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 DECEMBER 31, 2018

The board of directors (the "**Board**") of AsiaInfo Technologies Limited (the "**Company**" or "**AsiaInfo Technologies**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2018 (the "**Reporting Period**").

ANNUAL RESULTS HIGHLIGHTS:

If not specified, the profit or loss data mentioned in this announcement are all generated from continuing operations of the Group.

- Revenue of the software business amounted to approximately RMB5,192.0 million, representing an increase of 7.6% as compared with last year.
- Gross profit amounted to approximately RMB1,882.6 million, representing an increase of 12.7% as compared with last year.
- Gross profit margin reached 36.1%, representing an increase of 2.3 percentage points as compared with last year.
- Adjusted net profit[1] amounted to approximately RMB602.2 million, representing an increase of 29.9% as compared with last year.
- Adjusted net profit margin[1] reached 11.6%, representing an increase of 2.2 percentage points as compared with last year.
- Net cash generated from operating activities amounted to approximately RMB583.3 million, representing an increase of 14.3% as compared with last year.

Note 1: To facilitate comparisons of the overall operating performance of the Company in different periods, certain non-recurring, non-cash or non-operating items, which were not indicative of our operating performance, were excluded. Adjusted net profit and adjusted net profit margin are not measures required by, or presented in accordance with, HKFRS and are unaudited figures. The use of these measures has limitations as analytical tools, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRS. Please refer to "MANAGEMENT DISCUSSION AND ANALYSIS – Non-HKFRS Measurement Indicators" for more details.

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

2018 was also a year of rapid development, in which AsiaInfo Technologies recorded remarkable results. I, on behalf of the Board, am pleased to present the first annual results announcement of the Company since the listing.

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

Overall Results

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

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

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

Note 1: Refers to the loan borrowed in connection with the delisting of AsiaInfo Holdings, LLC (formerly known as China–U.S. Business Development International, Inc., AsiaInfo Holdings, Inc. and AsiaInfo-Linkage, Inc.) ("**AsiaInfo Holdings**") from National Association of Securities Dealers Automated Quotations Global Market of the United States, which was transferred to our Group in December 2015 and refinanced in 2018.

Business Review

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

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

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

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

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

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

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

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

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

Actively deploying IoT applications in vertical industries

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

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

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

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

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

Gradually implemented strategic synergy between capital and business levels

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

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

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

Going forward

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

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

TIAN Suning
Chairman

Results of the Group

Overview

The Group's key operating performance indicators from continuing operations for the year 2018 are as follows:

	Year ended December 31	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**5,210,977**	4,948,324
Include: Software business	**5,191,963**	4,824,879
Network security business	**19,014**	123,445
Gross profit	**1,882,624**	1,670,428
Gross margin	**36.1%**	33.8%
Profit for the year	**204,234**	335,176
Adjusted net profit (unaudited)	**602,158**	463,601
Adjusted net profit margin (unaudited)	**11.6%**	9.4%
Net cash generated from operating activities	**583,333**	510,417

In 2018, the revenue from continuing operations of the Company amounted to approximately RMB5,211.0 million, representing a year-on-year increase of 5.3%, among which, our revenue from software business amounted to approximately RMB5,192.0 million, representing a year-on-year increase of 7.6%, which was the greatest increase for the last three years.

In 2018, our gross profit from continuing operations was approximately RMB1,882.6 million, representing a year-on-year increase of 12.7%, and our gross margin was 36.1%, representing an increase of 2.3 percentage points as compared with last year. The adjusted net profit amounted to approximately RMB602.2 million, representing a significant increase of 29.9% as compared with last year, and the adjusted net profit margin was 11.6%, representing an increase of 2.2 percentage points as compared with last year, achieving a good profitability level.

In 2018, our net cash generated from operating activities amounted to approximately RMB583.3 million, representing a year-on-year increase of 14.3%, demonstrating our ongoing capability to enhance cash generation.

The Board is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Continuing operations			
Revenue	*4*	**5,210,977**	4,948,324
Cost of sales		**(3,328,353)**	(3,277,896)
Gross profit		**1,882,624**	1,670,428
Other income	*5*	**82,172**	114,712
Net reversal of impairment losses (impairment losses) on financial assets and contract assets		**2,880**	(10,172)
Other gains and losses	*6*	**(102,706)**	79,000
Selling and marketing expenses		**(508,402)**	(481,831)
Administrative expenses		**(332,825)**	(403,800)
Research and development expenses		**(584,681)**	(430,246)
Share of results of associates		**(1,242)**	258
Finance costs		**(70,594)**	(83,986)
Listing expenses		**(54,096)**	(30,603)
Profit before tax		**313,130**	423,760
Income tax expenses	*7*	**(108,896)**	(88,584)
Profit for the year from continuing operations	*8*	**204,234**	335,176
Discontinued operations			
Loss for the year from discontinued operations		**(1,279)**	(17,233)
Profit for the year		**202,955**	317,943

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
Other comprehensive (expense) income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Release of translation reserve to profit or loss upon disposal of subsidiaries		**–**	(450)
Exchange differences arising on translation of foreign operations		**(9,367)**	3,813
Other comprehensive (expense) income for the year, net of income tax		**(9,367)**	3,363
Total comprehensive income for the year		**193,588**	321,306
Profit (loss) for the year attributable to:			
Owners of the Company		**204,134**	328,765
Non-controlling interests		**(1,179)**	(10,822)
		202,955	317,943
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**194,767**	332,162
Non-controlling interests		**(1,179)**	(10,856)
		193,588	321,306
Profit (loss) for the year attributable to the owners of the Company from:			
Continuing operations		**205,413**	338,174
Discontinued operations		**(1,279)**	(9,409)
		204,134	328,765
Loss for the year attributable to the non-controlling interests from:			
Continuing operations		**(1,179)**	(2,998)
Discontinued operations		**–**	(7,824)
		(1,179)	(10,822)
Earnings per share			
–Basic (RMB)	*9*	**0.32**	0.53
–Diluted (RMB)	*9*	**0.32**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**300,869**	262,629
Prepaid lease payments		**83,470**	85,489
Intangible assets		**24,021**	60,452
Goodwill	*10*	**1,932,246**	1,932,246
Investments in associates		**55,016**	56,258
Amounts due from fellow subsidiaries		**–**	23,339
Amount due from the then immediate holding company		**–**	614,150
Deferred tax assets		**163,292**	194,389
Pledged bank deposits		**635,736**	39,669
Other non-current assets		**35,025**	46,247
Total non-current assets		**3,229,675**	3,314,868
Current assets			
Inventories		**–**	7,100
Trade and notes receivables	*11*	**764,909**	888,445
Prepayments, deposits and other receivables		**135,704**	176,501
Financial assets at fair value through profit or loss		**210,000**	–
Available-for-sale investments		**–**	3,665
Contract assets	*12*	**1,335,219**	1,632,039
Amounts due from fellow subsidiaries		**18,934**	246,244
Amounts due from the then intermediate holding companies		**–**	5,645
Pledged bank deposits		**481,755**	537,089
Bank balances and cash		**1,821,182**	1,450,588
Total current assets		**4,767,703**	4,947,316
Current liabilities			
Trade and notes payables	*13*	**356,316**	612,500
Contract liabilities	*12*	**300,918**	387,913
Other payables, deposits received and accrued expenses	*14*	**1,788,004**	1,890,500
Amounts due to fellow subsidiaries		**47,328**	200,672
Income tax payable		**226,268**	238,820
Bank borrowings	*15*	**1,915,484**	1,154,593
Total current liabilities		**4,634,318**	4,484,998

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At December 31, 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Net current assets		**133,385**	462,318
Total assets less current liabilities		**3,363,060**	3,777,186
Non-current liabilities			
Deferred tax liabilities		**127,541**	130,971
Bank borrowings	*15*	**–**	592,744
Amounts due to fellow subsidiaries		**–**	14,695
Total non-current liabilities		**127,541**	738,410
Net assets		**3,235,519**	3,038,776
Capital and reserves			
Share capital		**–**	8
Reserves		**3,235,519**	3,018,827
Equity attributable to owners of the Company		**3,235,519**	3,018,835
Non-controlling interests		**–**	19,941
Total equity		**3,235,519**	3,038,776

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

	Attributable to owners of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	Merger reserve *RMB'000*	Translation reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Other reserve *RMB'000*	Retained profits *RMB'000*	Sub-total *RMB'000*	Non-controlling Interests *RMB'000*	Total equity *RMB'000*
At January 1, 2017	285,208	104,146	–	(9,159)	175,825	1,329,078	674,718	2,559,816	26,415	2,586,231
Profit (loss) for the year	–	–	–	–	–	–	328,765	328,765	(10,822)	317,943
Other comprehensive income (expense) for the year, net of tax	–	–	–	3,397	–	–	–	3,397	(34)	3,363
Total comprehensive income (expense) for the year	–	–	–	3,397	–	–	328,765	332,162	(10,856)	321,306
Recognition of equity-settled share-based payments	–	–	–	–	–	73,489	–	73,489	–	73,489
Lapse of share options	–	–	–	–	–	(1,948)	1,948	–	–	–
Disposal of subsidiaries	–	–	–	–	(3,812)	53,368	3,812	53,368	4,382	57,750
Arising from merger under common control	(285,200)	–	285,200	–	–	–	–	–	–	–
Transfer to statutory reserve	–	–	–	–	1,832	–	(1,832)	–	–	–
Changes in equity for the year	(285,200)	–	285,200	–	(1,980)	124,909	3,928	126,857	4,382	131,239
At December 31, 2017	8	104,146	285,200	(5,762)	173,845	1,453,987	1,007,411	3,018,835	19,941	3,038,776
Effect arising from initial application of HKFRS 9	–	–	–	–	–	–	(19,576)	(19,576)	–	(19,576)
Adjusted balance at January 1, 2018	8	104,146	285,200	(5,762)	173,845	1,453,987	987,835	2,999,259	19,941	3,019,200
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**204,134**	**204,134**	**(1,179)**	**202,955**
Other comprehensive expense for the year, net of tax	**–**	**–**	**–**	**(9,367)**	**–**	**–**	**–**	**(9,367)**	**–**	**(9,367)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**(9,367)**	**–**	**–**	**204,134**	**194,767**	**(1,179)**	**193,588**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**155,502**	**–**	**155,502**	**–**	**155,502**
Acquisition of additional equity interests in a subsidiary	**–**	**–**	**–**	**–**	**–**	**(191,238)**	**–**	**(191,238)**	**(18,762)**	**(210,000)**
Cancellation of shares of the Company upon group reorganization	**(8)**	**–**	**–**	**–**	**–**	**8**	**–**	**–**	**–**	**–**
Dividend distribution	**–**	**–**	**–**	**–**	**–**	**–**	**(693,447)**	**(693,447)**	**–**	**(693,447)**
Lapse of share options and restricted stock units	**–**	**–**	**–**	**–**	**–**	**(16,858)**	**16,858**	**–**	**–**	**–**
Capital injection to a subsidiary from retained profits	**–**	**–**	**–**	**–**	**–**	**11,119**	**(11,119)**	**–**	**–**	**–**
Issue of new shares upon listing	**–**	**791,910**	**–**	**–**	**–**	**–**	**–**	**791,910**	**–**	**791,910**
Share issuance costs	**–**	**(21,234)**	**–**	**–**	**–**	**–**	**–**	**(21,234)**	**–**	**(21,234)**
Vesting of restricted stock units	**–**	**22,392**	**–**	**–**	**–**	**(22,392)**	**–**	**–**	**–**	**–**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**580**	**–**	**(580)**	**–**	**–**	**–**
Changes in equity for the year	**(8)**	**793,068**	**–**	**–**	**580**	**(63,859)**	**(688,288)**	**41,493**	**(18,762)**	**22,731**
At December 31, 2018	**–**	**897,214**	**285,200**	**(15,129)**	**174,425**	**1,390,128**	**503,681**	**3,235,519**	**–**	**3,235,519**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2018

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended December 31, 2018

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

AsiaInfo Technologies is incorporated in the British Virgin Islands ("**BVI**") as a company with limited liability. 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 the PRC.

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

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

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

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

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

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

Summary of effects arising from initial application of HKFRS 9

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

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

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

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

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

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

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

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

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

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

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

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

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

HKFRS 16 *Leases*

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

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

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

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

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

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

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 in *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as leasee and will recognize the cumulative effect of initial application to opening retained profits without restating comparative information.

3. BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with the accounting policies which conform with HKFRSs issued by Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable requirements under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The consolidated financial statements have been prepared on historical cost basis, except for certain financial instruments which are measured at fair value, at the end of the reporting periods.

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 recognized net of sales related taxes.

The Group's operating segments are determined based on information reported to the chief executive officer ("**CEO**") of the Company, being the chief operating decision maker ("**CODM**") of the Group for the purpose of resource allocation and assessment of segment performance focuses on types of goods and services provided. No operating segments have been aggregated in arriving at the reportable segments of the Group.

The following information disclosed does not include any amounts for the discontinued operations.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

Software business:	Representing (1) software products and related services; (2) data-driven operation services; and (3) others, including sale of third-party hardware and software, system integration services, business consulting services and corporate trainings.
Network security business:	Representing provision of network security related software products and services.

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

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

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

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

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Disaggregation of revenue from continuing operations

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

Notes:

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

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information

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

Year ended December 31, 2018

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

Year ended December 31, 2017

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

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

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.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are in the PRC. All revenue from continuing operations of the Group and non-current assets of the Group are generated from and located in the PRC.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the signing parties of the sales or service contracts. During the years ended December 31, 2018 and 2017, there were no sales or service contracts with a signing party located outside of the PRC.

Information about major customers

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

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

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

5. OTHER INCOME

Continuing operations

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

Note:

(i) Income from management support services represents income generated primarily from the provision of management services in the areas of legal support, human resources and administration, etc. to the Group's related parties.

6. OTHER GAINS AND LOSSES

Continuing operations

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

7. INCOME TAX EXPENSES

Continuing operations

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

Under the Law of the PRC on enterprise income tax (the "**EIT Law**") and implementation regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the year ended December 31, 2018 (2017: 25%).

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

During the years ended December 31, 2018 and 2017, two of the Company's subsidiaries, AsiaInfo Technologies (China), Inc. ("**AsiaInfo China**") and AsiaInfo Technologies (Nanjing), Inc. ("**AsiaInfo Nanjing**"), were identified as the key software enterprises with tax privileges and entitled to a preferential EIT rate of 10%, pursuant to the designation as a key software enterprise within National Programming Layout. Such tax preference was applied and entitled by performing the record filling to the tax authorities on a yearly basis. The directors of the Company consider that AsiaInfo China and AsiaInfo Nanjing will re-apply for such tax preference provided that its business operations will continue to be qualified as key software enterprises.

Pursuant to the EIT Law effective on January 1, 2008, Hunan AsiaInfo Software Co., Ltd. ("**Hunan Software**") and Nanjing AsiaInfo Software Co., Ltd. ("**Nanjing Software**") were designated as "High and New Technology Enterprise" in 2018 for a period up to December 31, 2020 and such qualifications could be re-applied every three years. As a result, Hunan Software and Nanjing Software were entitled to a preferential income tax rate of 15% for the year ended December 31, 2018 (2017: 25%).

7. INCOME TAX EXPENSES (CONTINUED)

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

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2017: 16.5%). The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for 2018 (2017: 16.5%).

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

Continuing operations

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

8. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

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

9. EARNINGS PER SHARE

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

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

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

9. EARNINGS PER SHARE (CONTINUED)

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

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

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

10. GOODWILL

The goodwill was primarily arisen from the acquisition of Linkage Technologies International Holdings Limited ("**Linkage**") on July 1, 2010. The carrying value of goodwill was RMB1,932,246,000 as at December 31, 2018 (2017: RMB1,932,246,000), which is related to the Group's software business.

Impairment testing on goodwill

For the impairment testing, goodwill has been allocated to the Group's cash-generating units which are operating in the software business.

The basis of the recoverable amount of the above cash-generating units and the methodology used for the year are summarized below:

The recoverable amount of the group of cash-generating units have been determined based on a value in use calculation and are valued by the management with reference to valuations carried out by an independent qualified professional valuer not connected with the Group, which has appropriate qualifications and experience in valuation of similar testing.

The calculation uses cash flow projections based on financial budgets approved by management covering a four-year period, and at a pre-tax discount rate of 19.0% for the year ended December 31, 2018 (2017: 19.0%). The cash flows of the cash-generating units beyond the four-year period are extrapolated using a 3.0% growth rate considering the relevant industry growth rate forecast and the economic condition of the market and period which does not exceed the long-term average growth rate for the industry. The directors of the Company believe that the projected growth rates are reasonable. Other key assumptions for the value in use calculations relate to the estimation of cash inflows and/or outflows which include budgeted sales and gross profit margin. Such estimation is based on the past performance of the cash-generating units, industry information and management's expectations for the market development, including the fluctuation in the software products and related services business in the current economic environment.

During the years ended December 31, 2018 and 2017, the management of the Group determines that there is no impairment. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

11. TRADE AND NOTES RECEIVABLES

	At December 31, 2018 RMB'000	2017 RMB'000
Trade receivables	**757,331**	838,890
Notes receivables	**21,453**	56,638
Less: allowance for doubtful debts	**(13,875)**	(7,083)
	764,909	888,445

The Group generally grants credit period of 30 days from the dates of acceptance reports when the Group had the right to receive consideration becoming unconditional. The extension of credit period to the customers may be granted on a discretionary basis by considering customer type, the current creditworthiness and the customer's financial condition and payment history with the Group.

Trade receivables relate to a number of independent customers that have a good track record with the Group. The allowance for doubtful debts of the Group is based on the evaluation of collectability and aging analysis of individual trade debts performed by the management. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer.

Notes receivables are bank acceptance notes, which management believes that no allowance is necessary as there is no significant change in credit quality and the balances are considered fully recoverable.

Aging of trade and notes receivables, net of allowance for doubtful debts, based on the dates when the Group has the right to bill, at the end of the years ended December 31, 2018 and 2017 is as follows:

	At December 31, 2018 RMB'000	2017 RMB'000
1-30 days	**476,622**	511,500
31-90 days	**154,180**	184,986
91-180 days	**90,212**	113,042
181-365 days	**28,588**	65,755
Over 365 days	**15,307**	13,162
	764,909	888,445

Movement in lifetime ECL that has been recognized for trade receivables in accordance with the simplified approach set out in HKFRS 9 for the year ended December 31, 2018 is as follows:

	RMB'000
At December 31, 2017 under HKAS 39	7,083
Adjustment upon application of HKFRS 9	2,479
At January 1, 2018 – restated under HKFRS 9	9,562
Allowance on trade receivables	6,138
Written-off as uncollectible	(1,825)
At December 31, 2018	13,875

The Group generally provides their customers with one to two years' assurance-type warranty period free of charge. As at December 31, 2018, no retention held by customers for trade receivables (2017: nil).

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has rights to receive consideration from customers for the provision of software business and network security business. Contract assets arise when the Group has rights to receive considerations for completion of such services and not yet billed under the relevant contracts, and their rights are conditioned on factors other than passage of time. Any amount previously recognized as contract assets are transferred to trade receivables when the rights become unconditional. Remaining rights and performance obligations in a particular contract are accounted for and presented on a net basis, as either a contract asset or a contract liability.

	At December 31,	
	2018	2017
	RMB'000	*RMB'000*
Analyzed for reporting purposes as follows:		
Contract assets	**1,335,219**	1,632,039
Contract liabilities	**(300,918)**	(387,913)

The contract assets are primarily related to the Group's rights to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically reclassifies contract assets to trade receivables on the date of acceptance reports issued by the customers when such right of collections becomes unconditional other than the passage of time.

For the contract liabilities as at December 31, 2018 and 2017, the entire balances were expected to be recognized as revenue during the year ending December 31, 2019 and the year ended December 31, 2018, respectively.

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

Movement in lifetime ECL that has been recognized for contract assets in accordance with the simplified approach set out in HKFRS 9 for the year ended December 31, 2018 is as follows:

	RMB'000
At December 31, 2017 under HKAS 39	–
Adjustment upon application of HKFRS 9	19,641
At January 1, 2018-restated under HKFRS 9	19,641
Reversal of allowance on contract assets	(9,464)
At December 31, 2018	10,177

13. TRADE AND NOTES PAYABLES

	At December 31,	
	2018	2017
	RMB'000	*RMB'000*
Trade payables	**238,316**	529,808
Notes payables	**118,000**	82,692
	356,316	612,500

The table below sets forth, as at the end of the reporting periods, the aging analysis of the trade and notes payables:

	At December 31,	
	2018	2017
	RMB'000	*RMB'000*
1-90 days	**175,362**	233,444
91–180 days	**24,848**	84,739
181–365 days	**25,603**	74,079
1–2 years	**77,922**	173,673
Over 2 years	**52,581**	46,565
	356,316	612,500

The average credit period on purchases of goods and services is 90 days. The Group has financial risk management policies in place to ensure that sufficient working capital is maintained to meet its obligations when they fall due.

14. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	At December 31,	
	2018	2017
	RMB'000	*RMB'000*
Accrued payroll and welfare	**1,624,231**	1,601,912
Accrued expenses	**48,107**	122,336
Other tax payables	**28,998**	85,601
Accrued listing expenses and issue costs	**27,218**	31,153
Employee reimbursement payable	**11,732**	19,607
Advance from customers	**11,886**	14,148
Other payable	**4,753**	3,352
Accrued liabilities	**26,416**	3,665
Others	**4,663**	8,726
	1,788,004	1,890,500

15. BANK BORROWINGS

	At December 31,	
	2018	2017
	RMB'000	*RMB'000*
Analyzed as:		
Secured bank borrowings carrying interest at variable rates	**1,915,484**	1,747,337
Carrying amount repayable:		
Within one year	**1,915,484**	1,154,593
More than one year but not exceeding two years	**–**	592,744
	1,915,484	1,747,337
Analysis of borrowings by currency:		
Denominated in US$	**1,503,041**	1,747,337
Denominated in HK$	**412,443**	–
	1,915,484	1,747,337

The Group had bank borrowings denominated in U.S. dollar ("**US$**") as at December 31, 2017. On April 24, 2018, AsiaInfo Technologies (H.K.) Limited ("**AsiaInfo Technologies HK**") and an offshore bank entered into a supplementary agreement, pursuant to which the original bank borrowing denominated in US$ with the principal amount of US$60,000,000 was exchanged to the equivalent amount of a bank borrowing denominated in HK$. The Group had bank borrowings denominated in both US$ and HK$ as at December 31, 2018.

Interests on bank borrowings denominated in US$ are at variable interest rates based on three-month London Interbank Offered Rate plus 1.45% to one-month London Interbank Offered Rate plus 2% as at December 31, 2018 (2017: three-month London Interbank Offered Rate plus 1% to 3.2%). Interests on bank borrowings denominated in HK$ are at variable interest rates based on three-month Hong Kong Interbank Offered Rate plus 1% as at December 31, 2018.

During the year ended December 31, 2018, the Group obtained new bank borrowing facilities from two offshore banks of US$158,800,000 (equivalent to RMB1,089,876,000) and drew down an amount of US$149,800,000 (equivalent to RMB1,028,107,000). The borrowings are repayable in 12 months. The proceeds were used to refinance the existing offshore bank borrowings from an offshore bank ("**Refinancing of bank borrowings**").

Prior to the Refinancing of bank borrowings in 2018, the bank borrowings denominated in US$ from the offshore bank were secured by the equity interests of AsiaInfo Technologies HK and its subsidiaries pursuant to the respective loan agreement and equity interest pledge agreement. Upon the Refinancing of bank borrowings, the Group's bank borrowings are no longer secured by the equity interests of AsiaInfo Technologies HK and its subsidiaries, but instead, are secured by the respective pledged bank deposits.

The Group's short-term borrowings and/or long-term borrowings do not contain any financial covenants. As at December 31, 2018, the Group had unutilized committed credit facilities amounting to RMB923,356,000 (2017: RMB1,440,900,000).

16. DIVIDENDS

On May 21, 2018, a dividend in an aggregate amount of US$108,000,000 (equivalent to RMB693,447,000) was declared by the Company and payable to the Company's then sole holding company, AsiaInfo Holdings, of which US$107,207,000 (equivalent to RMB688,199,000) were settled as at June 30, 2018 through a series of debt restructuring arrangements that the Group carried out in 2018. An aggregated balance of US$793,000 (equivalent to RMB5,248,000) was fully settled on July 16, 2018, offsetting the remaining balance of dividend payable to AsiaInfo Holdings.

No other dividend has been paid or declared by the Company or by other companies comprising the Group during the year ended December 31, 2018 (2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business overview

I. Further strengthening the leading position in telecom operators market

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

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

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

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

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

III. New Business Sectors

Rapid growth in data-driven operation business

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

In light of the development opportunities in the data-driven operation market, the Company developed hundreds of advanced models and algorithms based on big data and artificial intelligence. The Company leveraged on its strong data analyzing capability, over one-hundred of industry data mining calculation methods and models, as well as our in-depth understanding on operating environment and key points of customers' business, to provide SaaS scenario-driven operation services to customers from different industries, in order to expand customer base and new sources of income actively. In 2018, the data-driven operation services of the Company recorded rapid growth and realized a revenue of RMB82.5 million, a double of that of last year. The data-driven services of the Company have gained high recognition from operators, customers from the finance, automobile and public utilities industries and formed a stronger market influence.

Actively exploring IoT applications in vertical industries

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

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

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

IV. Fully launching R&D of 5G and Industrial Internet products

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

The Company fully launched R&D of 5G and Industrial Internet products. In regard of business support, the Company focused on the 5G business model and scenario. By launching a new generation business of support system mapping and preliminary research. We achieved a breakthrough in 5G intelligent network by introducing the strategies and plans for 5G intelligent network products, in which we established a series of product prototypes such as customer experience management product, network virtualization product, intelligent network analysis product, and collaborated with the research organizations or provincial companies under the three major operators to carry out pilot cooperation. In regard of Industrial Internet, the Company participated in the construction of Industrial Internet platform for China Mobile, realizing the mechanism of full service with just one click under the quality Industrial Internet capability by investing RMB584.7 million into R&D for the year, representing an increase of 35.9% as compared with last year. As of December 31, 2018, the Company had 585 software copyrights, and 34 patents and 70 patent applications, representing a significant increase as compared with 2017, which demonstrated that the results for increasing efforts in R&D of the Company was remarkable. In February 2019, the Company was elected as the vice-chairman member for the Alliance of Industrial Internet (工業互聯網產業聯盟), to jointly promote development of Industrial Internet in the PRC with renowned enterprises in the industry.

2019 Prospects

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

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

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

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

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

FINANCIAL OVERVIEW

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

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

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

Non-HKFRS Measurement Indicators

We believe that indicators such as adjusted net profit for the year from continuing operations provide useful information for investors and others to compare operating performance across different periods and different companies by eliminating the impact of items which are, in the view of our management, not indicative of our business performance. Our management also adopts the same approach to understand and assess our operating results. We expect that the impact of reconciliation items will decrease gradually from year 2019.

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

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

Revenue

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

In particular, our revenue from software business amounted to approximately RMB5,192.0 million in 2018 (2017: approximately RMB4,824.9 million), representing a year-on-year increase of 7.6%, primarily due to the increase in revenue from the business of software products and related services and the data-driven operations for telecom operator customers and large enterprise customers. The growth of newly added orders of the Company was over 12% in 2018 compared with that of 2017, and the proportion to backlog orders to average monthly revenue at year end was over 5 months.

Cost of Sales

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

Gross Profit and Gross Margin

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

Selling and Marketing Expenses

In 2018, our selling and marketing expenses amounted to approximately RMB508.4 million (2017: approximately RMB481.8 million), representing a year-on-year increase of 5.5%, with share-based compensation expenses and amortization of intangible assets due to acquisition being excluded, the selling and marketing expenses for 2018 amounted to approximately RMB439.0 million (2017: approximately RMB 404.2 million), primarily because we had carried out more sales and marketing activities to expand new businesses and new customers.

Administrative Expenses

In 2018, our administrative expenses amounted to approximately RMB332.8 million (2017: approximately RMB403.8 million), representing a year-on-year decrease of 17.6%, with share-based compensation expenses being excluded, the administrative expenses in 2018 amounted to approximately RMB 284.7 million (2017: approximately RMB367.1 million), primarily due to severance payments incurred from enhancement of staff deployment in 2017 which was not incurred in 2018.

Research and Development Expenses

In 2018, our research and development expenses amounted to approximately RMB584.7 million (2017: approximately RMB430.2 million), representing a year-on-year increase of 35.9%, with share-based compensation expenses being excluded, the research and development expenses in 2018 amounted to approximately RMB563.5 million (2017: approximately RMB426.7 million), primarily because we had continually carried out more R&D activities to enhance product standardization capabilities of general technology platforms, and focused on R&D activities in the areas of data-driven operation services and 5G intelligent networks.

Income Tax Expenses

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

Net Current Assets

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

Goodwill

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

Indebtedness and Contingencies

As of December 31, 2018, we had total borrowings of approximately RMB1,915.5 million (2017: approximately RMB1,747.3 million), with a gearing ratio[1] of 59.2% (2017: 57.5%), primarily comprised of the Privatization Syndicated Loan transferred to our Group in December 2015. None of our existing indebtedness included any material covenants or covenants that could potentially limit our ability to incur new indebtedness. In February 2019, we have repaid bank loans of US$98.8 million (RMB675.1 million) by utilizing a part of the proceeds from the global offering and internal resources.

Cash Flow

Our business is capable of generating cash, as well as maintaining a healthy cash flow level. Through our continuous effort in enhancing internal efficiency and speeding up settlement process, the net cash generated from operating activities of the Group as of December 31, 2018 amounted to approximately RMB583.3 million (2017: approximately RMB510.4 million), representing a year-on-year increase of 14.3%.

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

USE OF NET PROCEEDS FROM LISTING

Our shares were listed on the Stock Exchange on December 19, 2018. The net proceeds raised during the period of initial public offering (after deducting the underwriting commission and the issuance expenses from listing and prior to the exercise of the over-allotment option in January 2019) approximately HK$871.1 million. Due to the issue and allotment of over-allotment shares pursuant to the partial exercise of over-allotment options on January 10, 2019, additional net proceeds of approximately HK$30.5 million were raised. As disclosed in the prospectus of the Company, we intend to use the net proceeds from the initial public offering for the following purposes:

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

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

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

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

Since December 19, 2018, (being the date of listing of the Company) and as of December 31, 2018, the Group had not utilized any initial public offering proceeds. The Group will gradually utilize the initial public offering proceeds in accordance with the intended purposes. As at the date of this announcement, approximately HK$270.5 million was used for the repayment of bank loans.

DIVIDENDS

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

CLOSURE OF THE REGISTER OF MEMBERS

The Company will hold its upcoming annual general meeting (the "**AGM**") at 10:00 a.m. on May 30, 2019. The register of members of the Company will be closed from May 27, 2019 to May 30, 2019, 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 forms 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 May 24, 2019.

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 Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. Except as disclosed below, the Company has complied with all applicable code provisions of the CG Code for the period from December 19, 2018 (i.e. the listing date of the Company) to December 31, 2018.

Pursuant to the requirements under code provision A.1.1 of the CG Code, the Board shall hold Board meetings at least four times a year, and at approximately quarterly intervals. As the Company was listed on December 19, 2018, no Board meetings were convened during the period from the Listing date of the Company up to December 31, 2018. For other information about the corporate governance practices of the Company, please refer to the Corporate Governance Report to be set out in the annual report of the Company for the year ended December 31, 2018.

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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all directors of the Company (the "**Directors**"), each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the period from December 19, 2018 (i.e. the listing date of the Company) to December 31, 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from December 19, 2018 (i.e. the listing date of the Company) to December 31, 2018, 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 had, together with the Board and external auditor of the Company, reviewed the accounting standards and practices adopted by the Group and the audited financial report of the Group for the year ended December 31, 2018.

PUBLICATION OF THE ANNUAL RESULTS AND 2018 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 year ended December 31, 2018 will be dispatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
AsiaInfo Technologies Limited
TIAN Suning
Chairman

Hong Kong, March 18, 2019

As at the date of this announcement, the Board comprises Dr. TIAN Suning, Mr. DING Jian and Mr. GAO Nianshu as executive Directors, Mr. ZHANG Yichen, Mr. XIN Yuesheng and Mr. ZHANG Liyang as non-executive Directors and Dr. GAO Jack Qunyao, Dr. ZHANG Ya-Qin and Mr. GE Ming as independent non-executive Directors.