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AsiaInfo Technologies Limited

亞信科技控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1675)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The Board of the Company is pleased to announce the audited consolidated results of the Group for the Reporting Period.

ANNUAL RESULTS HIGHLIGHTS:

- Revenue amounted to approximately RMB6,895 million, representing a year-on-year increase of 14.5%.
- Revenue of Three New business* amounted to approximately RMB1,568 million, representing a year-on-year increase of 101.0%, accounted for approximately 22.7% of its total revenue.
- Gross profit amounted to approximately RMB2,645 million, representing a year-on-year increase of 14.8%.
- Gross profit margin reached 38.4%, representing an increase of 0.1 percentage point as compared with last year.
- Profit for the year amounted to approximately RMB783 million, representing a year-on-year increase of 18.2%.
- Net profit margin reached 11.3%, representing an increase of 0.3 percentage point as compared with last year.
- A final dividend of HK\$0.416 per Share was proposed. Annual dividend payout ratio was approximately 40%.

Note: Three New business represents Data-driven Operation (DSaaS), vertical industries and enterprise cloudification, the Operation Support Systems (OSS) business*

CHAIRMAN’S STATEMENT

Dear Shareholders,

The “14th Five-Year” Plan of the PRC put forward embracing digital era, activating data elements potential, promoting the construction of a powerful nation through Internet, accelerating the construction of a digital economy, a digital society and a digital government, and leveraging digital transformation to propel changes in the ways of production, lifestyles, and governance as a whole. Capitalising on the new wave of digitalisation brought by the “14th Five-Year” Plan, the software industry will gain more opportunities for development. Facing the new stage and new characteristics of the PRC’s social and economic development, the Company actively responded to national policies and undertook social responsibilities, striving to become a leading provider with full-stack digital and intelligent capabilities.

In 2021, AsiaInfo Technologies adhered to the strategy of “One consolidation, Three developments” and its five-year plan, continued to promote the accelerated development of its business, and registered a double-digit growth in revenue and profit for the year. In the past year, the Company solidified the traditional business with premier quality and promoted the high speed development of the Three New business. We doubled the revenue again from Data-driven Operation (DSaaS) business with increases in both customer base and average revenue. The results-based charging model climbed up to a new level. The vertical industries and enterprise cloudification business significantly increased in scale, as the five key industries further expanded. The Operation Support Systems (OSS) business rapidly expanded in scale. The 5G network intelligent technology has reached the advanced international level, and its industry influence and products are taking the leading position.

OVERALL RESULTS

In 2021, the Company accelerated growth in the revenue which amounted to approximately RMB6,895 million, increased by 14.5% year-on-year. Among which, Three New business became an important engine to drive revenue growth and its revenue amounted to approximately RMB1,568 million, increased by 101.0% year-on-year. The proportion of the Three New business to revenue continued to increase to 22.7%. Our profitability remained healthy with gross profit margin amounting to 38.4% and profit for the year amounting to approximately RMB783 million, representing a year-on-year increase of 18.2%. Net profit margin amounted to 11.3%, representing an increase of 0.3 percentage point as compared with last year.

The Board, after taking into full consideration of various factors including Shareholders’ returns, profitability, cash flow level and capital needs for future development of the Company, has decided to propose the distribution of the 2021 final dividend of HK\$0.416 per Share at the AGM with the annual dividend payout ratio of approximately 40%.

BUSINESS DEVELOPMENT

Doubling revenue from DSaaS business again

The Company seized the increasing demand of customers' value operations, as well as the development opportunities brought by the digital economy, continued to step up its efforts in expanding its DSaaS business, explored data and information value, promoted various innovative business models such as results-based charging, sharing settlement and subscription, and successfully achieved multiple replication of such model adoption in customer groups, so as to provide several types of businesses, including user and content operation services, integrated big data construction and operation services for government affairs, and operational solutions for enterprise private domain traffic. Leveraging on the legal and compliant data sources, as well as its powerful AI and middle office technology sharing system, the Company unleashes the digital value and helps customers achieve value-based operations.

In 2021, we achieved revenue from the DSaaS business of approximately RMB730 million, up by 107.5% year-on-year, with DSaaS business accounting for 10.6% of the revenue, becoming the strongest contributor among the Three New business that drove the revenue growth of the Company.

Significant increase in business scale of vertical industries and enterprise cloudification

The Company continued its strategic focus on the five key vertical industries, including the government affairs, finance, postal services, transportation and energy sectors and achieved significant expansion in business scale and further growth in large enterprise customer base. The Company devoted greater efforts to strengthen industry solutions as well as product and capability cultivation. Of which, in the government affairs sector, we developed replicable solutions on digital government and acquired benchmark projects such as Shanghai Big Data Platform, Jiesshou Digital City Brain and Zibo Big Data Platform. In the energy sector, we had promoted the implementation of several typical 5G private network-based application scenarios in nuclear power, wind power, thermal power and among other sub-sectors, including participation in China National Nuclear Power's 5G private network-based production project, accelerating the digital transformation of the energy industry. The Company also promoted the smart city business proactively and steadily by establishing strategic co-operation with various local governments and stated-owned businesses. The IT application innovation initiative has also been carried out in an orderly manner, including perfecting compatible adaptations, addition of IT innovation catalogues and promotion of product launch.

In the enterprise cloudification business, the Company had established strategic partnerships with mainstream cloud vendors such as Alibaba Cloud, Huawei Cloud, Baidu Cloud, Tencent Cloud, e-Surfing Cloud, Mobile Cloud, Wo Cloud and CECLLOUD. In 2021, the Company deepened the cooperation with strategic partners to expand customer bases. It achieved sizable growth in delivery with Alibaba Cloud, and for the first time entered into RMB10 million level project with Tencent Cloud. Our capacity in cloudification business has further enhanced, and was rated as “Excellent” grade, the highest level of Trusted Cloud MSP certification in China in the assessment of Trusted Cloud • Cloud MSP Competency Assessment hosted by the CAICT.

In 2021, the revenue from vertical industries and enterprise cloudification business of the Company amounted to approximately RMB425 million, up by 135.6% year-on-year.

BSS and OSS business

During the “14th Five-Year” Plan period, the telecommunications industry will grow further and become a strong pillar of building a manufacturing power, a network power and a digital China. The Company actively responded to industry needs, and closely leveraged the development trend of BSS & OSS integration in the 5G era to enhance 5G network and application support capabilities.

For the OSS business, the Company takes full advantage of a technology-middle-stage software vendor and actively participates in the construction of operators’ network intelligentisation and network management systems, providing customers with products of “global domain virtualisation, global domain intelligentisation and perceptible global domain” so as to help operators to achieve business and network support capability integration. Despite its relatively short history in OSS sector, the Company is able to catch up with its peers fast and exert a certain influence on the industry, thanks to its continuous efforts in R&D. The Company’s 5G network intelligentisation products commanded the leading standard internationally and has been enlisted in the Gartner 2022 Network Intelligence Global Mainstream Vendor Matrix. In 2021, the Company’s OSS business grew rapidly, achieving a revenue of approximately RMB413 million, up by 66.7% year-on-year.

For the BSS traditional business, the Company continued to maintain its strong market leadership position with high market share. Facing changes in the external environment, the Company actively met the needs of customers for business support transformation and innovation, assisted customers in digital and intelligent upgrade, strived to explore business potential, continued to improve efficiency and maintained a stable business scale. In 2021, the Company’s traditional business revenue amounted to approximately RMB5,327 million, up by 1.7% year-on-year.

Continuing to play an industry leading role with the R&D technology and product through ingenious quality products

We always uphold the concepts of “driving by R&D, empowering by innovation”. We propel the fast growth of the Three New business with our “ingenious” quality products.

The Company has increased its innovation efforts and R&D investment in the emerging business, including secure multi-party computation, federated learning, edge AI, digital twins, 5G private network, 5G network intelligence, database and other new technologies and new products, as well as abundant 5G industry solutions, empowering the construction of the 5G+X ecosystem, and many competitive products have been successfully applied commercially in the telecommunication and vertical industries.

The Company has further demonstrated its R&D and technological strengths. Our 5G intelligent network products system won the highest award for AI in China — Wu Wenjun AI Science and Technology Progress Award (吳文俊人工智能科技進步獎), and was selected for the Gartner 2022 Network Intelligence Global Mainstream Vendor Matrix. The cloud network product system continued to strengthen its leading position in the industry: the network cloud management and SDN multi-location replication built the product-oriented templates. The 5G private network products received the network access test certification from the Ministry of Industry and Information Technology, achieving a number of commercial market breakthroughs. The digital intelligence product system has been continuously innovated: the RPA was honoured the National Champion and Grand Prize in China RPA+AI Developer Competition. The RPA and Data OS were selected for Forrester 2021 Now Tech Global Mainstream Vendor Matrix. The AIOps products were ranked on the Gartner Hype Cycle Technology Maturity Curve for two consecutive years from 2020 to 2021. Moreover, we continued to intensively participate in 20 international/national standards organisations, including 3GPP, ITU, ETSI, IEEE, TMF and O-RAN with leading contributions to 40 international communication standards.

In 2021, the Company’s R&D expenses amounted to approximately RMB1,006 million, representing a year-on-year increase of 19.7% and accounting for 14.6% of revenue.

Investments and Mergers and Acquisitions

In January 2022, the Company completed the acquisition of 94.23% equity interests of iResearch Marketing Consulting Co., Ltd. (“iResearch Consulting”), a well-known brand and leading company in business decision services, and became the controlling shareholder of iResearch Consulting. Through this acquisition, the Company will greatly enhance its capability in DSaaS as well as digital and intelligent service capacity in smart decision making, and extend the core capabilities of the Company from product R&D, implementation and delivery, system integration, data operation, customer services to consulting planning as well as smart decision-making, thus becoming a leading provider with full-stack digital and intelligent capabilities.

SOCIAL RESPONSIBILITY

We reward the society with the heart of service, and always incorporate ESG concepts into our company management and business development. While improving our own energy conservation, emission reduction and low-carbon operations, we also take full advantage of the digital value, promote intelligent operations and green and low-carbon development across various industries to make our active contribution to building a beautiful and sustainable society.

We adhere to the concept of green development and actively promote energy conservation and emission reduction. We continue to implement our energy-saving renovation plans, and actively explore low-carbon operation methods by installing photovoltaic power generation facilities. It is expected that the average annual power generation of photovoltaic facilities will reach more than 100,000 kWh, and the average annual carbon dioxide emission reduction will reach more than 100 tons. In addition, the Company independently develops its AI-powered business travel office platform and promote a paperless office in an all-round manner.

We provide assistance to our customers in low-carbon operation with technology empowerment. The Company develops its intelligent products such as AI energy-saving systems to provide green and intelligent services for customers in various industries with aims to significantly improve energy-saving efficiency. In particular, in the energy industry, we provide digital solutions for green energy enterprises such as wind power and nuclear power in order to build an efficient, safe and sustainable clean energy development system. Moreover, the Company prepared a research report on carbon emission reduction in the industry together with CAICT, driving the technology industry to grow in the direction of green empowerment.

We always closely align our own development with social responsibility. AsiaInfo Technologies' products have played an important role in privacy protection, flood prevention and control, epidemic prevention and control and other respects. While focusing on our own development, we constantly strive to offer better products and services for the public and actively fulfil its responsibilities and obligations as a corporate citizen.

OUTLOOK

During the “14th Five-Year” Plan period, the digital economy has become a new engine for high-quality development of the PRC economy. Benefiting from the digital economy, the software industry will accelerate its development pace. According to the forecast by CAICT, the scale of the PRC digital economy will exceed RMB65 trillion by 2025, accounting for 50% of GDP, with an average annual compound growth rate of approximately 10.7% from 2020 to 2025. Therefore, we have full confidence about the long-term development of the Company. The Company will continue to promote the “One consolidation, Three developments” strategy, strive to unleash the values and strengths of traditional business and endeavour to activate the growth momentum of Three New business, so as to promote revenue growth rate of the Company to be not lower than the average growth in the size of the digital economy during the “14th Five-Year” Plan period, and make solid progress towards the goal of “achieving a business scale of over RMB10 billion, half of which comprises of the new business (業務規模超百億，新業務近半壁江山)” in 2025, with a view to create greater value for the country, Shareholders and customers.

Going forward, we see both challenges and opportunities. For the traditional market, the intelligent transformation based on emerging technologies such as big data and AI has brought new market opportunities. At the same time, the Company will strive to promote the development of new markets for BSS business. In 2022, we won the bidding for the construction project of 5G business support system for China Broadcasting Network Group Corporation Ltd., opening a new chapter of business cooperation. The demand for computing network as well as automatic and intelligent network will drive the needs in upgrading the OSS capability systems of customers.

The continuous adoption of big data in various industries continues to expand the market space for digital operations; operational demands focusing on value-based operation, privilege operation and integrated operation will continue to facilitate the needs of customers in the telecommunication industry for DSaaS. After the acquisition of iResearch Consulting, both parties will be able to complement each other’s data products, data application capabilities and industry segments, which will greatly enhance the DSaaS and digital-intelligent transformation business and contribute to the continuous high growth momentum of the business. In terms of the enterprise cloudification business, the Company is actively facilitating cooperation with the state-owned cloud system, so as to increase its presence to develop the government affair and state-owned enterprise-based markets intensively. In terms of vertical industries, after the acquisition of iResearch Consulting, the Company will be able to combine the iResearch Consulting’s strategy and digital consulting service capabilities to meet the essential preliminary consulting planning needs of industry clients and upgrade the comprehensive end-to-end digital and intelligent services from consulting planning to product delivery for customers. Moreover, the Company will continue to focus on key industries to create integrated industry solutions and establish a sustainable development model.

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

RESULTS OF THE GROUP

Overview

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

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	6,894,667	6,019,855
Traditional business	5,327,134	5,239,769
Three New business	1,567,533	779,709
Gross profit	2,645,166	2,303,235
Gross profit margin	38.4%	38.3%
Profit for the year	782,519	662,103
Net profit margin	11.3%	11.0%

In 2021, the revenue of the Group amounted to approximately RMB6,895 million, representing a year-on-year increase of 14.5%, among which, the revenue from the Three New business amounted to approximately RMB1,568 million, representing a year-on-year increase of 101.0%, which has been doubled.

In 2021, the gross profit of the Group amounted to approximately RMB2,645 million, representing a year-on-year increase of 14.8%, and the gross profit margin was 38.4%, representing an increase of 0.1 percentage point as compared with last year. Profit for the year amounted to approximately RMB783 million, representing a year-on-year increase of 18.2%. The net profit margin was 11.3%, representing an increase of 0.3 percentage point as compared with last year, achieving a sound profitability level.

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Revenue	4	6,894,667	6,019,855
Cost of sales		<u>(4,249,501)</u>	<u>(3,716,620)</u>
Gross profit		2,645,166	2,303,235
Other income	5	162,191	143,289
Impairment losses under expected credit loss model, net of reversal		(68,415)	(35,051)
Other gains and losses		(4,434)	15,956
Selling and marketing expenses		(505,255)	(472,786)
Administrative expenses		(296,225)	(321,442)
Research and development expenses		(1,006,051)	(840,225)
Share of results of associates		172	(1,567)
Impairment losses on associates		—	(6,410)
Finance costs		<u>(10,618)</u>	<u>(20,672)</u>
Profit before tax		916,531	764,327
Income tax expenses	6	<u>(134,012)</u>	<u>(102,224)</u>
Profit for the year	7	<u>782,519</u>	<u>662,103</u>
Other comprehensive income for the year		<u>—</u>	<u>—</u>
Total comprehensive income for the year		<u>782,519</u>	<u>662,103</u>
Profit for the year/total comprehensive income for the year attributable to:			
Equity holders of the Company		785,729	662,103
Non-controlling interests		<u>(3,210)</u>	<u>—</u>
Earnings per share			
—Basic (RMB)	9	0.86	0.85
—Diluted (RMB)	9	<u>0.84</u>	<u>0.84</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

		31 December 2021	31 December 2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		285,170	293,224
Right-of-use assets		228,350	257,534
Intangible assets		5,297	3,818
Goodwill	10	1,932,246	1,932,246
Investments in associates		19,672	—
Deferred tax assets		120,930	133,111
Pledged bank deposits		333	8,737
Term deposits		370,000	240,000
Other non-current assets		23,241	17,088
		<u>2,985,239</u>	<u>2,885,758</u>
Current assets			
Inventories		2,349	392
Trade and notes receivables	11	846,573	941,957
Prepayments, deposits and other receivables		188,699	114,386
Contract assets	12	2,230,815	1,722,485
Financial assets at fair value through profit or loss (“FVTPL”)		528,692	1,103,800
Amounts due from related parties		12,532	10,233
Pledged bank deposits		178,744	263,067
Term deposits		200,000	140,923
Bank balances and cash		2,331,821	1,690,151
		<u>6,520,225</u>	<u>5,987,394</u>
Current liabilities			
Trade and notes payables	13	323,677	149,454
Contract liabilities	12	290,495	393,371
Other payables, deposits received and accrued expenses	14	2,159,975	2,063,218
Amounts due to related parties		11,881	9,154
Income tax payable		274,194	278,420
Bank borrowings	15	—	137,023
Lease liabilities		49,239	46,201
		<u>3,109,461</u>	<u>3,076,841</u>
Net current assets		<u>3,410,764</u>	<u>2,910,553</u>
Total assets less current liabilities		<u>6,396,003</u>	<u>5,796,311</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — CONTINUED*AT 31 DECEMBER 2021*

(Expressed in thousands of Renminbi, unless otherwise stated)

	31 December	31 December
	2021	2020
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Deferred tax liabilities	155,812	123,205
Lease liabilities	88,622	117,658
	<u>244,434</u>	<u>240,863</u>
NET ASSETS	<u>6,151,569</u>	<u>5,555,448</u>
Capital and reserves		
Share capital	—	—
Reserves	6,154,779	5,555,448
Equity attributable to equity holders of the Company	6,154,779	5,555,448
Non-controlling interests	(3,210)	—
TOTAL EQUITY	<u>6,151,569</u>	<u>5,555,448</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Translation Capital reserve	Statutory surplus reserve	Other reserves	Retained profits	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	—	997,954	285,200	(15,129)	176,247	1,545,848	917,083	3,907,203	—	3,907,203
Profit for the year and total comprehensive income for the year	—	—	—	—	—	—	662,103	662,103	—	662,103
Issue of new Shares upon the contribution from shareholders	—	1,222,099	—	—	—	—	—	1,222,099	—	1,222,099
Recognition of equity-settled share-based payments	—	—	—	—	—	267,642	—	267,642	—	267,642
Lapse of share options and restricted stock units	—	—	—	—	—	(11,833)	11,833	—	—	—
Dividends approved in respect of the previous year (Note 8)	—	—	—	—	—	—	(168,936)	(168,936)	—	(168,936)
Purchase of Shares for share award scheme	—	(364,284)	—	—	—	—	—	(364,284)	—	(364,284)
Vesting of restricted stock units	—	215,886	—	—	—	(215,886)	—	—	—	—
Exercise of share options	—	43,972	—	—	—	(14,351)	—	29,621	—	29,621
Transfer to statutory surplus reserve	—	—	—	—	4,562	—	(4,562)	—	—	—
Changes in equity for the year	—	1,117,673	—	—	4,562	25,572	(161,665)	986,142	—	986,142
At 31 December 2020	—	2,115,627	285,200	(15,129)	180,809	1,571,420	1,417,521	5,555,448	—	5,555,448
Profit for the year and total comprehensive income for the year	—	—	—	—	—	—	785,729	785,729	(3,210)	782,519
Recognition of equity-settled share-based payments	—	—	—	—	—	106,994	—	106,994	—	106,994
Lapse of share options and restricted stock units	—	—	—	—	—	(18,706)	18,706	—	—	—
Dividends approved in respect of the previous year (Note 8)	—	—	—	—	—	—	(261,334)	(261,334)	—	(261,334)
Purchase of Shares for share award scheme	—	(75,359)	—	—	—	—	—	(75,359)	—	(75,359)
Vesting of restricted stock units	—	35,990	—	—	—	(35,990)	—	—	—	—
Exercise of share options	—	64,008	—	—	—	(20,707)	—	43,301	—	43,301
Transfer to statutory surplus reserve	—	—	—	—	6,450	—	(6,450)	—	—	—
Changes in equity for the year	—	24,639	—	—	6,450	31,591	(249,078)	(186,398)	—	(186,398)
At 31 December 2021	—	2,140,266	285,200	(15,129)	187,259	1,603,011	1,954,172	6,154,779	(3,210)	6,151,569

Note:

- (i) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "PRC"), the PRC subsidiaries are required to set aside 10% of their profit after tax as per statutory financial statements determined under the PRC laws and regulations for the statutory surplus reserve fund until the reserve reaches 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity owners of the subsidiaries. The statutory surplus reserve can be used to make up previous years' losses, expand the existing operations or convert into additional capital of the respective subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS*FOR THE YEAR ENDED 31 DECEMBER 2021*

(Expressed in thousands of Renminbi, unless otherwise stated)

	2021	2020
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	916,531	764,327
Adjustments for:		
Depreciation of property, plant and equipment	36,929	32,581
Depreciation of right-of-use assets	71,814	64,449
Amortisation of intangible assets	3,367	7,428
Loss/(gain) on disposal of property, plant and equipment	68	(1,194)
Finance costs	10,618	20,672
Net foreign exchange loss	7,260	841
Interest income on bank balances, pledged bank deposits and term deposits	(36,396)	(28,943)
Net gains on disposal of financial assets at FVTPL	(26,597)	(23,104)
Changes in fair value of financial assets at FVTPL	(6,896)	(7,400)
Gain on disposal of investments in an associate	—	(6,944)
Impairment loss on associates	—	6,410
Share of results of associates	(172)	1,567
Allowance for trade receivables, net of reversal	(18,123)	29,621
Net reversal of allowance for other receivables	91	(432)
Allowance for contract assets, net of reversal	88,974	5,862
Share-based payment expenses	106,994	267,642
Operating cash flows before movements in working capital	1,154,462	1,133,383
Increase in inventories	(1,957)	(88)
Decrease/(increase) in trade and notes receivables	113,508	(130,396)
(Increase)/decrease in prepayments, deposits and other receivables	(51,582)	118,024
Increase in contract assets	(597,304)	(173,826)
Increase in amounts due from related parties	(2,299)	(3,875)
(Increase)/decrease in other non-current assets	(6,153)	22,553
Increase/(decrease) in amounts due to related parties	2,727	(8,938)
Increase/(decrease) in trade and notes payables	174,223	(208,594)
(Decrease)/increase in contract liabilities	(102,876)	96,426
Increase/(decrease) in other payables, deposits received and accrued expenses	92,019	(68,744)
Cash generated from operating activities	774,768	775,925
Income taxes paid	(93,450)	(65,500)
NET CASH GENERATED FROM OPERATING ACTIVITIES	681,318	710,425

CONSOLIDATED STATEMENT OF CASH FLOWS — CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	2021	2020
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(31,329)	(39,352)
Purchases of intangible assets	(5,039)	(3,538)
Acquisition of investment in an associate	(19,500)	—
Purchases of financial assets at FVTPL	(2,322,288)	(2,292,156)
Proceeds on disposal of property, plant and equipment	360	4,870
Proceeds on disposal of intangible assets	193	—
Proceeds on disposal of investment in an associate	30,000	20,000
Proceeds on disposal of financial assets at FVTPL	2,930,889	1,417,585
Placement of pledged bank deposits	(385,747)	(516,051)
Withdrawal of pledged bank deposits	478,474	594,105
Placement of term deposits	(510,000)	(533,488)
Withdrawal of term deposits	319,975	317,062
Interest received	32,706	19,106
	<u>518,694</u>	<u>(1,011,857)</u>
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
Repayment of bank borrowings	(134,308)	(1,360,914)
New bank borrowings raised	—	931,647
Borrowing interest paid	(912)	(13,622)
Capital element of lease rentals paid	(68,905)	(67,328)
Interest element of lease rentals paid	(9,660)	(7,038)
Proceeds from issue of Shares	—	1,222,099
Proceeds from issue of Shares under share option schemes	29,378	29,011
Purchase of Shares for share award scheme	(75,359)	(364,284)
Dividend paid	(264,277)	(167,455)
Other cash flows arising from financial activities	(25,765)	(3,576)
	<u>(549,808)</u>	<u>198,540</u>
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	650,204	(102,892)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,690,151	1,810,591
Effect of exchange rate changes	(8,534)	(17,548)
	<u>2,331,821</u>	<u>1,690,151</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

AsiaInfo Technologies was incorporated in the British Virgin Islands (“BVI”) as a company with limited liability and its shares are listed on the Main Board of the Stock Exchange. The address of the registered office of the Company is Craigmuir Chambers, Road Town, Tortola, VG1110, British Virgin Islands.

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

- Amendments to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. BASIS OF PREPARATION

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

4. REVENUE AND SEGMENT INFORMATION

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

The 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.

4. REVENUE AND SEGMENT INFORMATION — CONTINUED

The rendering of data-driven operation services is mainly derived from telecommunication operators, government and enterprise customers to perform data analysis services to analyse customer behavior and operational efficiency. The performance obligation of rendering of data-driven operation services is satisfied over time, mainly ranging from one month to six months or the contract service period.

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.

Disaggregation of revenue

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
<i>Timing of revenue recognition</i>		
At a point in time	424,669	241,914
Over time	6,469,998	5,777,941
	<u>6,894,667</u>	<u>6,019,855</u>
<i>Types of goods and services</i>		
Provision of services	6,471,485	5,779,166
Software and data-driven operation services ⁽ⁱ⁾	6,344,220	5,670,611
Others ⁽ⁱⁱ⁾	127,265	108,555
Sales of goods	423,182	240,689
	<u>6,894,667</u>	<u>6,019,855</u>

Notes:

- (i) The Group records contract liabilities when receiving consideration from customers prior to its provision of services or the amount is due. The transaction price allocated to performance obligations in relation to the non-refundable advance payments that were unsatisfied amounted to RMB290,495,000 as at 31 December 2021 (2020: RMB393,371,000), representing the contract liabilities included in Note 12.

The services provided and recognised overtime are mainly derived from fixed-price contracts. Respective transaction price allocated to the unsatisfied contracts, representing the contract liabilities, as at 31 December 2020 in the amount of RMB364,697,000 had been recognised as revenue over the contract periods for the year ended 31 December 2021. The management expects such amount allocated to the unsatisfied contracts as at 31 December 2021 of RMB290,495,000 mostly will be recognised as revenue during the year ending 31 December 2022.

- (ii) Others represent revenue primarily generated from the provision of system integration services, business consulting services and the corporate training services.

4. REVENUE AND SEGMENT INFORMATION — CONTINUED

Segment information

The Group makes resources allocation decisions based on internal management functions and assesses the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

Geographical information

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

Information about the Group's revenue from external customers is presented based on the location of the signing parties of the sales or service contracts. During the years ended 31 December 2021 and 31 December 2020, substantially all the sales and service contracts were with a signing party located in the PRC.

Information about major customers

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

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	4,434,868	3,841,488
Customer B	1,072,022	1,043,724
Customer C	851,143	831,183

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

5. OTHER INCOME

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	50,946	50,398
Interest income on bank balances, pledged bank deposits and term deposits	36,396	28,943
Net gains on disposal of financial assets at FVTPL	26,597	23,104
Changes in fair value of financial assets at FVTPL	6,896	7,400
Gain from additional input VAT credit	25,990	14,988
Income from management support services	6,861	9,647
Others	8,505	8,809
	<u>162,191</u>	<u>143,289</u>

6. INCOME TAX EXPENSES

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC enterprise income tax (“EIT”) — Current year	92,957	99,347
Deferred tax	44,788	2,877
	<u>137,745</u>	<u>102,224</u>
Over provision in prior year:		
PRC EIT	(3,733)	—
	<u>134,012</u>	<u>102,224</u>

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 31 December 2021 (2020: 25%).

The Group’s subsidiaries operating in the PRC are eligible for tax credits of 175% (2020: 175%) deduction rates on certain R&D expenses for the year ended 31 December 2021.

In December 2020, the Ministry of Finance (“MOF”), State Taxation Administration (“STA”), National Development and Reform Commission (“NDRC”) and Ministry of Industry and Information Technology (“MIIT”) jointly issued the Public Notice regarding the EIT policies to encourage the development of integrated circuit (“IC”) industry and software industry (“Public Notice No.45”). Following which, the NDRC, MIIT, MOF, General Administration of Customs (“GAC”) and STA jointly released the Notice (“Fa Gai Gao Ji [2021] No.413”) in March 2021 regarding the List-making for the IC Enterprises or Projects and Software Enterprises Eligible for Preferential Tax Policies (the “Notice”), pursuant to which key software enterprises under the State Planning layout could go through tax reduction procedures with the relevant tax authorities to enjoy preferential tax policies.

6. INCOME TAX EXPENSES — CONTINUED

During the years ended 31 December 2021 and 31 December 2020, two of the Company's subsidiaries, including AsiaInfo Technologies (China), Inc. ("**AsiaInfo China**") and AsiaInfo Technologies (Nanjing), Inc. ("**AsiaInfo Nanjing**"), were identified as the key software enterprises with tax privileges and entitled to a preferential EIT rate of 10%, pursuant to the designation as a key software enterprise under the State Planning. Such tax preference was applied and entitled by performing the record filling to the tax authorities on a yearly basis. The Directors 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.

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

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

Based on the Notice regarding the Preferential EIT Policies for the Hainan Free Trade Port ("**Cai Shui [2020] NO.31**"), and the Announcement on Continuation of EIT Policies for Large-scale Development in the Western Region Notice regarding Extending Preferential EIT Policies for the Development of the Western Regions ("**Announcement of the Ministry of Finance, the State Taxation Administration, and the National Development and Reform Commission [2020] No.23**"), Hainan AsiaInfo Software Co., Ltd. ("**Hainan Software**") and Chongqing Shuzhi Logic Co., Ltd. ("**Shuzhi Logic**") both complied with the preferential policies and further enjoyed the EIT rate of 15% in 2021 as a result.

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

6. INCOME TAX EXPENSES — CONTINUED

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25% and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2020: 16.5%). The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for 2021 (2020: 16.5%).

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

The income tax expenses for the years ended 31 December 2021 and 31 December 2020 can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before tax	<u>916,531</u>	<u>764,327</u>
Notional tax at applicable income tax rate of 10%	91,653	76,433
Tax effect of different tax rates of subsidiaries not applicable of 10% (2020: 10%)	4,907	(3,736)
Tax effect of share of results of associates	(17)	157
Tax credits on eligible R&D expenses	(60,719)	(44,842)
Tax effect of expenses not deductible for tax purpose	40,069	60,921
Effect of using the deductible losses for which no deferred tax asset was recognised in previous periods	—	(6,671)
Tax effect of income not taxable for tax purpose	624	(2,933)
Tax effect of tax losses not recognised	28,428	22,895
Over-provision in prior years	(3,733)	—
Tax effect of withholding income tax on profit distribution ⁽ⁱ⁾	<u>32,800</u>	<u>—</u>
Income tax expenses for the year	<u><u>134,012</u></u>	<u><u>102,224</u></u>

Note:

- i. Since the Group is able to control the timing of the reversal of temporary differences arising from the subsidiaries' undistributed profits, a corresponding deferred income tax liability in amount of RMB32,800,000 was recognised in 2021 as per the subsidiaries' profit distribution resolutions (2020: nil).

7. PROFIT FOR THE YEAR

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Staff costs, including Directors' and chief executive's remuneration		
Directors' remuneration	28,411	101,375
Employee benefit expenses		
Other staff costs (salaries, wages, allowance, bonus and others)	3,369,632	3,074,613
Contribution to retirement benefits scheme	317,413	219,705
Share-based payment expenses	85,410	172,600
Total staff costs	<u>3,800,866</u>	<u>3,568,293</u>
Cost of inventories recognised as expenses (transferred into cost of sales)	423,124	230,580
Depreciation of property, plant and equipment	36,929	32,581
Depreciation of right-of-use assets	71,814	64,449
Amortisation of intangible assets	3,367	7,428
Expense of short-term and low value lease	55,749	68,112
Auditor's remuneration	<u>5,852</u>	<u>5,178</u>

8. DIVIDENDS

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend proposed after the end of the Reporting Period of HK\$0.416 (equivalent to RMB0.340) per Share (2020: HK\$0.345 (equivalent to RMB0.290) per Share)	<u>314,292</u>	<u>264,841</u>

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

8. DIVIDENDS — CONTINUED

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.345 (equivalent to RMB0.290) per Share (2020: HK\$0.252 (equivalent to RMB0.226) per Share)	<u>264,277</u>	<u>168,936</u>

9. EARNINGS PER SHARE

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

	Year ended 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	<u>785,729</u>	<u>662,103</u>
Number of Shares:		
Issued Shares at 1 January	915,767,433	726,044,916
Effect of Shares issued to China Mobile International Holdings Limited (“CMI”)	—	60,255,320
Effect of shares repurchased	(3,287,846)	(10,577,531)
Effect of share options exercised and restricted stock units (“RSUs”) vested	<u>5,688,082</u>	<u>4,685,691</u>
Weighted average number of shares for the purpose of calculating basic earnings per share	<u>918,167,669</u>	<u>780,408,396</u>
Effect of dilutive potential shares		
Share options and RSUs	<u>13,432,093</u>	<u>6,276,616</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>931,599,762</u>	<u>786,685,012</u>

The calculations of basic earnings per share for the years ended 31 December 2021 and 31 December 2020 were based on the profit for the year attributable to the equity holders of the Company.

9. EARNINGS PER SHARE — CONTINUED

The calculations of the number of Shares for the purpose of basic earnings per share for the years ended 31 December 2021 and 31 December 2020 have taken into account the issuance of Shares with regard to the exercise and vesting of share options and RSUs, purchase of Shares in 2021 and 2020, and the issuance of Shares to CMI in 2020.

The computation of diluted earnings per share for the year ended 31 December 2021 did not assume the exercise of the share options under the 2014 Plan, the share options that exercised with exercise prices of US\$1.9225 under the Pre-IPO Share Option Scheme, the share options that exercised with exercise prices of HK\$12.54 and HK\$12.46 under the 2019 Share Option Scheme since such share options had an anti-dilutive effect.

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

10. GOODWILL

The goodwill was primarily arisen from the acquisition of Linkage Technologies International Holdings Limited on 1 July 2010. The carrying value was RMB1,932,246,000 as at 31 December 2021 (2020: RMB1,932,246,000), which is related to the Group's software business.

Impairment testing on goodwill

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

The basis of the recoverable amount of the above CGU and the methodology used for the year are summarised below:

The recoverable amount of the group of CGU has been determined based on a value in use calculation and is assessed by the management with reference to valuations carried out by an independent professional valuer, which has appropriate qualifications and experience in valuation of similar testing.

The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a pre-tax discount rate of 19.5% for the year ended 31 December 2021 (2020: 19.5%). The cash flows of the CGU beyond the five-year period are extrapolated using a 3.0% growth rate considering the relevant industry growth rate forecast and the economic condition of the market and period which does not exceed the long-term average growth rate for the industry. The Directors believe that the projected growth rates are reasonable. Other key assumptions for the value in use calculations relate to the estimation of cash inflows and/or outflows which include budgeted sales and gross profit margin, with expected gross profit margin for 5-year-period floating up and down within 1% compared with that of the year. Such estimation is based on the past performance of the CGU, industry information and management's expectations for the market development, including the fluctuation in the software products and related services business in the current economic environment.

10. GOODWILL — CONTINUED

Impairment testing on goodwill — Continued

For the years ended 31 December 2021 and 31 December 2020, the management of the Group confirmed there was no impairment. The management believed that any reasonably possible change in these assumptions would not cause the aggregate carrying amount to exceed the recoverable amount.

11. TRADE AND NOTES RECEIVABLES

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Notes receivables	97,876	76,562
Trade receivables	776,551	913,583
Amounts due from third parties	370,556	320,740
Amounts due from related parties	405,995	592,843
Less: allowance for credit losses	<u>(27,854)</u>	<u>(48,188)</u>
	<u>846,573</u>	<u>941,957</u>

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

The Group generally grants credit period of 30 days from the dates of acceptance reports when the Group had the right to consideration becoming unconditional. The extension of credit period to the customers may be granted on a discretionary basis by considering customer type, the current creditworthiness 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 realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

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

11. TRADE AND NOTES RECEIVABLES — CONTINUED

Aging of trade and notes receivables, net of allowance for credit losses, based on the dates when the Group has the right to bill, for the years ended 31 December 2021 and 31 December 2020 is as follows:

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
1–30 Days	564,318	689,984
31–90 Days	155,361	82,109
91–180 Days	63,799	111,407
181–365 Days	32,250	45,677
Over 365 Days	30,845	12,780
	<u>846,573</u>	<u>941,957</u>

Movements in lifetime ECL that had been recognised for trade receivables in accordance with HKFRS 9 for the years ended 31 December 2021 and 31 December 2020 are as follows:

	Total
	<i>RMB'000</i>
At 1 January 2020	22,716
Allowance for trade receivables, net of reversal	29,621
Written-off as uncollectible	<u>(4,149)</u>
At 31 December 2020	48,188
Allowance for trade receivables, net of reversal	(18,123)
Written-off as uncollectible	(2,211)
At 31 December 2021	<u><u>27,854</u></u>

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Analysed for reporting purposes as follows:		
Contract assets	2,230,815	1,722,485
Contract liabilities	<u>(290,495)</u>	<u>(393,371)</u>

For the contract liabilities as at 31 December 2021 and 31 December 2020, the majority of the balances were expected to be recognised as revenue during the year ending 31 December 2022 and the year ended 31 December 2021, respectively.

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

Movements in lifetime ECL that had been recognised for contract assets in accordance with HKFRS 9 for the year ended 31 December 2021 are as follows:

	<i>RMB'000</i>
At 31 December 2019	29,706
Allowance on contract assets, net of reversal	<u>5,862</u>
At 31 December 2020	35,568
Allowance on contract assets, net of reversal	<u>88,974</u>
At 31 December 2021	<u>124,542</u>

13. TRADE AND NOTES PAYABLES

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	316,873	149,454
Notes payables	6,804	—
	<u>323,677</u>	<u>149,454</u>

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

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
1–90 days	223,125	79,538
91–180 days	47,752	13,922
181–365 days	22,952	12,171
1–2 years	12,417	15,338
Over 2 years	17,431	28,485
	<u>323,677</u>	<u>149,454</u>

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

14. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Accrued payroll and welfare	1,901,557	1,866,996
Accrued liabilities	83,304	73,968
Other tax payables	78,756	40,390
Accrued expenses	57,742	45,727
Employee reimbursement payable	12,926	9,924
Other payables	12,401	5,630
Advance from customers	11,726	16,083
Others	1,563	4,500
	<u>2,159,975</u>	<u>2,063,218</u>

15. BANK BORROWINGS

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Analysed as:		
Secured bank borrowings carrying interest at variable rates	—	137,023
	<u> </u>	<u> </u>
Analysis of borrowings by currency:		
Denominated in US\$	—	137,023
	<u> </u>	<u> </u>

The Group had no bank borrowings as at 31 December 2021 (2020: the bank borrowings of RMB137,023,000 denominated in US\$). The Group's bank borrowings were secured by the respective pledged bank deposits as at 31 December 2020.

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
The carrying amounts of the above borrowings contain a repayment on demand clause (shown under current liabilities)	—	137,023
	<u> </u>	<u> </u>

The above bank borrowings denominated in US\$ were at variable interest rates based on three-month London Interbank Offered Rate plus 1.11% as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Summary

The year 2021 was the inaugurated year of the “14th Five-Year” Plan of the PRC, and the government had introduced an array of policies on carbon peaking and carbon neutrality goals, urban digital transformation, state-owned enterprise digital transformation, autonomous and controllable capability, new infrastructure and digital economy. An important article by President Xi Jinping published in the second volume of the magazine QIUSHI of 2022 and titled “Continuously strengthening, improving and expanding China’s digital economy” has once again stressed the promotion of intensive integration of digital technology with the real economy, empowering the transformation and upgrading of traditional industries, and spawning to new industries, new businesses and new models, so as to constantly strengthen, improve and expand China’s digital economy. The new opportunities in digital economy give impetus to the new development of software industry. Facing the new stage and new features of socio-economic development of the PRC, the Company actively responds to the national policies, boldly assumes social responsibility and endeavours to become a leading provider with full-stack digital and intelligent capabilities.

During the Reporting Period, the Company continued to deepen its strategy of “One consolidation and Three developments” and accelerated its overall performance growth. Revenue of the Company amounted to approximately RMB6,895 million, up by 14.5% year-on-year. Among which, Three New business, namely DSaaS, vertical industries and enterprise cloudification, and OSS business, had achieved a revenue of approximately RMB1,568 million, up by 101.0% year-on-year and achieved a breakthrough of 22.7% of revenue from 13.0% in 2020. Profit for the year reached approximately RMB783 million, increased by 18.2% year-on-year, hitting a new high in profitability. In terms of the ecological construction, through the acquisition of iResearch Consulting, the Company’s capabilities in the data-driven operations and digital and intelligent transformation business have been greatly enhanced. We strive to become a leading provider with full-stack digital and intelligent capabilities.

I. Achieving another double growth in revenue from DSaaS business

In 2021, data security had been elevated to the level of national security. The successive introduction of the Data Security Law, the Regulations on the Security Protection of Critical Information Infrastructure and the Personal Information Protection Law have, on one hand, continuously compressed the survival room of grey data and regulated the use of data in various industries, while on the other hand, they stimulated the demand for the use of legitimate data and catalysed the continuous implementation of data security application scenarios. At the same time, intelligent data-driven operation model has been gradually accepted in the PRC market, and the release of the ““14th Five-Year” Plan for the Development of Big Data Industry” will further accelerate the development and utilisation of big data in the industry.

Adhering to the philosophy of legal, safe, effective and timely data operation, AsiaInfo Technologies has always strictly complied with the relevant national laws and regulations, so as to provide legal, compliant and reasonable digital operation services to users in various sectors and industries. During the Reporting Period, leveraging on the legal and compliant data sources, as well as its powerful AI and middle office technology sharing system, the Company provided customers with abundant operation products and service systems. In terms of customer base expansion, the Company has expanded its customer base including government authorities at all levels, such as Bureau of Statistics, Public Security Bureau, fire emergency and rescue, local governments, representative customers in financial industry, such as China UnionPay, Ping An Insurance of China, China Life, Postal Savings Bank of China, Changan Automobile Finance, local rural commercial banks, as well as High Speed Housekeeper (Chongqing) Industrial Co., Ltd., SAIC Motor Corporation, Dongfeng Motor, China Tobacco, Jingpai, Nike, eBeauty, McDonald’s and many other industry customers.

In terms of business model, we have completed multiple replications in results-and-commission-based charging model, in which results-and-commission-based charging model has been achieved replications for operators in more than 10 provinces such as Guangdong, Henan, Chongqing and Beijing; in terms of content operation, we achieved remarkable results in new users acquisition and content operation services for a professional company, presenting high conversion of content operation with a total of nearly 100 million new users solicited for our client in 2021; in terms of integrated services for the government affairs-based big data construction and operation, we provided intelligent hub base construction and ancillary data operation services to big data bureaux in eight districts and counties under Chongqing municipality, Shandong, Anhui and Liaoning provinces; in terms of enterprise private traffic operation solutions, leveraging on WeChat and enterprise WeChat ecosystem, we provided digital employee empowerment, digital customer operation, digital scenario marketing and digital business marketing solutions for customers in communications, broadcasting and finance.

In terms of data-driven operation capability, through the acquisition of iResearch Consulting, the Company has extended the core capabilities of AsiaInfo Technologies from product R&D, implementation and delivery, system integration, data operation, customer services to consulting planning and smart decision-making, thus becoming a leading provider with full-stack digital and intelligent capabilities.

II. Significant increase in businesses scale of vertical industries and enterprise cloudification

The government laid down a series of policies in 2021 to stimulate the needs on the demand side for digital transformation and promoted digital investment on the supply side, showing the internal circulating of digital economy. According to the forecast by CAICT, the digital economy of the PRC will record a value of more than RMB65 trillion in 2025, accounting for up to 50% of the GDP, with a compound growth rate of approximately 10.7% from 2020 to 2025. Based on the requirements of scientific and technological independence, key basic software (operating system, database and middleware etc.), emerging platform software (cloud computing, artificial intelligence, big data and other platforms), industry application software, open ecological cultivation will be vigorously developed. At the same time, smart city market will continue to extend from first and second tier cities to third, fourth and fifth tier cities and counties. The cloud computing market will still maintain a high growth, and benefited from the safe, manageable and controllable requirements, state capital cloud, city cloud and information innovation cloud will become the preferred options by the government, central enterprises, local state-owned enterprises and other customers.

During the Reporting Period, the Company further focused on vertical industries and established an industrial layout featuring a 5 (focusing on industries: government affairs, energy, finance, transportation and postal) + X (exploring industry) + 1 (cloud business cooperation) model, sped up its business growth and doubled its revenue scale through further industry development and business expansion. For government affairs, we focused on the replicable solutions on digital government and big data in government affairs and acquired benchmark projects such as Shanghai Big Data Platform, Jieshou Digital City Brain, and Zibo Big Data Platform. In terms of finance, we focused on the replicable models on data middle office and data governance and acquired projects including data governance platform of China UnionPay, data middle office of Aeon Life, data governance platform of Wuhan rural commercial bank and big data of China Everbright Bank. For postal, we obtained the CRM phase II project tender again after winning the highly recognised CRM phase I project earlier. In the transportation segment, we focused on the replicable solutions on highway toll billing and big data auditing and acquired the highway toll billing and big data-related projects in Hunan, Yunnan, Guangxi and Gansu provinces. For energy and power, we paid attention to the core solutions on energy middle office and 5G private network and propelled their replication in the nuclear power, wind power and thermal power markets.

In the cloud business sector, we continued to deepen the cooperation with leading cloud service providers such as Baidu, Alibaba, Tencent, and Huawei (“BATH”) and state-owned cloud service providers. We signed a contract with Tencent Cloud and were recognized as a general-purpose administrative delivery partner. We became a core MSP partner of Alibaba Cloud, and a core partner of Cloud Native, and was honoured the Alibaba Cloud Digital Construction Benchmarking Award. Also, we became a partner of AI Scheduling Platform, a partner of smart community solutions and a partner of cloud MSP of Huawei Cloud. We enhanced strategic cooperation with China Union Pay Cloud, CE Cloud and other state-owned cloud service providers. Moreover, the Company passed the renewal assessment of Trusted Cloud • Cloud MSP Competency Assessment hosted by the CAICT, and consistently maintained the “Excellent” grade, the highest level of Cloud MSP certification in China. At the “2021 Trusted Cloud Conference” hosted by CAICT and China Communications Standards Association, our AISWare CloudOS (AsiaInfo Cloud OS) hybrid cloud solution passed the “Trusted Cloud • Hybrid Cloud “assessment.

III. Further scaling up OSS business with products taking leading industry positions

The year 2021 was the inauguration year of China’s “14th Five-Year” Plan, which was also the critical year for 5G scale application. The 5G network construction and applications continued to advance, with the total number of base stations and users constantly expanded, the number of new 5G base stations reached 654,000 in 2021, and the cumulative number of 5G base stations completed and operated reaching 1,425,000 units, and the number of 5G terminal connections exceeding 500 million. Various industries seized the major opportunity presented by 5G commercialization to accelerate industry digitization process. At the same time, the demand for computing networks and autonomous networks drive operators to focus on network autopilot and OSS capability system upgrades, and the OSS market investment scale will continue to grow steadily.

During the Reporting Period, the Company's OSS business was further scaled up and the capacity of revenue continued to grow at a rapid pace. In terms of technology leadership, the Company's 5G network smart products have reached the international advanced level. The Company was granted the Wu Wenjun AI science and Technology Progress Award (吳文俊人工智能科技進步獎), the highest award for artificial intelligence field in China. The Company was listed in the Gartner 2022 Network Intelligence Global Mainstream Vendor Matrix as a typical global vendor in this sector and received the Best Network Slicing Practice at the 5G World 2021 World Summit. The Company has established the 5G Intelligence Joint Laboratory together with the Institute for AI Industry Research in Tsinghua University, jointly committed to 5G network intelligence, autonomous smart network and other cutting-edge technology exploration and innovation. As one of the main achievements of the Joint Laboratory, the "5G network intelligence system" passed the national science and technology achievement appraisal in 2021, and its technology in general has reached the domestic leading and international advanced level. In particular, 5 subdivision technologies, including 5G network slicing end-to-end management, 5G Massive MIMO intelligent optimization and others have reached international leading level. In respect of academic achievements, the Company jointly published the Artificial Intelligence Communications Empowering Autonomous Networks White Paper (《通信人工智能賦能自智網絡白皮書》), The Next Decade of Artificial Intelligence Communications "(《通信人工智能的下一個十年》) together with Tsinghua University, participated in compiling the 5G Network Slicing Industry Self-Management Industry White Paper (《5G網絡切片行業自管理產業白皮書》) with 5G Slicing Association, and participated in the writing of the Digital Twin Network (DTN) White Paper (《數字孿生網絡 (DTN) 白皮書》) led by China Mobile Research Institute.

IV. Maintaining steady growth in traditional BSS business and continuing to lead customers' digital intelligence transformation

In 2021, three major operators witnessed the overall turnaround in operating results driven by the dual engines of 5G and innovative business. As the transformation of digital intelligence continues to advance, the three major operators will continue to increase investments in government and enterprise, household, digital innovation and other businesses.

During the Reporting Period, the Company actively facilitated the development strategy of operators, and recorded a rebound in revenue from the BSS business. In terms of BSS digital intelligence development, we deeply involved in the planning and construction of the smart middle office projects of the three major operators, actively promoted the operators' customer value enhancement and full-business convergence operation support construction, and continued to assist the operators in collaborating operation management and quality and efficiency improvement in the entire spectrum of digital intelligence. We completed the launching of China Mobile's smart middle office project in 19 provinces, and continued to move forward China Mobile's CHBN fully integrated operation support, the construction of China Unicom's 5 major middle office projects in various provinces, the construction and operation of China Telecom's enterprise micro-smart housekeeper (in 6 provinces) and the construction and operation of digital integrated grid (in 7 provinces). In terms of innovation of BSS digital intelligence, we assisted customers in carrying out the innovation of digital intelligence in the fields of application, platform and basic software through self-development of innovative products (RPA, AI platform, AI edge all-in-one machine, knowledge graph, PaaS platform, middleware, blockchain, database). We jointly built the RPA-based digital staff system with Zhejiang Mobile and Shandong Mobile. We helped China Telecom to apply the AIOps intelligent operation and maintenance products in BSS system to improve operation and maintenance efficiency. We completed the launching of projects such as the Zhejiang Mobile and Shanghai Mobile core production database independent controllable projects and China Telecom core billing system on cloud independent research and development in memory database, and actively pushed forward multi-province docking with the PaaS platforms. In terms of BSS new market development, we signed contracts with emerging operator market customers such as China Broadcast Network and China Satellite Network.

V. Continuing to play an industry leading role with R&D technology and product through ingenious quality products

In 2021, the Company invested approximately RMB1,006 million in R&D, representing an increase of 19.7% year-on-year and accounted for 14.6% of the revenue. The Company continued to lead the industry in terms of R&D technology and products, empowered the rapid development of the Three New business, further drove the revenue growth of the Three New business and continued to improve the efficiency of traditional business.

The Company has increased its innovation efforts and R&D investment in the emerging business, including secure multi-party computation, federated learning, edge AI, digital twins, 5G private network, 5G network intelligence, database and other new technologies and new products, as well as abundant 5G industry solutions, empowering the construction of the 5G+X ecosystem, and many competitive products have been successfully applied commercially in the telecommunication and vertical industries.

The Company has further demonstrated its R&D and technological strengths. It remained as the industry leader in the 5G network intelligence segment, which was evidenced by its 5G network intelligence product system winning the highest award for artificial intelligence in China — Wu Wenjun AI Science and Technology Progress Award (吳文俊人工智能科技進步獎), and was enlisted in the Gartner 2022 Network Intelligence Global Mainstream Vendor Matrix. The “research and development and industrial scale application of 5G network intelligence system” passed the national science and technology achievement appraisal, reaching the international advanced and domestic leading level. In particular, 5 subdivision technologies, including the 5G network slicing and others have reached international leading level. The 5G network slicing products was awarded the Best Network Slicing Practice at the 5G World 2021 World Summit. The AI Communications Laboratory was awarded the ITU 5G AI/ML China Championship in 2021 and the Global Final Excellence Award. The RPA products entered the elite ranking of domestic vendors, being selected into Forrester’s Global RPA Mainstream Vendor Matrix, and won the National Champion cum Grand Prize of China RPA+AI Developer Competition. The AIOps products were ranked on the annual list of Gartner Hype Cycle for ICT for 2 consecutive years from 2020 to 2021. The digital twin products won three TMF Catalyst Awards, and in particular, the digital twin smart city project was the sole winner of the summit to win two awards for its sustainability and industry influence, and was selected as a case study for business school teaching at Dartmouth College, an Ivy League university in the US.

Multiple key innovative technologies and products of the Company were granted with patents and software copyrights. At present, the Company owns over 1,000 software copyrights in total. We continued to participate intensively in 20 international/national technical standards organisations such as 3GPP, ITU, ETSI, IEEE, TMF, and O-RAN. The value and recognition derived from such international standards has increased significantly, of which they include 40 international standards, 7 important standards of 3GPP, and led the federal learning in IEEE international standard establishment. We have several technology perspectives leading the industry, including “The Next Decade of AI Communications”, “BFV Telecom Service Function Virtualization”, and “5G Value Surface”. Moreover, as a key player in the area of domestic IT innovation, we have seen that our IT innovation products of database and middleware are fully compatible with 32 mainstream IT innovation products both upstream and downstream, and achieved a number of commercial implementations, and continue to contribute to the development of domestic IT innovation software.

The Company continued to uphold the spirit of ingenuity and continuously established a high-quality system. The product system covers the segments of cloud network, digital intelligence, IT and middle office. The cloud network product system continued to consolidate its industry leading position: the network cloud management and SDN multi-site replication and established product-based models; the 5G private network, which passed the network access test certification of Ministry of Industry and Information Technology, achieved market breakthroughs in multiple commercial sites; the customers experience management (CEM), which realized breakthrough in home broadband business management opportunities; the ReTiNA network intelligent planning, which optimized products and continued to expand the market scale; the 5G network intelligence, which focused on areas such as computing network, automatic and intelligent network; and the network digital twin, empowering the digital and intelligent transformation of the communications industry. The continuous innovation of digital intelligent product system: the Data Infra platform, which built a cloud native primary data technology base that integrates data fabric, lakehouse, and cloud edge collaboration; the Data OS platform, which realized data full domain integration, unified management and asset capitalization; the edge AI, which invested in key industries significantly and built model projects; the RPA, a multi-scenario digital employee on-the-job operation; the AIOps, which helped intelligent operation and maintenance in all scenarios; and the Data Discovery, which carried out architecture upgrade and made sound achievements at several stages. The continuous evolution of IT product system: the Cloud OS platform, which realized large-scale application; the PaaS platform, which built a digital technology platform for enterprises; the GIS platform, which built a GIS base for operators; the blockchain platform, which formed data connection and data circulation value chain; the DevOps, which improved quality and efficiency; the digital twin, which realized market breakthroughs in several industries; and the successful database model sites and growing pilot sites. The middle office system further clarified that: the technology middle office, data middle office, and AI middle office, which built the support base for the digital-intelligence transformation of many industries, and the smart middle office system, the commercial use of which was further promoted.

VI. Emerging “One Mainstay, Three Links” synergy with comprehensive strengths widely recognized

In respect of ecological construction, the Company’s ecological system of “One Mainstay, Three Links” has achieved progressive improvements. As of the end of 2021, the number of ecological partners had exceeded 200. During the Reporting Period, the Company increased its efforts in capital link layout, and facilitated the implementation of the Company’s strategic business and sustainable growth through complementary advantages. It established a holding company, AsiaInfo Goods Cloud Beijing Technology Limited 亞信貨雲(北京) 科技有限公司, and built a multi-model transportation big data platform to provide industry customers with comprehensive data and information services for bulk logistic. It strategically invested in Guangdong New Vision Info-Tech Co., Ltd.(廣東新視野信息科技股份有限公司) and jointly published the “Edge AI for Smart Construction Sites” solution, in which both parties jointly expanded the related markets such as smart construction sites and industrial parks. It developed partners of capital link in smart cities and relevant integrated businesses, and reached an intention with Beitou Xinchuang Group (北投信創集團) to establish a joint venture, so as to jointly expand the market. In January 2022, the Company acquired iResearch Consulting, extending its core capabilities from product R&D, implementation and delivery, system integration, data operation, customer services to consulting planning and smart decision-making, thus becoming a leading provider with full-stack digital and intelligent capabilities. At the strategic link, the Company cooperated with leading enterprises such as communication operators, cloud providers as well as government departments to complement each other’s advantages and achieve win-win cooperation. During the Reporting Period, it signed strategic agreements with Tencent Cloud, China Electronic Cloud, KylinSoft and others, and reached strategic cooperation with the Anshun People’s Government to carry out cooperation in the smart city and IT innovation aspects.

In 2021, the Company received various honours and product awards and its brand influence continued to rise. It has been selected as one of the Top 100 Companies in China in terms of Software Business Revenue for 7 consecutive years, awarded various titles and honours such as Outstanding Enterprise in Software and Information Service Industry, China’s Most Influential Enterprise Brand in Software and Information Service Industry, Excellent Enterprises in Electronic and Information Industry, Top 50 Enterprises in China’s Electronic and Information Industry in terms of Social Contribution, Leading Enterprises in China’s Artificial Intelligence, Most Influential Enterprises in China’s Software Industry, Outstanding Entrepreneurs in China’s Software Industry, Top 100 “Leap Technology Enterprise” in Hong Kong Stock, Innovative Software Enterprises of 2021 in China, Leading Enterprises in New Smart City, and Top 100 Technology Companies of 2021.

FUTURE OUTLOOK

The year 2022 is the year for the full implementation of China's "14th Five-Year" Plan, and is also the year for AsiaInfo Technologies to liberate the advantages of traditional business in efficiency and activate the growth momentum of the Three New business deeply and continuously. The Company will seize opportunities and firmly implement the "One consolidation, Three developments" strategy, striving to become a leading provider with full-stack digital and intelligent capabilities.

In respect of digital operation, the Company's DSaaS business will be fully integrated with iResearch Consulting to establish full-stack capabilities in the digital industry. In future, the Company' core capabilities will be extended from product R&D, implementation and delivery, system integration, data operation, customer services to consulting planning and smart decision-making, forming a closed loop for offering customer services and accelerating the rapid development of digital operation.

In respect of vertical industries and enterprises cloudification, the Company will continue its focus, strengthen the ecological cooperation system, create integrated solutions, and build up a vertical and sustainable development model. Through integration with iResearch Consulting, we have created the strengths in the whole chain capability from consulting planning, product solution, construction delivery to operation and maintenance, and provided integrated solutions and service model for vertical industry customers.

In respect of OSS business segment, the Company will seize the market opportunities brought by 5G network intelligence, automatic and intelligent network, computing network, network digital twin and other new technologies, continue to expand business scale, increase market share, and constantly enhance the product technologies so as to maintain its leading position in the industry.

In respect of BSS business segment, the Company will seize the new opportunities in digital-intelligence transformation. Focusing on the arithmetic network, government and enterprise digital intelligence, intelligent operation, cloud network operation, new market, new areas, new projects, new needs of new operators as well as digital and intelligent technology based-BSS products, we continue to consolidate our leadership position in the BSS market.

FINANCIAL OVERVIEW

Summary

In 2021, the Company staunchly implemented the development strategy of “One consolidation, Three developments” and continued to maintain a good development momentum and operating results. Driven by the constant and rapid development of the Three New business, revenue growth was accelerated. In 2021, we achieved revenue of approximately RMB6,895 million (2020: approximately RMB6,020 million), increased by 14.5% year-on-year, among which, the revenue from the Three New business amounted to approximately RMB1,568 million (2020: approximately RMB780 million), increased by 101.0% year-on-year, a double in growth and accounted for 22.7% of the revenue, becoming an important driver for the Company’s business expansion.

In 2021, our gross profit amounted to approximately RMB2,645 million (2020: approximately RMB2,303 million), representing a year-on-year increase of 14.8%, and our gross profit margin amounted to 38.4% (2020: 38.3%), representing an increase of 0.1 percentage point as compared with last year. Profit for the year was approximately RMB783 million (2020: approximately RMB662 million), representing a significant increase of 18.2%, and profit margin for the year reached 11.3% (2020: 11.0%), up by 0.3 percentage point year-on-year.

In 2021, the Company achieved basic earnings per share of approximately RMB0.86 (2020: approximately RMB0.85), representing a year-on-year increase of 1.2%.

In 2021, net cash generated from operating activities was approximately RMB681 million (2020: approximately RMB710 million), representing a slight year-on-year decrease of 4.1%, and the cash generated from operating activities remained stable in general.

Revenue

During 2021, the Company adhered to the development strategy of “One consolidation, Three developments”, kept up with market development changes, focused on the industry and digital transformation, accelerated its scalable expansion in the new business sectors in DSaaS, vertical industries and enterprise cloudification, and OSS business, which brought about accelerated revenue growth.

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

	2021		2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue				
Software business:				
Traditional business	5,327,134	77.3	5,239,769	87.0
Three New business	1,567,533	22.7	779,709	13.0
DSaaS	729,649	10.6	351,600	5.8
Vertical industries and enterprise cloudification	424,833	6.1	180,329	3.0
OSS	413,051	6.0	247,780	4.2
Total software business	6,894,667	100.0	6,019,478	100.0
Network security business	—	—	377	—
Total	6,894,667	100.0	6,019,855	100.0

In 2021, the revenue amounted to approximately RMB6,895 million (2020: approximately RMB6,020 million), increased by 14.5% year-on-year, among which, the revenue from the Three New business amounted to approximately RMB1,568 million (2020: approximately RMB780 million), increased by 101.0% year-on-year, which accounted for 22.7% of the revenue (2020: 13.0%) and became an important driver for the Group's business scalable expansion.

The traditional business includes BSS business and sales of third-party hardware and software, system integration services, business consulting services and corporate trainings. In 2021, revenue from traditional businesses amounted to approximately RMB5,327 million (2020: approximately RMB5,240 million), increased by 1.7% year-on-year, accounted for 77.3% of the revenue (2020: 87.0%).

With the development of the digital economy, there is a huge demand for digital and intelligent services from enterprises and governments. In 2021, the DSaaS business kept up with market demand for value-based operations and continued to maintain a strong growth momentum and achieved revenue of approximately RMB730 million (2020: approximately RMB352 million), representing a year-on-year increase of 107.5%, and accounted for 10.6% of revenue. We have further expanded our customer base and hit a new record in business scale.

Benefited from years of market development, in 2021, the vertical industries and enterprise cloudification business witnessed rapid development and achieved revenue of approximately RMB425 million (2020: approximately RMB180 million), representing a year-on-year significant increase of 135.6% and exceeding more than 6.0% of the revenue for the first time. We will further focus on government affairs, finance, postal, transportation and energy, strengthen the cooperation and development with mainstream cloud vendors, and devote our efforts in the industry and business so as to accelerate the in-depth development of a sustainable business model.

The Company continued to strengthen the product capability of 5G network intelligence and took a strong step into the leading industry rank. With the implementation of a series of benchmark projects, in 2021, the OSS business achieved revenue of approximately RMB413 million (2020: approximately RMB248 million), representing an increase of 66.7% year-on-year.

Cost of Sales

In 2021, the cost of sales was approximately RMB4,250 million (2020: approximately RMB3,717 million), increased by 14.3% year-on-year, which was in line with business expansion.

Gross Profit and Gross Profit Margin

In 2021, our gross profit was approximately RMB2,645 million (2020: approximately RMB2,303 million), up by 14.8% year-on-year. Our gross profit margin was 38.4% (2020: 38.3%), maintained a sound profitability.

Selling and Marketing Expenses

In 2021, the selling and marketing expenses amounted to approximately RMB505 million (2020: approximately RMB473 million), representing a year-on-year increase of 6.9%, which was in line with the development of new business market.

Administrative Expenses

In 2021, the administrative expenses amounted to approximately RMB296 million (2020: approximately RMB321 million), representing a year-on-year decrease of 7.8%, which was the combined results of the Company's continued refinement of function management, the enhancement of digital management capabilities and the year-on-year decrease in expenses for the implementation of share incentive scheme in 2021.

R&D Expenses

R&D expenditures are fully expensed in the current period according to the Group's accounting policies. The Company paid great attention to the high-end leading technologies and products and continued to strengthen its R&D investment so as to evolve into a comprehensive R&D product system. In 2021, the R&D expenses amounted to approximately RMB1,006 million (2020: approximately RMB840 million), representing a year-on-year increase of 19.7% and accounted for 14.6% of the revenue (2020: 14.0%).

Income Tax Expenses

In 2021, the income tax expenses amounted to approximately RMB134 million (2020: approximately RMB102 million), which was mainly due to the provision for withholding income tax of approximately RMB33 million (2020: nil). Excluding withholding income tax, the effective income tax rate calculated based on the profit before tax was 11.0% in 2021.

Profit for the year

In 2021, we achieved a profit for the year of approximately RMB783 million (2020: approximately RMB662 million), representing a significant year-on-year increase of 18.2%. Net profit margin for the year reached 11.3% (2020: 11.0%), representing an increase of 0.3 percentage point as compared with last year. The continuous increase in profit for the year was due to the combined effect of expanding the Company's business scale, optimising internal process, and improving the management.

Dividend

The Board has resolved to recommend the payment of a final dividend of HK\$0.416 per Share for the year ended 31 December 2021 (2020: HK \$0.345 per Share).

Financial Position

The Group's financial position is sound. As of 31 December 2021, our total assets were approximately RMB9,505 million (31 December 2020: approximately RMB8,873 million), representing a year-on-year increase of 7.1%. Total liabilities were approximately RMB3,354 million (31 December 2020: approximately RMB3,318 million), and net assets were approximately RMB6,152 million (31 December 2020: approximately RMB5,555 million), representing a year-on-year increase of 10.7%.

Goodwill

As at 31 December 2021, our goodwill amounted to approximately RMB1,932 million (31 December 2020: approximately RMB1,932 million), which was attributable to the business merger completed in 2010. The Group engaged a professional independent valuer to conduct an impairment evaluation on goodwill as at the end of 2021. During the Reporting Period, we had not identified any indication of impairment for goodwill and no impairment loss for goodwill was recorded. Our business scale grew steadily with strong profitability.

Pledged Assets

As at 31 December 2021, deposits amounting to approximately RMB179 million (31 December 2020: approximately RMB272 million) had been pledged to secure letters of guarantee and notes payable, representing a year-on-year decrease of 34.1%, which was mainly due to the repayment of bank loans and the release of corresponding deposit.

Trade and Notes Receivables

Our trade and notes receivables represented the outstanding trade and notes receivables from our customers for the purchase of our products or services. As at 31 December 2021, trade and notes receivables amounted to approximately RMB847 million (31 December 2020: approximately RMB942 million), representing a year-on-year decrease of 10.1%. The turnover days of trade and notes receivables were approximately 49.4 days (2020: approximately 56.2 days). Such changes were reflected in the Company's continuous improvement of delivery quality and achieved results in enhanced management of payment collection (the data disclosed above included trade and notes receivables from the China Mobile Group).

Contractual Assets and Contractual Liabilities

On 31 December 2021, contractual assets amounted to approximately RMB2,231 million (31 December 2020: approximately RMB1,722 million), representing a year-on-year increase of 29.5%. On 31 December 2021, contractual liabilities amounted to approximately RMB290 million (31 December 2020: approximately RMB393 million), representing a year-on-year decrease of 26.2%. Changes in contractual assets and contractual liabilities were mainly attributable to changes in line with the project progress of the Company (the data disclosed above included contractual assets and contractual liabilities from the China Mobile Group).

Trade and Notes Payables

The trade and notes payables represented outstanding trade and notes payables to hardware, software and outsourcing service providers. As at 31 December 2021, the trade and notes payables amounted to approximately RMB324 million (31 December 2020: approximately RMB149 million), representing a year-on-year increase of 116.6%. The turnover days of trade and notes payables decreased to approximately 20.3 days (2020: approximately 24.9 days). The above figures were mainly subject to normal changes in line with business development.

Borrowings

We had no bank borrowings for the year ended 31 December 2021 (31 December 2020: approximately RMB137 million), which was mainly due to full repayment of bank borrowings for the year. As at 31 December 2021, the gearing ratio¹ was nil (31 December 2020: 2.5%).

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

Contingencies

For the year ended 31 December 2021, save as disclosed in this announcement, we did not have any plan for material external debt financing, nor there was any outstanding debt securities, charges, mortgages, or other similar indebtedness, leasing commitments, guarantees or other material contingent liabilities.

Cash Flow

Our business features enable us to maintain a healthy cash flow level. The net cash generated from operating activities in 2021 amounted to approximately RMB681 million (2020: approximately RMB710 million), representing a slight year-on-year decrease of 4.1%. This was primarily attributable to the normal changes in line with daily operation after continuous growth in the business scale.

Our net cash generated from investing activities in 2021 was approximately RMB519 million, which was mainly due to the redemption of wealth management products issued by various banks and other financial institutions, and no single wealth management product investment accounted for over 5% of the Group's total assets. In 2020, we recorded a net cash used in investing activities of approximately RMB1,012 million, which was mainly due to the purchase of wealth management products issued by various banks and other financial institutions by the Group.

Our net cash used in financing activities in 2021 was approximately RMB550 million, which was mainly due to the payment of annual dividends and repayment of bank loans. In 2020, we recorded a net cash generated from financing activities of approximately RMB199 million, which was mainly due to the combined effects of the proceeds from the share subscription by the China Mobile Group and repayment of bank loans as well as payment of annual dividends.

Foreign Exchange Risk

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

As of 31 December 2021, the Group did not have any foreign currency hedging activity. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Funding and Working Capital Management

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

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

Save as disclosed in this announcement, the Group had no significant investments held or significant acquisitions and disposals of subsidiaries in 2021.

Subsequent Events

On 14 January 2022, the Company reached an agreement with the original shareholders of iResearch Consulting to acquire 94.23% equity interests in iResearch Consulting at a total consideration of approximately RMB512 million. iResearch Consulting has been engaging in industry research, user research, data insight, strategic and other professional industry services. Such acquisition will bring significant value and returns for the future business expansion and brand enhancement of the Company. As of the date of this announcement, the acquisition has been completed and the relevant valuation on the identifiable assets and liabilities of the acquiree is in progress.

USE OF NET PROCEEDS FROM LISTING

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

The following table sets out the details of the above net proceeds that were utilised as of 31 December 2021:

	Approximate percentage of total amount %	Proceeds from initial public offering HK\$'000	Proceeds utilised as of 31 December 2021 HK\$'000	Unutilised proceeds as at 31 December 2021 HK\$'000
Enhance our R&D capabilities and expand DSaaS, IOT and 5G network intelligence businesses	35%	315,547	315,547	—
Repayment of bank loans	30%	270,469	270,469	—
Strategic investments and acquisition	25%	225,391	36,056	189,335 (Note)
Working capital and other general corporate purpose	10%	90,156	90,156	—
Total	100%	901,563	712,228	189,335

Note: The Group had fully utilised proceeds in strategic investments and acquisition in January 2022.

ISSUED SHARES AND USE OF PROCEEDS

On 14 April 2020, the Company and China Mobile International Holdings Limited (the “Subscriber”) (a wholly-owned subsidiary of China Mobile Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00941)) entered into a subscription agreement (the “Subscription Agreement”).

The Subscription was completed on 2 September 2020 (the “Completion”), which raised total proceeds and net proceeds of approximately HK\$1,385 million and approximately HK\$1,384 million, respectively. The net issue price per subscription share was approximately HK\$7.6. The intended use of the net proceeds is consistent with the intended use as disclosed in the Company’s circular dated 28 May 2020.

The following table sets out the details of the proceeds from the Subscription that the Group had utilised as of 31 December 2021:

	Approximate proportion of total amount %	Proceeds from the Subscription HK\$’000	Proceeds utilised as of 31 December 2021 HK\$’000	Proceeds unutilised as at 31 December 2021 HK\$’000	Expected timetable for utilising the unused proceeds ⁽¹⁾
R&D investment in new products and new technologies and business development of DSaaS, vertical industries and enterprise cloudification and OSS	40%	553,640	457,879	95,761	31 December 2022
Invest or acquire assets and businesses that complement the Group’s business and complement the Group’s development strategy	35%	484,435	—	484,435 ⁽²⁾	31 December 2022
General working capital (including administrative purposes and sales and marketing purposes)	25%	346,025	306,651	39,374	31 December 2022
Total	100%	1,384,100	764,530	619,570	

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

Note 2: The Group had utilised approximately HK\$423 million for the acquisition in January 2022.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2021, the Group had a total of 13,332 (31 December 2020: 13,216) full-time employees. The Group strives to align the remuneration level of its employees with market level, so as to maintain competitiveness. The remuneration of our employees is subject to the remuneration and bonus policy of the Group, and determined in accordance with the performance of each staff. The Group also provides comprehensive benefit packages and career development opportunities to its employees, including insurance benefits etc. Internal and external training programmes are provided according to the changes in the industry, technological updates and needs of employees.

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

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

CLOSURE OF THE REGISTER OF MEMBERS

The Company will hold its upcoming AGM at 10:00 a.m. on Thursday, 26 May 2022. The register of members of the Company will be closed from Monday, 23 May 2022 to Thursday, 26 May 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 20 May 2022.

The record date for determining who is entitled to receive the proposed final dividend is Tuesday, 7 June 2022. In order to determine the right of the Shareholders entitled to receive the proposed final dividend, which is subject to the approval of the Shareholders in the AGM, the register of members of the Company will also be closed from Wednesday, 1 June 2022 to Tuesday, 7 June 2022, both days inclusive. All properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 31 May 2022. The final dividend, if approved, will be payable on or around Thursday, 16 June 2022.

CORPORATE GOVERNANCE

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

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she had complied with the required standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, save for the purchase of a total of 6,996,000 Shares by the trustee on the Stock Exchange pursuant to the 2020 Share Award Scheme adopted by the Board on 7 January 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to the acquisition agreement entered into by Beijing AsiaInfo Smart Big Data Co., Ltd. (an indirect wholly-owned subsidiary of the Company) (“**Beijing AsiaInfo**”) and the relevant vendors (all of which are Independent Third Parties) on 14 January 2022, pursuant to which, Beijing AsiaInfo has agreed to acquire 94.23% of the equity interests of iResearch Consulting at a total consideration of approximately RMB512 million from the vendors. The acquisition was completed on 17 January 2022 and iResearch Consulting has become an indirect 94.23%-owned subsidiary of the Company. For further details, please refer to the announcement of the Company dated 14 January 2022.

Save as disclosed above, since the end of the Reporting Period and up to the date of this announcement, there has been no significant event after the Reporting Period that affects the Group.

At present, the Group’s operation is generally stable. The Directors will continue to pay close attention to the development of the COVID-19 epidemic, assess its impacts on the financial position and operating results of the Group and take active responses accordingly.

AUDIT COMMITTEE

The Audit Committee had, together with the management and external auditor of the Company, reviewed the accounting standards and practices adopted by the Group and the audited financial results of the Group for the Reporting Period.

PUBLICATION OF THE ANNOUNCEMENT AND 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

DEFINITION

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

“AGM”	the forthcoming annual general meeting of the Company to be held on 26 May 2022
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors of the Company
“CAICT”	the China Academy of Information and Communications Technology
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (applicable to the Reporting Period)
“China Mobile Group”	China Mobile Limited and its subsidiaries
“Company”, “AsiaInfo” or “AsiaInfo Technologies”	AsiaInfo Technologies Limited (亞信科技控股有限公司), an international business company incorporated in the British Virgin Islands on 15 July 2003, whose Shares are listed on the Stock Exchange (stock code: 1675)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“ETSI”	the European Telecommunications Standards Institute, a non-profit telecommunication standardisation organisation approved and established by the European Commission
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IEEE”	the Institute of Electrical and Electronics Engineers

“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected person(s)
“ITU”	the International Telecommunication Union
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC” or “China”	the People’s Republic of China
“Pre-IPO Share Award Scheme”	the pre-IPO restricted share award scheme of the Company
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme of the Company
“Prospectus”	the prospectus of the Company dated 6 December 2018
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the year ended 31 December 2021
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“RSU”	the restricted share units in relation to the Pre-IPO Share Award Scheme
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TMF”	the International Telecommunication Management Forum
“US”	the United States of America
“USD” or “US\$”	US dollars, the lawful currency of US
“2019 Share Option Scheme”	the share option scheme adopted by the Company on 25 November 2019

“2020 Share Award Scheme”	the share award scheme adopted by the Company on 7 January 2020
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

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

“AI”	artificial intelligence
“BSS”	business support systems used for the management of customer information, customer business and service processes and customer related services and resources, often used together with OSS to form end-to-end comprehensive business and operation management systems for the telecom industry
“CRM”	customer relationship management
“DevOps”	development and operation system
“DSaaS”	data-driven operation, namely the date-driven SaaS operation services
“Internet of Things” or “IOT”	the network of physical objects — devices, vehicles, buildings and other items — embedded with electronics, software, sensors and network connectivity that enables these objects to collect and exchange data
“IT”	information technology, the application of computers and telecommunications equipment to store, retrieve, transmit and manipulate data
“MSP”	managed service provider
“O-RAN”	open radio access network

“OSS”	operations support systems, a collective term for the software solutions telecom operators use to support their network operations, often used together with BSS to support various end-to-end telecommunications services
“SaaS”	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
“SDN”	software defined network/network function virtualisation
“Three New business”	consists of OSS, DSaaS, vertical industries and enterprises cloudification businesses
“3D”	3-dimension, referring to a spacing system in which a direction vector is added in the flat second dimension system
“4G”	the fourth-generation of mobile telecommunications technology, applied in amended mobile web access, IP telephony, gaming services, high-definition mobile TV, video conferencing, 3D television and cloud computing
“5G”	the fifth-generation of mobile telecommunications technology which has higher speed and capacity and lower latency than 4G

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

Beijing, 7 March 2022

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

Executive Directors: Dr. TIAN Suning, Mr. DING Jian and Mr. GAO Nianshu

*Non-executive Directors: Mr. ZHANG Yichen, Mr. XIN Yuesheng,
Mr. YANG Lin, Ms. LIU Hong and Mr. CHENG Xike*

*Independent non-executive Directors: Dr. GAO Jack Qunyao, Dr. ZHANG Ya-Qin,
Mr. GE Ming and Ms. TAO Ping*