AsialInfo Technologies Limited
(Stock Code: 01675.HK)

2019
ANNUAL RESULTS
ANNUAL REPORT
March 2020
Overview and Prospects

Operating Performance

Financial Performance
Continued to create value for shareholders and distribute final dividend of HK$0.252 per share for 2019 according to the 40% dividend ratio of net profit in the financial report

Continuous increase in number of customers
- Number of Telecom operator customers: 214 → 247 (+15.4%)
- Number of large enterprise customers: 38 → 59 (+55.3%)

Double-digit growth in revenue
- Robust growth in revenue of data-driven operation
- Revenue from software business: 5,192 → 5,719 (+10.1%)
- Revenue from data-driven operation business: 82 → 152 (+83.9%)

Performance continued to improve substantially
- Net profit: 204 → 409 (+100.2%)
- Adjusted net profit & Adjusted net profit margin: 602 → 673 (+11.7%)
- Gross profit & gross profit margin: 1,883 → 2,127 (+13.0%)

* Data of continuing operations  # For details of adjusted items, please refer to P. 29
Established in 1993, AsiaInfo Technologies (stock code: 01675.HK) serves as a leading provider of software products, solutions and services with its focus on the industries such as communications, cable TV, postal, finance, insurance, energy and transportation. The Company is committed to leveraging its abilities in products, services, operation and integration to continuously source new customers, create new businesses and explore new models, in order to assist different sectors for digital transformation.

Possessing a software portfolio of over 500 highly reliable, stable and practical products and continued to obtain the CMMI5 (Capability Maturity Model Integration) international certification, showing AsiaInfo’s outstanding performance in software capability maturity, and once again demonstrating our capabilities in software progress improvement and software development management.

Collaborating with major cloud providers and becoming a partner of their cloud MSP (Management Service Provider) by leveraging its abundant software product systems and excellent project management ability, so as to provide products and services including cloud adoption and application as well as data-driven operation for enterprise customers.

Member of international standard-setting organizations such as 3GPP, GSMA and TMF and vice-chairman member of the China Alliance of Industrial Internet (中国工业互联网联盟), deputy secretary-general member of China Highway Travel Information Service Alliance (中国公路出行信息服务联盟) and vice chairman member of Internet Society of China (中国互联网协会).

Awarded the Most Influential Software and Information Service Enterprise in China (中国最具影响力软件和信息服务企业), the Outstanding Enterprise in Electronic Information Industry (电子信息行业卓越企业), 5G Innovation Award (5G创新先锋奖), the Top 100 Enterprises with Comprehensive Competitiveness in Software & Information Technology Service (软件和信息技术服务综合竞争力百强企业), and the Best Digital Transformation Practice Award in International Software Fair (国际软交会最佳数字化转型实践奖) etc.
5G WILL BOOST ENTERPRISES TO FORM PERCEPTION NETWORK

C-terminal: business perception capability

Intelligent platform

B-terminal: Industrial collaboration capability

Intelligent Service
Intelligent Retail
Intelligent Logistics
Intelligent Manufacturing

Personal Area Network
House Area Network
Vehicle Area Network
Service Area Network
DATA WILL BECOME CORE PRODUCTION INFORMATION, ENTERPRISE OPERATION MECHANISM WILL CHANGE REVOLUTIONARY

VISION
- Auditory
- Smell
- Tactile sense
- Taste
- Kinesthesia
- Synergy

Business Brain

Knowledge

Perception
Insight
Cognition
Prediction
Pre-cognition

01011 11001 11101

Process-driven in industrialization era
- Process rigidity
- Confined results
- Reform difficulty

V.S.

Cognition-driven in digital era
- Cognitive law
- Dynamic response
- Long-term accumulation
PRIVATE CLOUD

TELECOM

EDGE OF CLOUD

PUBLIC CLOUD

ANY DEVICE

ANY APPLICATION

ANY CLOUD

Reference source: Vision by VMware
AsiaInfo Technologies will seize the opportunities in 5G era, exert its operational support advantages, enable digital transformation of vertical industries and assist build the "business brain"
Overview and Prospects

Operating Performance

Financial Performance
Vertical industries/Enterprise cloud

- Focusing on key industries with large scale replication based on matured products and solutions: finance, energy, government affairs, transportation, postal, cable TV, etc.
- Integrating multiple public clouds, building AsiaInfo Cloud brand, and opening up multiple sub-business segments such as cloud resale, cloud management, cloud software, cloud value-added services, and cloud customer operations.

5G OSS

- Participating in 5G network construction, establishing technical influence, and obtaining 5G business income and market share.

Data-driven operation (DSaaS)

- Relying on the big data "products and services" platform, helping enterprises to enhance operational capabilities in market insight, stock management, new customers acquiring, risk prevention and control, and assisting the government to improve management and service capabilities in population management, public safety, emergency protection, traffic management, etc.

COMPANY STRATEGY: "ONE CONSOLIDATION, THREE DEVELOPMENTS", MOVING FORWARD FROM 10 BILLION MARKET TO 100 BILLION
In 2019, AsiaInfo Technologies continued to adhere to the strategy of "Three New and Four Abilities", and put "One consolidation, Three developments" as a growth driver. Strategy implementation is effective and maintain a sound growth in overall results.

**Revenue from software operations**
- +10.1% YoY
- 2018: 5,192 (RMB million)  
- 2019: 5,719 (RMB million)

**Net profit**
- +100.2% YoY
- 2018: 204 (RMB million)  
- 2019: 409 (RMB million)

**Adjusted net profit**
- +11.7% YoY
- 2018: 602 (RMB million)  
- 2019: 673 (RMB million)

* Continuing business caliber data  # For details of adjusted items, please refer to P. 29
CONTINUED TO CONSOLIDATE LEADERSHIP POSITION IN TELECOM BSS MARKET

Number of customers in telecom operator market

247

15.4%

Customer retention rate

>99%

Keeping up with operator’s 5G and IT support strategies, participating in operator’s 5G and IT top-level planning, and consolidating operator’s BSS domain market position

- Assisting operators in top-level planning and IT system transformation and upgrade
  - Smart BSS multi-provincial implementation, laying future layout
  - BSS domain regional centralized node
  - Intelligent customer service
  - IT system cloud upgrade
  - …...

- Actively exploring data domain market, helping customers in 5G smart operations
  - Data collection project
  - Machine learning products
  - Big data platform
  - …...

- Orderly promoting 5G business support, implementation of multiple 5G BSS strategic projects
  - 5G NSA / SA dual-mode multi-dimensional converged billing projects
  - Smart grid projects
  - Business middle-office projects
  - …...

- Helping customers upgrading policy needs
  - Actively participating in upgrading the supporting capabilities of carrier’s number transferring network
  - …...

Telecom BSS
COMMERCIALIZED PROGRESS OF 5G OSS DOMAIN PRODUCTS FAR EXCEEDED EXPECTATIONS IN ITS FIRST YEAR

5G OSS Product series
Aiming at typical intelligent operation and maintenance scenarios in 5G era, creating six major 5G network intelligent product series

1. AISWare 5G-OSS
2. AISWare NFV
3. AISWare SDN
4. AISWare 5G-Slicing Mgmt
5. AISWare CEM
6. AISWare ReTINA

5G OSS Commercial piloting
Overfulfilling achievement targets, tackling key site checkpoints successfully

5G OSS domain
first year business piloting collaboration

17

5G network intelligent products order breakthrough 10 millions

- China’s first operator-grade 5G network slice manager commercial system
- First full network-grade SDN network management system of an operator
- AsialInfo’s first NFV network virtualization commercial product
- Carrier’s full network 5G NR wireless network management system
ROBUST GROWTH IN DATA-DRIVEN OPERATION

Data-driven operation

Revenue 152 million
Growth rate 83.9%

Data-driven services operation (DSaaS)

Data sources
- Customer-owned data
- Authorized processing data
- External compliance data

Data-driven operation product mechanism
- Provide customers with DSaaS services

Result-based
SaaS subscription
Project-based

Utility software

Data-driven operation commercial models

Expanding customer layout
- Customer layout extends to the insurance, cable TV, new energy vehicles, police anti-fraud and other sectors.

- Industry analysis report
- Winning clients by precision marketing scenario
- Long tail customer operations
- Resume contact with customers

- Community security management
- Telecom anti-fraud
- Transportation network management
- Electronic police flow
- The big data platform for epidemic prevention and control

- Inventory customer value operation
- New operation for new customers
- Increased revenue from new market

- Identity authentication
- Credit assessment
- Small- and mid-size enterprise marketing
- Online customer marketing
- Design promotion services

- Population statistics
- Population monitoring
- Safety control of dense crowd

- WeChat operation of IPTV customer
- Big data precision marketing for IPTV customers

Data-driven services operation (DSaaS)

- Financial insight cloud
- Financial marketing cloud
- Financial risk control cloud
- Transportation insight cloud
- Anti-fraud cloud
- Customer visit monitoring cloud
- Population management cloud
- Retention management cloud
- Address selection service cloud

Middle office technology sharing
- Algorithm model
- Analysis tools
- Visible tools
- Mobile tools
- Business scenario bank
- Cloud management tools
- API portal

Customer layout extends to the insurance, cable TV, new energy vehicles, police anti-fraud and other sectors.

- Policy analysis
- Win clients by precision marketing scenario
- Long tail customer operation
- Resume contact with customers

- Community security management
- Telecom anti-fraud
- Transportation network management
- Electronic police flow
- The big data platform for epidemic prevention and control

- Inventory customer value operation
- New operation for new customers
- Increased revenue from new market

- Identity authentication
- Credit assessment
- Small- and mid-size enterprise marketing
- Online customer marketing
- Design promotion services

- Population statistics
- Population monitoring
- Safety control of dense crowd

- WeChat operation of IPTV customer
- Big data precision marketing for IPTV customers
CONTINUOUS EXPANSION IN VERTICAL INDUSTRIES MARKET, PROMISING PROSPECT IN CLOUD BUSINESS

Vertical industries

Number of Large enterprise customers

59

55.3%

Customer retention rate

>99%

Cloud MSP sector business model

Self-developed AsialInfo Cloud Services, public cloud resale, personalized recommendations for AI inspiration, one-stop management for mixed clouds, cloud & AI enterprise market

Cloud cooperation sector

- Alibaba MSP Partner
- Huawei CSSP Partner

Industry customized products

- Data middle office products
- Business middle office products

Standardized products

- AntDB big data products
- DevOps agile development operation and maintenance platform
- DataGo data asset management products

Continuous expansion in large-scale enterprise vertical industries market. Achieve breakthroughs in cloud MSP and transportation sectors

- Expand Hunan and Guangdong high-speed billing projects and Yunnan high-speed big data projects
- Complete several large state-owned commercial banks and insurance companies projects
- Complete the state grid big data project and CNOOC equipment monitoring big data project
- Deepen cooperation with cable TV to carry out IPTV data-driven operation

Vertical industry Market expansion

Focus on key industries

Government

Retail

Transportation

Finance

Energy

Post

Cable TV

Multi-cloud management platform

Cloud consulting planning

Cloud migration implementation

Cloud operation management

Cloud value-added development

Public cloud Taobao, mixed multi-cloud management, cloud & AI market. Huge market potential, China is in its infancy with promising prospect.

Service form in vertical industry market

Self-developed AsiaInfo Cloud Services, public cloud resale, personalized recommendations for AI inspiration, one-stop management for mixed clouds, cloud & AI enterprise market.
The Company actively built a R&D middle office business system and mechanism to achieve intensive product R&D and improved the Company’s overall R&D delivery efficiency. Based on the technology concept of “Full-domain Virtualization, Full-domain Intelligentization, Full-domain Perception”, we developed a complete set of 5G system product mechanism.

R&D expenses focusing on strategical move, invested RMB819 million in 2019, a year-on-year growth of 45.5%, representing 14.3% of revenue, and basically in line with historical average level.

* R&D charges are the amount excluding share incentive charges.
Assisting operators and government to combat COVID-19 scientifically

- Supporting IT system operation of operators and ensuring smooth communication
- Big data platform for epidemic prevention and control
- Epidemic prevention and control products and solutions

Helping industries to accelerate transformation after the epidemic

- Industry digitalization
- Industry cloudification
- Industry internetization
COLLABORATE WITH INDUSTRY PARTNERS TO DEEPEN STRATEGIC COOPERATION AND WIN WIDE RECOGNITION IN COMPREHENSIVE STRENGTHS

**Strategic cooperation**
Continue to deepen strategic cooperation with all parties in the industry, explore development opportunities, and achieve complementary advantages, resources sharing, and win-win cooperation

- Successfully renewed strategic cooperation agreement with China Mobile Group
- Established “5G Network Intelligent Joint Innovation Lab” with Henan Mobile
- Signed a strategic cooperation agreement with China Unicom Company
- Signed a contract with China Telecom to create a new 5G future
- Signed a strategic cooperation agreement with Ping An Annuity Insurance Company of China, Ltd.
- Signed a strategic cooperation agreement with CITIC Digital Media Network Company Limited
- Become Alib Cloud MSP Partner Program Core Partner
- Cooperate with Huawei Kunpeng Ecological Strategy and become a Huawei Cloud Partner
- Signed a strategic cooperation agreement with Lenovo Group
- Signed a corporate WeChat service provider cooperation agreement with Tencent
- Deepening strategic cooperation with Baidu
- Deepening strategic cooperation with Kingdee Cloud Sky
- Signed a strategic cooperation agreement with Hebei Radio and Television and HKUST Xunfei

**Comprehensive strengths**
Receive many awards, focus on voicing out in international standardization organizations and trade associations, corporate soft power and industry influence continues to rise

- China’s Top 100 Enterprises in Comprehensive Competitiveness in Software and Information Technology Services 2019
- 2019 China’s Most Influential Industry Brand in Software and Information Services
- Outstanding Enterprise of Electronic Information Industry in 2019
- 2019 International Soft Fair Best Digital Transformation Practice Award
- Most Influential Companies in China’s Software Industry in 2019
- China’s Software Industry Outstanding Solutions in 2019
- 5G Innovation Pioneer Award 2019 (CEM Products)

- Member of Global Mobile Operators Association GSMA (Global Mobile Operators Association)
- Seven International Standard Proposals approved by ETSI (European Telecommunication Standardization Institute)
- Elected Vice-Chairman Member of Industrial Internet Industry Alliance
- Elected as Deputy Secretary General of China Highway Travel Information Service Alliance
- Vice-Chairman Member of China Internet Association
- Passed CMMI5 Certification again
## NEW DEVELOPMENT OPPORTUNITIES IN 2020

<table>
<thead>
<tr>
<th>Opportunities in China’s software industry</th>
<th>Relevant policies and corporate demand-driven initiatives</th>
<th>Business opportunities for AsialInfo</th>
</tr>
</thead>
</table>
| Pandemic prevention stimulates data values | Under the pandemic, the government constantly stresses that big data represents the application of new technologies, puts forward the "improvement of major pandemic prevention and control mechanisms and national public health emergency management system," and publishes various information regarding the use of technology to support pandemic prevention and control and policy requirements for intelligent urban construction | • Big data platform for pandemic prevention and control  
• Smart city emergency management  
• SME service operation  
• Private domain traffic operations in retail industry  
• Private domain traffic operations in financial industry  
• Pan-industry digital marketing |
| New 5G infrastructure activates demands for software | For 5G construction, from governments to enterprises, they all attach great importance to the progress of 5G construction: at the government level, the state has proposed “accelerating the progress of 5G networks, data centers and other new infrastructure construction”, with “full understanding of the importance and urgency of accelerating 5G development”. At the enterprise level, operators have accelerated the construction of 5G networks and expanded 5G network coverage | • 5G network management platform  
• 5G smart middle office platform  
• 5G billing platform  
• 5G end-to-end network slice support  
• 5G smart operations  
• 5G wireless private network and application |
| Suitable time for enterprises cloudification in vertical industry | The government has promoted enterprise cloudification, and related cloud policies are becoming more and more sophisticated. Cloud services will accelerate its development in next few years, and the requirement standards for domestic cloud MSP capability are gradually standardizing. Data from the Development Research Center of the State Council has revealed that government and enterprise cloudification are accelerating from 2019 to 2023. The penetration rate will exceed 60% in 2023, and government and enterprise cloud adoption will enter a normalization stage | • Multi-public cloud business resale  
• Mixed and multi-cloud management  
• SaaS cloud software  
• Cloud value-added development  
• Smart energy solutions  
• Smart financial solutions |
KEY BUSINESS OF THE COMPANY IN 2020

Market expansion

- Continuously reinforcing our position in the operators market and providing a new generation of BSS systems enabling 5G business operation scenarios.
- Increase the development of data-driven operation business in the government, finance, retail, cable TV, and operators sectors to achieve rapid growth;
- In the 5G OSS, 5G BSS upgrading, BO integration, 5G application and other sectors, seize the opportunities of 5G new infrastructure and achieve rapid growth;
- Leverage multi-cloud management products and cloud-based solutions in the energy, government, and financial industries to achieve breakthrough growth.

Product R&D

- Continue to strengthen middle office technology system, further enhance the reuse of technology-based products throughout the Company, and improve business efficiency;
- Continue to strengthen R&D investments in 5G network intelligence and 5G smart operation, and embrace new 5G infrastructure;
- Develop a series of AsiaInfo cloud management products, create AsiaInfo cloud brand, and open up AsiaInfo cloud’s multi-business segments;
- Building communication AI platform and production capability, assisting operators and vertical industries partners to realize the transformation from “intelligence injection” to “intelligence integration”.

Cooperation M&A

- Actively search for investment and merger opportunities collaborative with Company’s strategy, broaden Company’s business scope and customer base, and drive performance growth;
- Deepen collaboration and coordination with strategic partners, complement each other, share resources, and achieve win-win cooperation.
The company will seize the development opportunities in 5G era, closely support 5G upgrade construction of telecom operators, help large enterprises in the vertical sector to adopt and use cloud, and help companies in all walks of life to increase the value of data-driven operations, striving to become the enabler of digital transformation for large enterprises in 5G era.

**Mission**
Leveraging our product, service, integration and operation capabilities to assist enterprises in digitalization and creating new value

**Vision**
Ai is everywhere (intelligent services are everywhere. AsiaInfo is everywhere. Love is everywhere)

**Values**
Focus on customers, Result-oriented, Open collaboration, Pursuit of effectiveness, Embrace change

**Objective**
2020-2024 Revenue and profit continue to grow rapidly
- Business Support (BSS)
- 5G Intelligent Network
- Data-Driven Operation (SaaS)
- Enterprise Cloud and Vertical Industries

**Path**
New customer, New business, New model

**Core ability**
Operation ability, Integration ability, Service ability, Product ability

**Business measures**
- Intelligent Network [Scale development]
- Data-driven Operation Services (DSaaS) [Scale development]
- Enterprise Cloudification and Vertical Industries [Scale development]

**Telecom Industry Software and Services [Consolidate BSS market leadership]**

**Management and protective measures**
Organization Optimization Projects, Human Resources Projects, Data-driven Operation Projects, Cost-effective Control Projects, Investment and M&A Projects, Strategic Cooperation Projects
Overview and Prospects

Operating Performance

Financial Performance
### PERFORMANCE HIGHLIGHTS

<table>
<thead>
<tr>
<th>RMB million, unless otherwise stated</th>
<th>2019</th>
<th>2018</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial data – continuing operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>5,721</td>
<td>5,211</td>
<td>9.8%</td>
</tr>
<tr>
<td>Including: Revenue from software business</td>
<td>5,719</td>
<td>5,192</td>
<td>10.1%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>2,127</td>
<td>1,883</td>
<td>13.0%</td>
</tr>
<tr>
<td>Gross profit margin (%)</td>
<td>37.2%</td>
<td>36.1%</td>
<td>1.1pp</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(1,617)</td>
<td>(1,426)</td>
<td>13.4%</td>
</tr>
<tr>
<td>Other profit or losses</td>
<td>31</td>
<td>(144)</td>
<td>(121.4%)</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>(132)</td>
<td>(109)</td>
<td>21.2%</td>
</tr>
<tr>
<td>Net profit</td>
<td>409</td>
<td>204</td>
<td>100.2%</td>
</tr>
<tr>
<td>Earnings per share (RMB)</td>
<td>0.56</td>
<td>0.32</td>
<td>75.0%</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>546</td>
<td>583</td>
<td>(6.3%)</td>
</tr>
</tbody>
</table>

**Adjusted data**:  

| Adjusted net profit | 673 | 602 | 11.7% |
| Adjusted net profit margin (%) | 11.8% | 11.6% | 0.2pp |

* For details of adjusted items, please refer to P. 29
REVENUE ACHIEVED DOUBLE-DIGIT GROWTH, REACHING HISTORIC HIGH

Revenue from software business

- **2017**: RMB 4,825 million, **+6.9%**
- **2018**: RMB 5,192 million, **+7.6%**
- **2019**: RMB 5,719 million, **+10.1%**

Number of telecom operator customers

- **2017**: 193
- **2018**: 214, **+15.4%**
- **2019**: 247

Number of Large enterprise customers

- **2017**: 28
- **2018**: 38
- **2019**: 59, **+55.3%**

New orders in 2019

- **Double-digit growth**

New Business orders

- **Double growth**

New customer orders

- **up 50%**

*New Business: OSS、Data-driven operation、Vertical industry and Enterprise cloud*
GOOD PROFITABILITY AND CONTINUOUS IMPROVEMENT

**Gross profit & Gross profit margin** (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Profit (RMB million)</th>
<th>Gross Profit Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,670</td>
<td>33.8%</td>
</tr>
<tr>
<td>2018</td>
<td>1,883</td>
<td>36.1%</td>
</tr>
<tr>
<td>2019</td>
<td>2,127</td>
<td>37.2%</td>
</tr>
</tbody>
</table>

+13.0%

**Net profit** (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Profit (RMB million)</th>
<th>Net Profit Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>335</td>
<td>9.4%</td>
</tr>
<tr>
<td>2018</td>
<td>204</td>
<td>11.6%</td>
</tr>
<tr>
<td>2019</td>
<td>409</td>
<td>11.8%</td>
</tr>
</tbody>
</table>

+100.2%

**Adjusted net profit & Adjusted net profit margin** (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted Net Profit (RMB million)</th>
<th>Adjusted Net Profit Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>464</td>
<td>9.4%</td>
</tr>
<tr>
<td>2018</td>
<td>602</td>
<td>11.6%</td>
</tr>
<tr>
<td>2019</td>
<td>673</td>
<td>11.8%</td>
</tr>
</tbody>
</table>

+11.7%

* Data of continuing operations

# For details of adjusted items, please refer to P. 29
**MAINTAIN GOOD COST-CONTROL AND CONTINUOUSLY OPTIMIZE COST STRUCTURE**

### Continuous good cost-control

**Total cost**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>4,564</td>
<td>4,962</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>563</td>
<td>819</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>285</td>
<td>237</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>439</td>
<td>397</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>3,277</td>
<td>3,509</td>
</tr>
</tbody>
</table>

+8.7%

### Continuously optimize cost structure

**Proportion of total cost to revenue (%)**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D expenses</td>
<td>10.8%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>5.5%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>8.4%</td>
<td>1.5pp</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>62.9%</td>
<td>61.3%</td>
</tr>
</tbody>
</table>

-1.0pp

* The total cost is the sum of cost of sales, selling expenses, administrative expenses and R&D expenses, with share-based compensation expenses and amortization of intangible assets due to acquisition being excluded.

- **Cost of sales**: Ongoing positive effect from our product middle office strategy. Continuous reinforcement of project management.
- **Selling expenses**: Continuously improve the level of refined management of marketing activities. Improve marketing efficiency and save labor costs.
- **Administrative expenses**: Continuously enhance the standard of back office precision management. Improve functional management efficiency and save labor costs.
Distribute final dividend of HK$0.252 per share for 2019 according to the 40% dividend ratio of net profit in the financial report.

Cash flow remains robust

Net cash generated from operating activities:
- 510 RMB million in 2017
- 583 RMB million in 2018
- 546 RMB million in 2019

Cash generated from operating activities remains stable. Due to the adjustment of individual customers’ own structures in 2019, payment collection was delayed, which led to a slight decline in cash generated from operating activities.

Enhanced accounts receivables turnover efficiency

Accounts receivables turnover days:
- 184 days in 2017
- 162 days in 2018
- 143 days in 2019

Accounts receivables turnover days continued to decrease, return efficiency had improved, and operational capabilities are improving.

Enhanced solvency capability

Loan balance:
- 1,747 RMB million in 2017
- 1,915 RMB million in 2018
- 594 RMB million in 2019

Made repayment of bank loans of 1.3 billion as committed, gearing ratio decreased significantly, and solvency improved.

Account receivables and contract assets turnover days:
- 184 days in 2017
- 162 days in 2018
- 61 days in 2019

Account receivables turnover days:
- 58 days in 2017
- 51 days in 2018
- 51 days in 2019

Gearing ratio:
- 57.5% in 2017
- 59.2% in 2018
- 15.2% in 2019

Made repayment of bank loans of 1.3 billion as committed, gearing ratio decreased significantly, and solvency improved.
To facilitate comparison of the operating performance of the Company in different periods, non-recurring, non-cash or non-operating items, which were not indicative of the operation of the Company, were excluded, and are listed as follows:

<table>
<thead>
<tr>
<th>Details of adjustment</th>
<th>2018</th>
<th>2019</th>
<th>2020*</th>
<th>For the year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation of net profit from continuing operations to adjusted net profit from continuing operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal of adjusted items</td>
<td>397,924</td>
<td>263,722</td>
<td>55,926</td>
<td></td>
</tr>
<tr>
<td>Net profit from continuing operations</td>
<td>204,234</td>
<td>408,815</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-listing share-based compensation</td>
<td>155,502</td>
<td>233,648</td>
<td>50,742</td>
<td>The relevant expenses of the Employee Share Incentive Scheme implemented before the listing will be substantially recognized in 2020</td>
</tr>
<tr>
<td>Amortization of intangible assets due to acquisition</td>
<td>34,295</td>
<td>15,131</td>
<td>5,184</td>
<td>The intangible assets from business combination in 2010 will be fully amortized in 2020</td>
</tr>
<tr>
<td>One-off listing expenses</td>
<td>54,096</td>
<td>-</td>
<td>-</td>
<td>Had not occurred after 2018</td>
</tr>
<tr>
<td>Interest expenses for the Privatization Syndicated Loan</td>
<td>49,514</td>
<td>11,373</td>
<td>-</td>
<td>Full repayment in 2019</td>
</tr>
<tr>
<td>Exchange gains and losses</td>
<td>104,517</td>
<td>3,570</td>
<td>-</td>
<td>With the repayment of the bank loan, the effect of exchange gains and losses will be significantly reduced. Due to the unpredictability of exchange rate changes, future impact cannot be estimated.</td>
</tr>
<tr>
<td>Subtotal of adjusted items</td>
<td>397,924</td>
<td>263,722</td>
<td>55,926</td>
<td></td>
</tr>
<tr>
<td>Adjusted net profit from continuing operations</td>
<td>602,158</td>
<td>672,537</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The annual data for 2020 are estimated based on the share incentive scheme arrangement, intangible assets amortization plan, which may differ from the actual occurrence.
Thank you!
## APPENDIX 1: SUMMARY OF CONSOLIDATED INCOME STATEMENT

<table>
<thead>
<tr>
<th>RMB’ 000</th>
<th>2019</th>
<th>2018</th>
<th>YOY</th>
<th>YOY%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuing operations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>5,721,416</td>
<td>5,210,977</td>
<td>510,439</td>
<td>9.8%</td>
</tr>
<tr>
<td><strong>Including: Revenue from software business</strong></td>
<td>5,718,664</td>
<td>5,191,963</td>
<td>526,701</td>
<td>10.1%</td>
</tr>
<tr>
<td>Revenue from network security business</td>
<td>2,752</td>
<td>19,014</td>
<td>(16,262)</td>
<td>(85.5%)</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(3,594,411)</td>
<td>(3,328,353)</td>
<td>(266,058)</td>
<td>8.0%</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>2,127,005</td>
<td>1,882,624</td>
<td>244,381</td>
<td>13.0%</td>
</tr>
<tr>
<td>Selling and marketing expenses</td>
<td>(461,997)</td>
<td>(508,402)</td>
<td>46,405</td>
<td>(9.1%)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(292,586)</td>
<td>(332,825)</td>
<td>40,239</td>
<td>(12.1%)</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>(862,419)</td>
<td>(584,681)</td>
<td>(277,738)</td>
<td>47.5%</td>
</tr>
<tr>
<td>Finance cost</td>
<td>(39,907)</td>
<td>(70,594)</td>
<td>30,687</td>
<td>(43.5%)</td>
</tr>
<tr>
<td>Exchange gain and loss</td>
<td>(3,570)</td>
<td>(104,517)</td>
<td>100,947</td>
<td>(96.6%)</td>
</tr>
<tr>
<td>Other income, revenue and losses</td>
<td>78,227</td>
<td>86,863</td>
<td>(8,636)</td>
<td>(9.9%)</td>
</tr>
<tr>
<td>Share of results of associates</td>
<td>(3,983)</td>
<td>(1,242)</td>
<td>(2,741)</td>
<td>220.7%</td>
</tr>
<tr>
<td>Listing expenses</td>
<td>-</td>
<td>(54,096)</td>
<td>54,096</td>
<td>(100.0%)</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>540,770</td>
<td>313,130</td>
<td>227,640</td>
<td>72.7%</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>(131,955)</td>
<td>(108,896)</td>
<td>(23,059)</td>
<td>21.2%</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>408,815</td>
<td>204,234</td>
<td>204,581</td>
<td>100.2%</td>
</tr>
<tr>
<td><strong>Adjust net profit</strong></td>
<td>672,537</td>
<td>602,158</td>
<td>70,379</td>
<td>11.7%</td>
</tr>
<tr>
<td>RMB’000</td>
<td>2019/12/31</td>
<td>2018/12/31</td>
<td>YOY</td>
<td>YOY%</td>
</tr>
<tr>
<td>---------</td>
<td>------------</td>
<td>------------</td>
<td>-----</td>
<td>------</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>2,822,732</td>
<td>3,229,675</td>
<td>(406,943)</td>
<td>(12.6%)</td>
</tr>
<tr>
<td>Including: Goodwill</td>
<td>1,932,246</td>
<td>1,932,246</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pledged bank and fixed deposits – non-current</td>
<td>198,612</td>
<td>635,736</td>
<td>(437,124)</td>
<td>(68.8%)</td>
</tr>
<tr>
<td>Total current assets</td>
<td>4,717,908</td>
<td>4,767,703</td>
<td>(49,795)</td>
<td>(1.0%)</td>
</tr>
<tr>
<td>Including: Trade and notes receivables</td>
<td>841,182</td>
<td>764,909</td>
<td>76,273</td>
<td>10.0%</td>
</tr>
<tr>
<td>Contract assets</td>
<td>1,554,521</td>
<td>1,335,219</td>
<td>219,302</td>
<td>16.4%</td>
</tr>
<tr>
<td>Pledged bank deposits – current</td>
<td>321,246</td>
<td>481,755</td>
<td>(160,509)</td>
<td>(33.3%)</td>
</tr>
<tr>
<td>Bank balances and cash</td>
<td>1,810,591</td>
<td>1,821,182</td>
<td>(10,591)</td>
<td>(0.6%)</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>3,471,080</td>
<td>4,634,318</td>
<td>(1,163,238)</td>
<td>(25.1%)</td>
</tr>
<tr>
<td>Including: Trade and notes payables</td>
<td>358,048</td>
<td>356,316</td>
<td>1,732</td>
<td>0.5%</td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>296,945</td>
<td>300,918</td>
<td>(3,973)</td>
<td>(1.3%)</td>
</tr>
<tr>
<td>Other payables, deposits received and accrued expenses</td>
<td>1,922,837</td>
<td>1,788,004</td>
<td>134,833</td>
<td>7.5%</td>
</tr>
<tr>
<td>Bank borrowings - current</td>
<td>594,372</td>
<td>1,915,484</td>
<td>(1,321,112)</td>
<td>(69.0%)</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>162,357</td>
<td>127,541</td>
<td>34,816</td>
<td>27.3%</td>
</tr>
<tr>
<td>Total equity</td>
<td>3,907,203</td>
<td>3,235,519</td>
<td>671,684</td>
<td>20.8%</td>
</tr>
</tbody>
</table>