional businesses amounted to approximately RMB5,240 million (2019: approximately RMB5,341 million), a slight decrease of 1.9% year-on-year, accounting for approximately 87.0% of the revenue (2019: approximately 93.4%), which was mainly due to the slowdown in contracts signed and project delivery due to COVID-19.

In 2020, the revenue of “Three New” businesses arising from the provision of DSaaS amounted to approximately RMB352 million (2019: approximately RMB152 million), representing a continuous and rapid year-on-year increase of 131.7%, which was primarily due to the fact that we kept abreast of market changes, quickly upgraded and optimised digital operation series products and services, and the customer distribution and scale expanded rapidly.

In 2020, the revenue of “Three New” businesses arising from vertical industries and enterprise cloudification achieved approximately RMB180 million (2019: approximately RMB110 million), a significant year-on-year increase of 63.7%, which was mainly due to our continuous focus on and assisted the digital transformation of the sectors such as government affairs, energy, postal, transportation and other industries and brought revenue growth.

In 2020, the revenue of “Three New” businesses arising from OSS business grew rapidly, and achieved approximately RMB248 million (2019: approximately RMB116 million), a rapid increase of 114.0% year-on-year, which was mainly due to the accelerated popularisation of 5G commercialisation and breakthrough in 5G commercial implementation achieved by operators in many provinces for OSS business with rapid expansion in business scale.

Cost of Sales

In 2020, the cost of sales was approximately RMB3,717 million (2019: approximately RMB3,594 million), increased by 3.4% year-on-year, which was mainly due to the increase in implementation costs of projects resulting from the expansion of business scale.

Gross Profit and Gross Profit Margin

In 2020, our gross profit was approximately RMB2,303 million (2019: approximately RMB2,127 million), up by 8.3% year-on-year, and our gross profit margin was approximately 38.3% (2019: 37.2%), representing a year-on-year increase of 1.1 percentage points. The increase in gross profit margin in 2020 had reflected both our continuous strategic results in the product R&D of middle office as well as our enhanced project management and continuous efficiency improvement in project execution and delivery.

Selling and Marketing Expenses

In 2020, the selling and marketing expenses amounted to approximately RMB473 million (2019: approximately RMB462 million), representing a year-on-year increase of 2.3%, which was primarily due to our increased expansion of new business scale and the increase in manpower input.

Administrative Expenses

In 2020, the administrative expenses amounted to approximately RMB321 million (2019: approximately RMB293 million), representing a year-on-year increase of 9.9%, which was primarily due to the increase in recognised expenses this year resulting from the implementation of the 2019 share option scheme and the 2020 share award scheme.

R&D Expenses

R&D expenditures are fully expensed in the current period according to the Group's accounting policies. In 2020, the R&D expenses amounted to approximately RMB840 million (2019: approximately RMB862 million), representing a slight year-on-year decrease of 2.6%. We focused on our corporate strategy, proactively responding customer's continuous business needs during their digital transformation and market changes brought about by 5G, and continued to increase investment in 5G-related products, DSaaS series products and R&D of technical platform products with industrial characteristics.

Income Tax Expenses

In 2020, the income tax expenses amounted to approximately RMB102 million (2019: approximately RMB132 million), representing a year-on-year decrease of 22.5%, which was mainly due to the effect of the decrease in the taxable income. The effective income tax rate calculated based on the adjusted profit before tax was 12.2%.

Profit for the Year

In 2020, we achieved a profit for the year of approximately RMB662 million (2019: approximately RMB409 million), representing a significant year-on-year increase of 62.0%. Profit margin for the year reached 11.0% (2019: 7.1%), representing a year-on-year increase of 3.9 percentage points. The main reason is the increase in revenue brought by the expansion of business scale and the diminishing impact of non-operating items in 2020.

Non-HKFRS Measurement Indicators

We believe that indicators such as adjusted net profit 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. The impact of adjustments in 2020 was significantly reduced year-on-year. The adjusted net profit for 2020 was approximately RMB737 million (2019: approximately RMB673 million). The following table reconciles our adjusted net profit for the periods indicated to the profit for the year in accordance with HKFRS:

	2020 RMB'000 (unaudited)	2019 <i>RMB'000</i> (unaudited)
Reconciliation of profit for the year to adjusted net profit		
Profit for the year	662,103	408,815
Add:		
Pre-IPO share-based compensation plan related expenses	68,812	233,648
Amortisation of intangible assets due to acquisition	5,185	15,131
Interest expenses for the privatisation of syndicated loan	—	11,373
Net foreign exchange loss	841	3,570
	<hr/> 736,941 <hr/>	<hr/> 672,537 <hr/>
Adjusted net profit	736,941	672,537

Financial Position

Net Current Assets

Our net current assets as at 31 December 2020 was approximately RMB2,911 million (31 December 2019: approximately RMB1,247 million), increased by 133.4% year-on-year. The change was mainly due to the combined effects of the capital injection by the China Mobile Group and the increasing income generated from operating activities of the Company. As at 31 December 2020, the Company had sufficient working capital and its net current assets continued to improve.

Trade and Notes Receivables

Our trade and notes receivables represented the outstanding trade and notes receivables from our customers for the purchase of our products or services. On 31 December 2020, trade and notes receivables amounted to approximately RMB942 million (31 December 2019: approximately RMB841 million), representing a year-on-year increase of 12.0%. The turnover days of trade and notes receivables were approximately 56.2 days (2019: approximately 51.2 days). Such change was mainly due to the expansion of the business scale (the data disclosed above included trade and notes receivables from the China Mobile Group).

Contractual Assets and Contractual Liabilities

On 31 December 2020, contractual assets amounted to approximately RMB1,722 million (31 December 2019: approximately RMB1,555 million), representing a year-on-year increase of 10.8%. On 31 December 2020, contractual liabilities amounted to approximately RMB393 million (31 December 2019: approximately RMB297 million), representing a year-on-year increase of 32.5%. Contractual assets and contractual liabilities changed in line with the expansion of the business scale.

Goodwill

As at 31 December 2020, our goodwill in total amounted to approximately RMB1,932 million (31 December 2019: approximately RMB1,932 million), which was derived from the business combination completed in 2010. The Company engaged a professional independent valuer to conduct an impairment evaluation on goodwill as at the end of 2020. During the Reporting Period, no indication for impairment of goodwill was identified and we did not record any goodwill impairment loss. We will embrace 5G, cloud computing, big data, AI, IOT and other advanced technologies actively, promote strategic transformation unswervingly and solidify “One consolidation” with high-quality and promote “Three developments” with high speed, which will have a positive impact on the scale of revenue and profit in the future year. Details of the value and assumptions for the goodwill evaluation were set out in Note 10 to the consolidated financial statements.

Trade and Notes Payables

The trade and notes payables represented outstanding trade and notes payables to third-party hardware and software suppliers and outsourcing service providers. As at 31 December 2020, the trade and notes payable amounted to approximately RMB149 million (31 December 2019: approximately RMB358 million), representing a year-on-year decrease of 58.3%. The turnover days of trade and notes payables decreased to approximately 24.9 days (2019: approximately 36.3 days), which was mainly attributable to the payment of amounts due to the suppliers.

Significant Investments Held, Significant Acquisitions and Disposals of Subsidiaries and Future Plans for Significant Investments on Capital Asset Acquisition

The Group had no significant investments held or significant acquisitions and disposals of subsidiaries for the year ended 31 December 2020. As at 31 December 2020, the Group had no future plans for significant investments in capital asset acquisitions or disposals of subsidiaries.

Indebtedness, Contingencies and Pledge of Assets

We are committed to ensuring a comprehensive financial security and maintain a healthy cash level and stable liability structure with sufficient solvency.

For the year ended 31 December 2020, we had total bank borrowings of approximately RMB137 million (2019: approximately RMB594 million), representing a year-on-year decrease of 76.9%, which was mainly due to the repayment of bank loans during the year. As of 31 December 2020, our working capital was mainly derived from the shareholders' investment and daily operation and the gearing ratio¹ was approximately 2.5% (2019: 15.2%).

As of 31 December 2020, our total restricted cash deposits amounting to approximately RMB272 million (2019: approximately RMB350 million) had been pledged to secure bank borrowings, letters of guarantee and notes payable.

As of 31 December 2020, save as disclosed in this annual results announcement, we did not have any plan for material external debt financing, nor there was any outstanding debt securities, charges, mortgages, or other similar indebtedness, leasing commitments, guarantees or other material contingent liabilities.

Cash Flow

Our business features enable us to maintain a healthy cash flow level. The net cash generated from operating activities in 2020 amounted to approximately RMB710 million (2019: approximately RMB546 million), representing a year-on-year increase of 30.0%. This was primarily attributable to the combined effects of the continuous growth in the business scale and the enhanced internal intensive management.

Our net cash used in investing activities in 2020 was approximately RMB1,012 million, which was mainly due to the purchase of wealth management products issued by various banks and other financial institutions by the Company. In 2019, we recorded a net cash generated from investing activities of approximately RMB823 million, which was mainly due to the discharge of mortgaged bank deposits.

Note 1: Gearing ratio was calculated by dividing total bank borrowings by total equity and multiplied by 100%.

Our net cash generated from financing activities in 2020 was approximately RMB199 million, which mainly due to the combined effects of the proceeds from the share subscription by the China Mobile Group and repayment of bank loans and payment of annual dividends. In 2019, we recorded a net cash used in financing activities of approximately RMB1,366 million. Such cash outflow was mainly used for the repayment of bank loans.

Foreign Exchange Risk

Foreign exchange risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign exchange risk facing the Group mainly comes from movements in the HKD/RMB and USD/RMB exchange rates.

As of 31 December 2020, the Group did not have foreign currency hedging activity. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Funding and Working Capital Management

Funding and liquidity are managed by the treasury department. The treasury department is responsible for the overall management and implementation of the Group's internal funding, including developing funding management policy of the Group, preparing the annual funding plan, supervising and evaluating the execution and implementation of funding plan and taking charge of the daily funding management of the members of the Group. We also adopt an intensive funding management policy and issue the administration measures on various aspects for funding management such as account management, capital budget, fund payment as well as credit and facility grants so as to ensure fund safety and improve the performance and efficiency in funding management.

USE OF NET PROCEEDS FROM LISTING

The Company's shares were listed on the Main Board of the Stock Exchange on 19 December 2018. The net proceeds raised during the period of initial public offering with issue price of HK\$10.5 (after deducting the underwriting commission and the issuance expenses from listing and prior to the exercise of the over-allotment option in January 2019) was approximately HK\$871 million. Due to the issuance and allotment of over-allotment shares pursuant to the partial exercise of over-allotment options on 15 January 2019, additional net proceeds of approximately HK\$31 million were raised. The proposed use of the net proceeds was in line with those disclosed in the Prospectus.

The following table sets out the detailed information of the Group's proceeds that were utilised as of 31 December 2020:

	Approximate percentage of total amount %	Proceeds from initial public offering HK\$'000	Proceeds utilised up to 31 December 2020 HK\$'000	Unutilised funds as at 31 December 2020 HK\$'000	Expected timeline for unutilised funds (Note 1)
Enhance our R&D capabilities and expand DSaaS, IOT and 5G network intelligence businesses	35%	315,547	315,547	—	
Repayment of bank loans	30%	270,469	270,469	—	
Strategic investments and acquisition	25%	225,391	—	225,391	31 December 2022
Working capital and other general corporate purpose	10%	90,156	90,156	—	
Total	100%	901,563	676,172	225,391	

Note 1: The expected timeline for utilising the unutilised funds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

USE OF NET PROCEEDS FROM THE SUBSCRIPTION

On 14 April 2020, the Company and China Mobile International Holdings Limited (the “Subscriber”) (a wholly-owned subsidiary of China Mobile Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00941)) entered into the subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 182,259,893 new Shares at the subscription price of HK\$7.6 per subscription Share (the “Subscription”). The Subscription was completed on 2 September 2020 and the total proceeds and net proceeds raised were approximately HK\$1,385 million and HK\$1,384 million, respectively.

The following table sets out the details of the proceeds from the Subscription that the Group has utilised as of 31 December 2020:

	Approximate proportion of total amount %	Proceeds from the Subscription HK\$'000	Proceeds utilised as of 31 December 2020 HK\$'000	Unutilised proceeds as at 31 December 2020 HK\$'000	Expected timeline for unutilised proceeds (Note 1)
R&D investment in new products and new technologies and business development of DSaaS, vertical industries and enterprise cloudification and OSS	40%	553,640	—	553,640	31 December 2021
Invest or acquire assets and businesses that complement the Group’s business and complement the Group’s development strategy	35%	484,435	—	484,435	31 December 2023
General working capital (including administrative purposes and sales and marketing purposes)	25%	346,025	—	346,025	31 December 2021
Total	100%	1,384,100	—	1,384,100	

Note 1: The expected timeline for utilising the unutilised proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

FINAL DIVIDEND

The Board proposed to declare a final dividend of HK\$0.345 per Share for the Reporting Period (2019: HK\$0.252 per Share).

CLOSURE OF THE REGISTER OF MEMBERS

The Company will hold its upcoming AGM at 10:00 a.m. on Friday, 28 May 2021. The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 24 May 2021.

The record date for qualifying to receive the proposed final dividend is Tuesday, 8 June 2021. In order to determine the right of the Shareholders entitled to receive the proposed final dividend, which is subject to the approval of the Shareholders in the AGM, the register of members of the Company will also be closed from Friday, 4 June 2021 to Tuesday, 8 June 2021, both days inclusive. All properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 3 June 2021. The final dividend, if approved, will be payable on or around Wednesday, 30 June 2021.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. The Company has applied the principles of the CG Code on the Company's corporate governance structure and operation, and had complied with all applicable code provisions of the CG Code for the Reporting Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

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/she had complied with the required standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, save for the on-market purchase of 36,302,000 Shares for purpose of satisfying the share awards under the share award scheme adopted by the Board on 7 January 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company together with the management and the auditor of the Company, KPMG, have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters, including the review of the audited consolidated financial statements for the financial year ended 31 December 2020.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2020 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.asiainfo.com). The annual report and the audited financial report for the Reporting Period will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

In this results announcement, unless the context otherwise requires, the following expressions have the following meanings:

“AGM”	the forthcoming annual general meeting of the Company to be held on 28 May 2021
“Board”	the board of Directors of the Company
“CAICT”	the China Academy of Information and Communications Technology

“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“China Mobile Group”	China Mobile Limited and its subsidiaries
“Company”, “AsiaInfo” or “AsiaInfo Technologies”	AsiaInfo Technologies Limited (亞信科技控股有限公司), an international business company incorporated in the British Virgin Islands on 15 July 2003, whose Shares are listed on the Stock Exchange (stock code: 1675)
“Director(s)”	the director(s) of the Company
“ETSI”	the European Telecommunications Standards Institute, a non-profit telecommunication standardisation organisation approved and established by the European Commission
“Group”	the Company and its subsidiaries
“GSMA”	the Global System for Mobile Communications Association, an industry organisation in the global mobile communication area
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IEEE”	the Institute of Electrical and Electronics Engineers
“ITU”	the International Telecommunication Union
“ITAIWC”	the Information Technology Application Innovation Working Committee
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC” or “China”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 6 December 2018

“Reporting Period”	the year ended 31 December 2020
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TMF”	the International Telecommunication Management Forum
“US”	the United States of America
“USD” or “US\$”	US dollars, the lawful currency of US
“%”	per cent
“3GPP”	the Third Generation Partnership Project, a standardisation organisation co-established by several partners of the telecommunication standardisation organisation

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this annual results announcement that are related to business of the Group. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“AI”	artificial intelligence
“AIOT”	artificial IOT
“BSS”	business support systems used for the management of customer information, customer business and service processes and customer related services and resources, often used together with OSS to form end-to-end comprehensive business and operation management systems for the telecom industry
“CMMI Level 5”	international standard for measurement of Software Capability Maturity Model (SW-CMM), CMMI Level 5 represents the highest level

“CRM”	customer relationship management
“CSSP”	certified service solution partner
“DSaaS”	data-driven operation, namely the date-driven operation services
“DevOps”	development and operation system
“IOT”	the network of physical objects — devices, vehicles, buildings and other items — embedded with electronics, software, sensors and network connectivity that enables these objects to collect and exchange data
“IT”	information technology, the application of computers and telecommunications equipment to store, retrieve, transmit and manipulate data
“MSP”	managed service provider
“NSA/SA”	non-standalone/standalone
“O-RAN”	open radio access network
“OSS”	operations support systems, a collective term for the software solutions telecom operators use to support their network operations, often used together with BSS to support various end-to-end telecommunications services
“SaaS”	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
“SDN/NFV”	software defined network/network function virtualisation
“5G”	the fifth-generation of mobile telecommunications technology which has higher speeds and capacity and lower latency than 4G

By order of the Board
AsiaInfo Technologies Limited
Dr. TIAN Suning
Chairman and Executive Director

Hong Kong, 23 March 2021

As at the date of this announcement, the Board comprises:

<i>Executive Directors:</i>	<i>Dr. TIAN Suning, Mr. DING Jian and Mr. GAO Nianshu</i>
<i>Non-executive Directors:</i>	<i>Mr. ZHANG Yichen, Mr. XIN Yuesheng, Mr. ZHANG Liyang, Mr. YANG Lin and Ms. LIU Hong</i>
<i>Independent non-executive Directors:</i>	<i>Dr. GAO Jack Qunyao, Dr. ZHANG Ya-Qin, Mr. GE Ming and Ms. TAO Ping</i>