The following is the text of a report set out on pages I-1 to I-128, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ASIAINFO TECHNOLOGIES LIMITED, CLSA CAPITAL MARKETS LIMITED AND CITIGROUP GLOBAL MARKETS ASIA LIMITED

Introduction

We report on the historical financial information of AsiaInfo Technologies Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-128, which comprises the consolidated statements of financial position as at December 31, 2015, 2016 and 2017 and June 30, 2018, the statements of financial position of the Company as at December 31, 2015, 2016 and 2017 and June 30, 2018 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended December 31, 2017 and the six months ended June 30, 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-128 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 6, 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical

Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position as at December 31, 2015, 2016 and 2017 and June 30, 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Internal Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 38 to the Historical Financial Information which contains information about the dividends paid by the Company and a subsidiary of the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
December 6, 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations						
Revenue	6	4,764,871	4,855,953	4,948,324	2,123,650	2,189,715
Cost of sales		(2,991,246)	(3,183,328)	(3,277,896)	(1,554,242)	(1,527,844)
Gross profit		1,773,625	1,672,625	1,670,428	569,408	661,871
Other income	7	92,258	141,791	114,712	58,922	41,516
Other gains and losses	8	(4,096)	(45,228)	68,828	42,932	(24,995)
Selling and marketing expenses		(572,945)	(614,572)	(481,831)	(204,765)	(185,161)
Administrative expenses		(255,754)	(273,079)	(403,800)	(174,843)	(151,972)
Research and development expenses		(629,601)	(636,614)	(430,246)	(232,666)	(181,114)
Share of results of associates		—	—	258	(438)	120
Share of results of a joint venture		—	(10,000)	—	—	—
Finance costs	9	(6,075)	(93,905)	(83,986)	(48,682)	(33,855)
Listing expenses		—	—	(30,603)	—	(20,862)
Profit before tax		397,412	141,018	423,760	9,868	105,548
Income tax expenses	10	(87,622)	(66,998)	(88,584)	(18,383)	(18,711)
Profit (loss) for the year/period from continuing operations	11	309,790	74,020	335,176	(8,515)	86,837
Discontinued operations						
Loss for the year/period from discontinued operations	12	(420,462)	(294,873)	(17,233)	(52,152)	(1,279)
(Loss) profit for the year/period		(110,672)	(220,853)	317,943	(60,667)	85,558
Other comprehensive income (expense) for the year/period:						
Items that may be subsequently reclassified to profit or loss:						
Change in fair value of an available-for-sale investment, net of tax		971	—	—	—	—
Release of translation reserve to profit or loss upon disposal of subsidiaries		(10,464)	11,594	(450)	—	—
Reclassification adjustments to profit or loss during the year/period upon disposal of an available-for-sale investment, net of tax		(13,491)	—	—	—	—
Exchange differences arising on translation of foreign operations		381	2,422	3,813	(842)	(8,680)
		(22,603)	14,016	3,363	(842)	(8,680)
Total comprehensive (expense) income for the year/period		(133,275)	(206,837)	321,306	(61,509)	76,878
(Loss) profit for the year/period attributable to:						
Owners of the Company		(105,212)	(211,415)	328,765	(32,270)	86,737
Non-controlling interests	37	(5,460)	(9,438)	(10,822)	(28,397)	(1,179)
		(110,672)	(220,853)	317,943	(60,667)	85,558
Total comprehensive (expense) income for the year/period attributable to:						
Owners of the Company		(127,815)	(197,427)	332,162	(33,096)	78,057
Non-controlling interests		(5,460)	(9,410)	(10,856)	(28,413)	(1,179)
		(133,275)	(206,837)	321,306	(61,509)	76,878
Profit (loss) for the year/period attributable to the owners of the Company from:						
Continuing operations		309,837	81,315	338,174	12,891	88,016
Discontinued operations		(415,049)	(292,730)	(9,409)	(45,161)	(1,279)
		(105,212)	(211,415)	328,765	(32,270)	86,737
Loss for the year/period attributable to the non-controlling interests from:						
Continuing operations		(47)	(7,295)	(2,998)	(21,406)	(1,179)
Discontinued operations		(5,413)	(2,143)	(7,824)	(6,991)	—
		(5,460)	(9,438)	(10,822)	(28,397)	(1,179)
(Loss) earnings per share						
—Basic (RMB)	13	(0.17)	(0.34)	0.53	(0.05)	0.14

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At December 31, 2015	At December 31, 2016	At December 31, 2017	At June 30, 2018
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	15	314,164	303,979	262,629	259,027
Prepaid lease payments	16	145,677	87,508	85,489	84,479
Intangible assets	17	212,986	116,707	60,452	42,918
Goodwill	18	1,932,246	1,932,246	1,932,246	1,932,246
Investments in associates	19	14,025	12,704	56,258	56,378
Investments in joint ventures	20	4,491	2,300	—	—
Available-for-sale investments	22	8,000	8,000	—	—
Amounts due from fellow subsidiaries	44	23,004	68,698	23,339	331
Amount due from the then immediate holding company	44	71,960	597,235	614,150	—
Deferred tax assets	34	122,911	168,103	194,389	197,496
Pledged bank deposits	29	45,379	71,020	39,669	587,346
Derivative financial instruments	30	9,643	—	—	—
Other non-current assets	23	33,970	50,075	46,247	41,481
Total non-current assets		2,938,456	3,418,575	3,314,868	3,201,702
Current assets					
Inventories	24	31,817	2,297	7,100	2,697
Trade and notes receivables	25	787,491	775,888	888,445	825,646
Prepayments, deposits and other receivables	26	154,345	204,335	176,501	209,638
Available-for-sale investments	22	—	20,000	3,665	—
Derivative financial instruments	30	749	—	—	—
Contract assets	27	1,650,905	1,683,234	1,632,039	1,522,157
Amounts due from fellow subsidiaries	44	142,947	193,785	246,244	28,011
Amount due from an associate	44	14	13,203	—	—
Amounts due from intermediate holding companies	44	—	—	5,645	—
Pledged bank deposits	29	230,704	523,770	537,089	418,174
Bank balances and cash	29	1,409,205	1,583,120	1,450,588	633,378
Total current assets		4,408,177	4,999,632	4,947,316	3,639,701
Current liabilities					
Trade and notes payables	31	601,778	792,246	612,500	502,550
Contract liabilities	27	647,356	533,536	387,913	272,939
Other payables, deposits received and accrued expenses	32	1,540,866	1,611,040	1,890,500	1,638,968
Amount due to a joint venture	44	—	2,482	—	—
Amounts due to fellow subsidiaries	44	278,404	290,712	200,672	61,588
Amount due to the then intermediate holding company	44	—	5,134	—	—
Amount due to the then immediate holding company	44	—	—	—	5,248
Income tax payable		125,183	201,770	238,820	213,932
Bank borrowings	33	422,352	1,237,502	1,154,593	1,793,139
Total current liabilities		3,615,939	4,674,422	4,484,998	4,488,364
Net current assets (liabilities)		792,238	325,210	462,318	(848,663)
Total assets less current liabilities		3,730,694	3,743,785	3,777,186	2,353,039
Non-current liabilities					
Deferred tax liabilities	34	103,682	109,343	130,971	129,256
Bank borrowings	33	1,025,440	1,039,485	592,744	—
Amounts due to fellow subsidiaries	44	—	—	14,695	6,621
Other non-current liabilities		3,175	8,726	—	—
Total non-current liabilities		1,132,297	1,157,554	738,410	135,877
Net assets		2,598,397	2,586,231	3,038,776	2,217,162
Capital and reserves					
Paid-in/share capital	36	285,208	285,208	8	—
Reserves		2,309,084	2,274,608	3,018,827	2,217,162
Equity attributable to owners of the Company		2,594,292	2,559,816	3,018,835	2,217,162
Non-controlling interests	37	4,105	26,415	19,941	—
Total equity		2,598,397	2,586,231	3,038,776	2,217,162

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	At December 31,			At June 30,
		2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current asset					
Investments in subsidiaries	21	71,430	71,430	81,598	81,598
Current assets					
Amount due from a subsidiary		—	—	3,626	745,622
Deferred issue costs	26	—	—	5,026	8,347
Bank balances and cash	29	3,604	3,851	2	582
Total current assets		3,604	3,851	8,654	754,551
Current liability					
Amounts due to subsidiaries		32,437	34,651	32,638	745,592
Amount due to the then immediate holding company	44	—	—	—	5,248
Accrued listing expenses and issue costs	32	—	—	31,153	40,242
		32,437	34,651	63,791	791,082
Net current liabilities		(28,833)	(30,800)	(55,137)	(36,531)
Net assets		42,597	40,630	26,461	45,067
Capital and reserves					
Share capital	36	8	8	8	—
Reserves	39	42,589	40,622	26,453	45,067
Total equity		42,597	40,630	26,461	45,067

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of the Company										
	Paid-in/ share capital	Share premium	Merger reserve	Investment revaluation reserve	Translation reserve	Statutory surplus reserve	Other reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	RMB'000 (note vi)	RMB'000	RMB'000 (note ii)	RMB'000	RMB'000	RMB'000 (note i)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	8	104,146	—	12,520	(13,064)	176,775	931,119	3,181,545	4,393,049	1,232	4,394,281
Loss for the year	—	—	—	—	—	—	—	(105,212)	(105,212)	(5,460)	(110,672)
Other comprehensive expense for the year, net of tax	—	—	—	(12,520)	(10,083)	—	—	—	(22,603)	—	(22,603)
Total comprehensive expense for the year	—	—	—	(12,520)	(10,083)	—	—	(105,212)	(127,815)	(5,460)	(133,275)
Recognition of equity-settled share-based payments (Note 42)	—	—	—	—	—	—	25,739	—	25,739	—	25,739
Disposal of subsidiaries	—	—	—	—	—	(12,920)	208,520	12,920	208,520	—	208,520
Arising from merger under common control (note ii)	285,200	—	—	—	—	—	—	—	285,200	—	285,200
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	116	—	116	9,232	9,348
Acquisition of additional equity interest in a subsidiary	—	—	—	—	—	—	741	—	741	(741)	—
Dividend distribution	—	—	—	—	—	—	—	(2,191,258)	(2,191,258)	(158)	(2,191,416)
Transfer to statutory reserve	—	—	—	—	—	11,908	—	(11,908)	—	—	—
At December 31, 2015	285,208	104,146	—	—	(23,147)	175,763	1,166,235	886,087	2,594,292	4,105	2,598,397
Loss for the year	—	—	—	—	—	—	—	(211,415)	(211,415)	(9,438)	(220,853)
Other comprehensive income (expense) for the year, net of tax	—	—	—	—	13,988	—	—	—	13,988	28	14,016
Total comprehensive income (expense) for the year	—	—	—	—	13,988	—	—	(211,415)	(197,427)	(9,410)	(206,837)
Recognition of equity-settled share-based payments (Note 42)	—	—	—	—	—	—	35,675	—	35,675	—	35,675
Lapse of share options	—	—	—	—	—	—	(108)	108	—	—	—
Disposal of subsidiaries	—	—	—	—	—	—	(22,512)	—	(22,512)	—	(22,512)
Capital contribution from non-controlling shareholders (note v)	—	—	—	—	—	—	179,367	—	179,367	37,633	217,000
Acquisition of additional interests in a subsidiary (note iii)	—	—	—	—	—	—	(29,045)	—	(29,045)	(5,646)	(34,691)
Transfer to statutory reserve	—	—	—	—	—	62	—	(62)	—	—	—
Dissolution of a subsidiary	—	—	—	—	—	—	(534)	—	(534)	(267)	(801)
At December 31, 2016	285,208	104,146	—	—	(9,159)	175,825	1,329,078	674,718	2,559,816	26,415	2,586,231
Profit (loss) for the year	—	—	—	—	—	—	—	328,765	328,765	(10,822)	317,943
Other comprehensive income (expense) for the year, net of tax	—	—	—	—	3,397	—	—	—	3,397	(34)	3,363
Total comprehensive income (expense) for the year	—	—	—	—	3,397	—	—	328,765	332,162	(10,856)	321,306
Recognition of equity-settled share-based payments (Note 42)	—	—	—	—	—	—	73,489	—	73,489	—	73,489
Lapse of share options	—	—	—	—	—	—	(1,948)	1,948	—	—	—
Disposal of subsidiaries (note iv)	—	—	—	—	—	(3,812)	53,368	3,812	53,368	4,382	57,750
Arising from merger under common control (note ii)	(285,200)	—	285,200	—	—	—	—	—	—	—	—
Transfer to statutory reserve	—	—	—	—	—	1,832	—	(1,832)	—	—	—
At December 31, 2017	8	104,146	285,200	—	(5,762)	173,845	1,453,987	1,007,411	3,018,835	19,941	3,038,776

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to the owners of the Company									
	Paid-in/ share capital	Share premium	Merger reserve	Translation reserve	Statutory surplus reserve	Other reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	RMB'000 (note vi)	RMB'000	RMB'000 (note ii)	RMB'000	RMB'000 (note i)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2017	8	104,146	285,200	(5,762)	173,845	1,453,987	1,007,411	3,018,835	19,941	3,038,776
Effect arising from initial application of HKFRS 9 (note vii)	—	—	—	—	—	—	(19,576)	(19,576)	—	(19,576)
Adjusted balance at January 1, 2018	8	104,146	285,200	(5,762)	173,845	1,453,987	987,835	2,999,259	19,941	3,019,200
Profit (loss) for the period	—	—	—	—	—	—	86,737	86,737	(1,179)	85,558
Other comprehensive expense for the period, net of tax	—	—	—	(8,680)	—	—	—	(8,680)	—	(8,680)
Total comprehensive (expense) income for the period	—	—	—	(8,680)	—	—	86,737	78,057	(1,179)	76,878
Recognition of equity-settled share-based payments (Note 42)	—	—	—	—	—	24,531	—	24,531	—	24,531
Acquisition of additional equity interests in a subsidiary (note viii)	—	—	—	—	—	(191,238)	—	(191,238)	(18,762)	(210,000)
Cancellation of shares of the Company upon group reorganization (Note 2)	(8)	—	—	—	—	8	—	—	—	—
Dividend distribution	—	—	—	—	—	—	(693,447)	(693,447)	—	(693,447)
Lapse of share options and restricted stock units	—	—	—	—	—	(16,858)	16,858	—	—	—
At June 30, 2018	—	104,146	285,200	(14,442)	173,845	1,270,430	397,983	2,217,162	—	2,217,162
(Unaudited)										
At January 1, 2017	285,208	104,146	—	(9,159)	175,825	1,329,078	674,718	2,559,816	26,415	2,586,231
Loss for the period	—	—	—	—	—	—	(32,270)	(32,270)	(28,397)	(60,667)
Other comprehensive expense for the period, net of tax	—	—	—	(826)	—	—	—	(826)	(16)	(842)
Total comprehensive expense for the period	—	—	—	(826)	—	—	(32,270)	(33,096)	(28,413)	(61,509)
Recognition of equity-settled share-based payments (Note 42)	—	—	—	—	—	45,381	—	45,381	—	45,381
Lapse of share options	—	—	—	—	—	(1,948)	1,948	—	—	—
At June 30, 2017	285,208	104,146	—	(9,985)	175,825	1,372,511	644,396	2,572,101	(1,998)	2,570,103

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

Notes:

(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 reach 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity owners of the subsidiaries. The statutory surplus reserve can be used to make up previous years' losses, expand the existing operations or convert into additional capital of the respective subsidiaries.

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

(iii) During the year ended December 31, 2016, the Group acquired 49% non-controlling interest in Guangzhou AsiaInfo Big Data Limited ("Guangzhou AsiaInfo Big Data") from a third-party individual for a total consideration of RMB34,691,000. The difference between the cash paid and the carrying amount of the non-controlling interest, amounting to RMB29,045,000, was recognized in other reserve. Upon the acquisition, Guangzhou AsiaInfo Big Data became a wholly-owned subsidiary of the Group.

(iv) In September 2017, the Group sold its entire 88% equity interest in AsiaInfo Software Limited ("Software BVI") and its subsidiaries to AsiaInfo Innovation Limited ("Innovation BVI"), a company that is wholly-owned by AsiaInfo Cayman, the parent company of the Group, for a cash consideration of RMB22,000 (Note 45). As these entities being disposed of are under the common control of AsiaInfo Cayman, the transaction is accounted for as an equity transaction with the difference between the cash received and carry amount of the subsidiaries being recorded in other reserve.

(v) The amount represents two capital contributions from non-controlling shareholders, one of which resulted in an increase in the non-controlling interest amount of RMB7,000,000 when a third-party company injected in Xianyang AsiaInfo Innovation Technologies Limited for 44.75% equity interest.

In addition, on August 11, 2016, the Group entered into agreements with certain third-party companies, pursuant to which the third-party companies agreed to make an aggregated capital injection of RMB260,000,000 to acquire 7.977% equity interests in Beijing AsiaInfo Smart Big Data Co., Ltd. ("Smart Big Data"), which was previously fully owned by the Group. There was RMB210,000,000 paid in September and October 2016. As Smart Big Data had net assets of RMB124,031,000 on the date of injection, the contribution of the non-controlling shareholders resulted in an increase of non-controlling interest of RMB30,633,000.

(vi) The paid-in/share capital of the Group as at December 31, 2015 and 2016 and June 30, 2017 (unaudited) represented the share capital of the Company and the paid-in capital of AsiaInfo Big Data prior to the acquisition of AsiaInfo Big Data by the Group in 2017, which was regarded as a business combination under common control.

(vii) Upon the adoption of HKFRS 9 *Financial Instruments* on January 1, 2018, an accumulated impact of RMB19,576,000 was recorded as an adjustment to the retained profits at January 1, 2018, which represented the impairment loss allowance, net of deferred tax impact. Details of the adjustment are set out in Note 3.

(viii) On March 15, 2018, Beijing AsiaInfo Smart Big Data entered into investment termination agreements with its non-controlling shareholders who owned an aggregated equity interests of 7.977%. Pursuant to the agreements, Beijing AsiaInfo Smart Big Data acquired the non-controlling interests from the non-controlling shareholders with a total consideration amounting to RMB210,000,000 among which RMB160,000,000 was paid and RMB50,000,000 was offset with the amounts due from the non-controlling shareholder, Beijing AsiaInfo Voyager Consulting Co., Ltd. (Note 44). The carrying amount of non-controlling interest on the date of acquisition was RMB18,762,000 and the difference between the consideration paid and the carrying amount of the non-controlling interests was recorded as other reserve.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities					
Profit before tax from continuing operations	397,412	141,018	423,760	9,868	105,548
Loss before tax from discontinued operations	(417,825)	(292,312)	(17,233)	(52,152)	(1,279)
Adjustments for:					
Depreciation of property, plant and equipment	58,187	36,086	35,744	19,981	12,633
Amortization of intangible assets	136,707	97,608	55,301	27,521	19,679
Amortization of prepaid lease payments	2,501	2,405	2,019	1,010	1,010
(Gain) loss on disposal of property, plant and equipment	(2,943)	(3,894)	5,135	(188)	1,585
Loss (gain) on disposal of intangible assets	391	8,132	413	(431)	113
Gain on disposal of subsidiaries	(10,464)	(37,169)	(37,647)	—	—
Finance costs	6,075	93,905	83,986	48,682	33,855
Net foreign exchange loss (gain)	3,176	87,553	(70,376)	(48,745)	17,652
Gain on fair value change of financial instruments	(12,855)	—	—	—	—
Interest income from related parties	(3,586)	(19,649)	(19,001)	(9,719)	(7,770)
Interest income from current bank accounts	(17,293)	(14,721)	(19,018)	(9,392)	(14,041)
Interest income from available-for-sale investments	(14,503)	(177)	—	—	—
Impairment loss of an available-for-sale investment	—	—	4,335	—	—
Impairment loss of intangible assets	—	—	2,200	—	—
Impairment loss of inventories	17,281	—	110	—	—
Allowance for (reversal of allowance for) trade receivables	1,113	671	4,714	(200)	5,739
Allowance for other receivables	1,586	1,525	1,123	243	50
Reversal of allowance for contract assets	—	—	—	—	(9,312)
Share-based compensation expenses	25,739	35,675	73,489	45,381	24,531
Share of results of associates	(1,275)	1,321	1,315	1,789	(120)
Share of results of joint ventures	1,628	15,191	646	589	—
Operating cash flows before movements in working capital	171,052	153,168	531,015	34,237	189,873
(Increase) decrease in inventories	(17,789)	29,520	(5,001)	(6,846)	4,403
(Increase) decrease in trade and notes receivables	(94,968)	10,932	(133,763)	(101,581)	54,581
(Increase) decrease in prepayment, deposits and other receivables	(20,856)	(135,434)	(10,601)	55,519	(8,461)
(Increase) decrease in contract assets	(636,960)	(32,329)	(15,031)	(284,054)	99,553
(Increase) decrease in amounts due from fellow subsidiaries	(133,595)	(109,722)	6,103	19,609	58,893
(Increase) decrease in amounts due from associates	—	—	(5,826)	9,259	—
(Increase) decrease in other non-current assets	(27,110)	(16,105)	3,828	388	4,766
(Decrease) increase in amounts due to intermediate holding company	(42,160)	5,133	(5,134)	—	—
Increase (decrease) in amounts due to fellow subsidiaries	371,010	33,212	(28,034)	(40,476)	(52,214)
Increase (decrease) in amount due to a joint venture	—	2,482	(2,482)	(2,482)	—
Increase (decrease) in trade and notes payables	100,257	195,295	(153,918)	(165,664)	(109,950)
Increase (decrease) in contract liabilities	342,981	(113,820)	(131,255)	(193,372)	(114,974)
Increase (decrease) in other payables, deposits received and accrued expenses	358,217	223,843	525,450	(15,261)	(271,261)
Increase (decrease) in other non-current liabilities	8,354	5,551	(8,726)	2,888	—
Cash generated from (used in) operating activities	378,433	251,726	566,625	(687,836)	(144,791)
Income taxes paid	(51,354)	(29,942)	(56,208)	(23,069)	(44,786)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	327,079	221,784	510,417	(710,905)	(189,577)

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from investing activities					
Purchases of property, plant and equipment	(56,377)	(27,692)	(10,289)	(5,004)	(10,616)
Purchases of intangible assets	(7,729)	(9,461)	(1,659)	(649)	(2,258)
Payment for land use rights	(57,787)	—	—	—	—
Payment for investment in associates	(12,750)	—	(56,000)	(56,000)	—
Payment for investment in joint ventures	(6,120)	(13,000)	—	—	—
Purchases of available-for-sale investments	—	(20,000)	—	—	—
Proceeds on disposal of available-for-sale investments	60,082	—	20,000	20,000	—
Purchases of derivative financial instruments	(749)	—	—	—	—
Proceeds on disposal of an unlisted equity investment	—	—	—	—	3,665
Proceeds from disposal of derivative financial instruments	15,647	10,392	—	—	—
Net cash inflow (outflow) from disposal of subsidiaries	6,793	23,568	(32,615)	—	—
Repayment from related parties	—	103,624	45,793	19,391	9,984
Advance to related parties	(80,924)	(36,476)	(66,976)	(57,180)	—
Placement of pledged bank deposits	(52,491)	(342,334)	(179,159)	(183,171)	(693,693)
Withdrawal of pledged bank deposits	17,885	23,627	197,191	341,785	264,931
Interest received	12,090	13,491	18,004	12,815	4,512
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	(162,430)	(274,261)	(65,710)	91,987	(423,475)
Cash flows from financing activities					
New bank borrowings raised	442,978	1,619,931	1,515,450	753,115	1,183,859
Repayment of bank borrowings	(226,236)	(899,833)	(1,935,190)	(1,024,969)	(1,168,341)
Interest paid	(6,075)	(85,673)	(81,379)	(51,955)	(19,997)
Advance from related parties	—	5,134	14,695	—	—
Repayment to related parties	(245,243)	(6,156)	(5,271)	(59,186)	(15,905)
Loans from fellow subsidiaries	79,000	55,496	—	—	—
Repayments of loans from fellow subsidiaries	—	(80,209)	(56,345)	—	—
Loans to the then intermediate holding company	(144,043)	(141,936)	—	—	—
Payment of issue costs	—	—	(4,476)	—	(15,094)
Capital contribution from non-controlling interests	9,348	217,000	—	—	—
Issuance of shares by AsiaInfo Big Data	285,200	—	—	—	—
Acquisition of additional interests in a subsidiary	—	(34,691)	—	—	(160,000)
Dividend paid	—	(445,355)	—	—	—
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	194,929	203,708	(552,516)	(382,995)	(195,478)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	359,578	151,231	(107,809)	(1,001,913)	(808,530)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR/PERIOD	1,018,879	1,409,205	1,583,120	1,583,120	1,450,588
Effect of exchange rate changes	30,748	22,684	(24,723)	(842)	(8,680)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD AT DECEMBER 31/JUNE 30 REPRESENTED BY BANK BALANCES AND CASH	1,409,205	1,583,120	1,450,588	580,365	633,378

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated as a company with limited liability in the British Virgin Islands ("BVI") on July 15, 2003. The address of the registered office of the Company and the principal place of business of the Company are disclosed in the section headed "Corporate Information" in the Prospectus. The Company changed its name from Linkage Technologies Investment Limited to AsiaInfo-Linkage Technologies Investment Limited on October 28, 2010, which was subsequently renamed as AsiaInfo Technologies Investment Limited on April 30, 2014, to AsiaInfo Technologies Limited (亞信科技有限公司) on June 28, 2018, and was further renamed to AsiaInfo Technologies Limited (亞信科技控股有限公司) on July 10, 2018.

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

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company and its primary subsidiaries in the PRC.

2. REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Pursuant to the group reorganization ("Reorganization") as set out in the section headed "History, Development and Reorganization" in the Prospectus, the Company has become the holding company of the companies now comprising the Group on April 30, 2018. The Company and its subsidiaries have been under the common control of AsiaInfo Holdings, LLC throughout the Track Record Period, and before and after the Reorganization, or since their respective dates of incorporation, where there is a shorter period.

The main steps of the Reorganization are described below:

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

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

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2. REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION—continued

The main steps of the Reorganization are described below:—continued

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

Prior to obtaining control of the Group by the Company, it was controlled by AsiaInfo Holdings. After the Company obtaining control of the Group, the Group was also controlled by AsiaInfo Holdings. Therefore, the Group resulting from the Reorganization is regarded as a continuing entity and the Historical Financial Information of the Group has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period or since the respective dates of incorporation or establishment of the relevant companies now comprising the Group where there is a shorter period.

The consolidated statements of financial position of the Group as at December 31, 2015, 2016 and 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates taking into account the respective dates of incorporation or establishment of the relevant companies now comprising the Group, where applicable.

Notwithstanding that the Group recorded net current liabilities of RMB848,663,000 as at June 30, 2018, the consolidated financial statements have been prepared on the going concern basis. The Company may seek to obtain financing through equity and debt issuances to finance its financial liabilities and operations. The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from the end of the Track Record Period. The directors of the Company are of the opinion that taken into account the available financial resources, including bank balances and cash, pledged bank deposits and committed and unutilized banking facilities, the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from the end of the Track Record Period.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in a jurisdiction where there are no statutory audit requirements.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied HKFRSs, Hong Kong Accounting Standard ("HKAS")

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs—continued

amendments and the related interpretations issued by the HKICPA that are effective for the accounting period beginning on January 1, 2018 throughout the Track Record Period, except that the Group has elected to early apply HKFRS 15 *Revenue from Contracts with Customers* consistently throughout the Track Record Period and adopted HKFRS 9 *Financial Instruments* on January 1, 2018. The accounting policies for financial instruments which conform with HKFRS 9 that are applicable from January 1, 2018 onwards and HKAS 39 *Financial Instruments: Recognition and Measurement* which are applicable for each of the three years ended December 31, 2017, are set out in Note 4 below.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized at January 1, 2018. The difference, if any, between the carrying amounts at December 31, 2017 and the carrying amounts at January 1, 2018 are recognized in the opening retained profits, without restating comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application on January 1, 2018.

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs—continued

The additional impairment loss allowance upon the initial application of HKFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset.

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

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

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

	As previously reported	HKFRS 9 adjusted	As restated
	RMB'000	RMB'000	RMB'000
Trade and notes receivables	888,445	(2,479)	885,966
Contract assets	1,632,039	(19,641)	1,612,398
Deferred tax assets	194,389	2,544	196,933
Total effect on net assets		(19,576)	
Reserves	3,018,835	(19,576)	2,999,259
Total effect on equity		(19,576)	

There is no significant impact on other financial assets under the expected credit losses ("ECL") model upon adoption at January 1, 2018.

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

At the date of this report, the HKICPA has issued the following new and amendments to HKFRSs and interpretations ("HK (IFRIC)") that are not yet effective for the Track Record Period. The Group has not early applied the following new and amendments to HKFRSs and interpretations that have been issued but are not yet effective:

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

1 Effective for annual periods beginning on or after January 1, 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after January 1, 2021

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs—continued

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

HKFRS 16 *Leases*

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees except for short-term leases and leases of low value assets.

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

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

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at June 30, 2018, the Group has non-cancellable operating lease commitments of RMB366,827,000 as disclosed in Note 47. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term lease upon the application of HKFRS 16.

In addition, the Group currently considers refundable rental deposits paid of RMB36,889,000 as at June 30, 2018 as rights under leases to which HKAS 17 applies, as disclosed in Note 23. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets accordingly, the carrying amounts of such deposits may be adjusted to amortized cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs—continued

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

HKFRS 16 *Leases—continued*

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

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group will elect to apply HKFRS 16 retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative. The Group will recognize the right-of-use asset at the date of initial application at an amount equal to the lease liability, which is measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application, and adjusted by the amount of any prepaid lease payments relating to that lease recognized in the consolidated statements of financial position immediately before the date of initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on historical cost basis, except for certain financial instruments which are measured at fair value, at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the entities comprising the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less any identified impairment loss.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Changes in the Group's ownership interests in existing subsidiaries

Change in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving business under common control

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

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

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

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associates/joint ventures other than profit or loss and other comprehensive (expense)

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Investments in associates and joint ventures—continued

income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses.

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

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

The requirements of HKAS 28 are applied to assess whether there are objective evidence that the Group's investment in an associate or a joint venture may be impaired. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 *Impairment of assets* to the extent that the recoverable amount of the investment subsequently increases.

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Investments in associates and joint ventures—continued

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

Revenue recognition

Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue is measured at the fair value of the consideration received or receivable, net of business tax and value added tax.

The Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue recognition—continued

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

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

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

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

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

Software products and related services

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

(i) Software products and related deployment services

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

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue recognition—continued

Software products and related services—continued

(ii) O&M services

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

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

Data-driven operation services

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

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

Others

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

i. Sales of third-party hardware and software

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

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

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue recognition—continued

Others—continued

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

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

Network security related software products and services

The Group was engaged in providing network security related software products and services, which is similar to software products and related services, independently until November 2015 upon the Group disposed of AsiaInfo Technologies (Chengdu), Inc. ("AsiaInfo Chengdu") and transformed the business model to provide similar network security related products and services to customers through outsourcing the entire work to AsiaInfo Chengdu.

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

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

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, except for short-term receivables where the recognition of interest would be immaterial.

Government grants

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Government grants—continued

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

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

Leasing

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

The Group as lessee

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

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

Borrowing costs

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

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

Foreign currencies

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

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Foreign currencies—continued

recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Short-term employee benefits

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

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

Retirement benefits

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

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

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

Research and development costs

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

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

Share-based payment arrangements

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

The fair value of the equity-settled share-based payments in respect of share options/restricted stock units ("RSUs") determined at the grant date without taking into consideration all non-market

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Share-based payment arrangements—continued

vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (other reserves). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions.

The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves.

When share options are exercised or when the RSUs are vested, the amount previously recognized in other reserves will continue to be held in other reserves.

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

Taxation

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

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

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

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Taxation—continued

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

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

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

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

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Goodwill

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

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Goodwill—continued

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

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

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

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

Prepaid lease payments

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Prepaid lease payments—continued

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

Inventories

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

Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Impairment losses on tangible and intangible assets other than goodwill—continued

impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial instruments (before the adoption of HKFRS 9 on January 1, 2018)

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

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

Effective interest method

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

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (before the adoption of HKFRS 9 on January 1, 2018)—continued

Financial assets—continued

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (1) loans and receivables, (2) held-to-maturity investments, or (3) financial assets at FVTPL.

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

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

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Impairment of financial assets

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

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

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

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (before the adoption of HKFRS 9 on January 1, 2018)—continued

Financial assets—continued

Impairment of financial assets—continued

the credit period of 30 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

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

Financial liabilities and equity instruments

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (before the adoption of HKFRS 9 on January 1, 2018)—continued

Financial liabilities and equity instruments—continued

Equity instruments

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

Effective interest method

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

Interest expense is recognized on an effective interest basis.

Financial liabilities at amortized cost

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

Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

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

Financial instruments (under HKFRS 9)

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (under HKFRS 9)—continued

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized costs:

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

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

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

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (under HKFRS 9)—continued

Financial assets—continued

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method and calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

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

Financial assets at FVTPL

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (under HKFRS 9)—continued

Financial assets—continued

Financial assets at FVTPL—continued

loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Foreign exchange gains and losses

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

Impairment of financial assets

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

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

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

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (under HKFRS 9)—continued

Financial assets—continued

Significant increase in credit risk

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

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

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

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

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Definition of default

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

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (under HKFRS 9)—continued

Financial assets—continued

Definition of default—continued

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 30 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

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

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

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

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

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments and other instruments by adjusting their carrying amount, with the exception of trade receivables,

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (under HKFRS 9)—continued

Financial assets—continued

Measurement and recognition of ECL—continued

contract assets and other receivables where the corresponding adjustment is recognized through a loss allowance account.

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

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

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

Financial liabilities and equity instruments

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

Equity instruments

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial liabilities and equity instruments—continued

Financial liabilities at amortized cost

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

Derecognition of financial liabilities

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policies

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

Judgments in determining the performance obligations

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

Judgments in determining the timing of satisfaction of performance obligations

Note 4 describes the revenue recognition basis to each of the Group's revenue stream. The recognition of each of the Group's revenue stream requires judgment by the directors of the Company in determining the timing of satisfaction of performance obligations.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY—continued

Critical judgments in applying accounting policies—continued

Judgments in determining the timing of satisfaction of performance obligations—continued

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

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

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

Key Sources of estimation uncertainty

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The recoverable amount determination of the cash-generating units throughout the Track Record Period is based on the present value calculation which requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a further impairment loss may arise. As at December 31, 2015, 2016 and 2017 and June 30, 2018, the carrying amount of goodwill was RMB1,932,246,000, RMB1,932,246,000 and RMB1,932,246,000 and RMB1,932,246,000, respectively. Details of the recoverable amount calculation are disclosed in Note 18.

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

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY—continued

Key Sources of estimation uncertainty—continued

Project-based development contracts

Revenue from project-based development contracts is recognized under the percentage of completion method which requires estimation made by management. The directors of the Company estimate the contract costs, outcome and expected cost to complete the contracts based on the budgets prepared for the contracts. Due to the nature of the activities, the directors of the Company review and revise the estimates of both contract outcome and expected costs to complete in the budget prepared for each contract as the contract progresses. Any revisions to estimates of contract outcomes and expected costs to completion would affect contract revenue recognition. Should expected costs to complete exceed contract revenue, a provision for contract loss would be recognized.

6. 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 deployment services at other fixed prices and/or variable prices. Revenue is recognized net of sales related taxes.

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

Affected by the change in the group's business strategy, the Group changed the structure of its internal organization in a manner that causes the composition of its reportable segments to change in the year of 2017. The segment information reported during the Track Record Period is presented to conform the change of internal reportable segments.

The business of the software research and development in Thailand, Malaysia, Nepal and other countries outside of the PRC (the "International Business") was discontinued during the Track Record Period. The following information disclosed does not include any amounts for the discontinued operations, which are described in more details in Note 12.

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

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6. REVENUE AND SEGMENT INFORMATION—continued

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

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

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

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

Disaggregation of revenue from continuing operations

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Timing of revenue recognition					
At a point in time	125,914	197,521	129,060	52,268	29,658
Over time	4,638,957	4,658,432	4,819,264	2,071,382	2,160,057
	4,764,871	4,855,953	4,948,324	2,123,650	2,189,715
Types of goods and services					
Provision of services(i)	4,640,569	4,672,060	4,828,000	2,077,319	2,164,929
Sales of goods	124,302	183,893	120,324	46,331	24,786
	4,764,871	4,855,953	4,948,324	2,123,650	2,189,715
Nature of goods and services					
Software business:					
Software products and related deployment services	3,996,677	4,170,779	4,541,482	1,935,861	2,080,660
Data-driven operation services	18,066	31,383	41,745	13,816	27,119
Others(ii)	260,497	312,483	241,652	93,962	69,828
Network security business	489,631	341,308	123,445	80,011	12,108
	4,764,871	4,855,953	4,948,324	2,123,650	2,189,715

Notes:

(i) The Group receives advancements from customers in relation to its provision of services upon entering into the contracts for rendering of services over the entire contract periods with an average of one year. The transaction price allocated to performance obligations in relation to the advancements that were unsatisfied was amounted to RMB647,356,000, RMB533,536,000, RMB387,913,000 and RMB272,939,000 as at December 31, 2015, 2016, 2017 and June 30, 2018, respectively, representing the contract liabilities included in Note 27.

Respective transaction price allocated to the unsatisfied contracts, representing the contract liabilities, as at December 31, 2015 and 2016 in the corresponding amount of RMB647,356,000 and RMB533,536,000 had been recognized as revenue over the contract periods for the years ended December 31, 2016 and 2017, respectively. The management expects such allocated to the unsatisfied contracts as at December 31, 2017 and June 30, 2018 of RMB387,913,000 and RMB272,939,000 will be all recognized as revenue during the years ending December 31, 2018 and 2019, respectively.

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6. REVENUE AND SEGMENT INFORMATION—continued

Segment information

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

Segment information from continuing operations Year ended December 31, 2015	Software business	Network security business	Total
	RMB'000	RMB'000	RMB'000
Revenue	4,275,240	489,631	4,764,871
Cost of sales	(2,669,727)	(321,519)	(2,991,246)
Gross profit	1,605,513	168,112	1,773,625
Other income	92,258	—	92,258
Other gains and losses	(1,705)	(2,391)	(4,096)
Selling and marketing expenses	(563,192)	(9,753)	(572,945)
Administrative expenses	(254,929)	(825)	(255,754)
Research and development expenses	(592,220)	(37,381)	(629,601)
Finance costs	(6,075)	—	(6,075)
Profit before tax	279,650	117,762	397,412

Segment information from continuing operations Year ended December 31, 2016	Software business	Network security business	Total
	RMB'000	RMB'000	RMB'000
Revenue	4,514,645	341,308	4,855,953
Cost of sales	(2,848,856)	(334,472)	(3,183,328)
Gross profit	1,665,789	6,836	1,672,625
Other income	141,791	—	141,791
Other gains and losses	(45,228)	—	(45,228)
Selling and marketing expenses	(614,572)	—	(614,572)
Administrative expenses	(272,865)	(214)	(273,079)
Research and development expenses	(636,614)	—	(636,614)
Share of results of a joint venture	(10,000)	—	(10,000)
Finance costs	(93,905)	—	(93,905)
Profit before tax	134,396	6,622	141,018

Segment information from continuing operations Year ended December 31, 2017	Software business	Network security business	Total
	RMB'000	RMB'000	RMB'000
Revenue	4,824,879	123,445	4,948,324
Cost of sales	(3,156,920)	(120,976)	(3,277,896)
Gross profit	1,667,959	2,469	1,670,428
Other income	114,712	—	114,712
Other gains and losses	68,828	—	68,828
Selling and marketing expenses	(481,831)	—	(481,831)
Administrative expenses	(403,629)	(171)	(403,800)
Research and development expenses	(430,246)	—	(430,246)
Share of results of associates	258	—	258
Finance costs	(83,986)	—	(83,986)
Listing expenses	(30,603)	—	(30,603)
Profit before tax	421,462	2,298	423,760

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6. REVENUE AND SEGMENT INFORMATION—continued

Segment information—continued

Segment information from continuing operations Six months ended June 30, 2017	Software business	Network security business	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	2,043,639	80,011	2,123,650
Cost of sales	(1,475,831)	(78,411)	(1,554,242)
Gross profit	567,808	1,600	569,408
Other income	58,922	—	58,922
Other gains and losses	42,932	—	42,932
Selling and marketing expenses	(204,765)	—	(204,765)
Administrative expenses	(174,760)	(83)	(174,843)
Research and development expenses	(232,666)	—	(232,666)
Share of results of associates	(438)	—	(438)
Finance costs	(48,682)	—	(48,682)
Profit before tax	8,351	1,517	9,868

Segment information from continuing operations Six months ended June 30, 2018	Software business	Network security business	Total
	RMB'000	RMB'000	RMB'000
Revenue	2,177,607	12,108	2,189,715
Cost of sales	(1,515,977)	(11,867)	(1,527,844)
Gross profit	661,630	241	661,871
Other income	41,516	—	41,516
Other gains and losses	(24,995)	—	(24,995)
Selling and marketing expenses	(185,161)	—	(185,161)
Administrative expenses	(151,901)	(71)	(151,972)
Research and development expenses	(181,114)	—	(181,114)
Share of results of associates	120	—	120
Finance costs	(33,855)	—	(33,855)
Listing expenses	(20,862)	—	(20,862)
Profit before tax	105,378	170	105,548

The accounting policies of the reportable segments are the same as the Group's significant accounting policies described in Note 4.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for each of the year/period of the Track Record Period.

No segment assets and liabilities are presented as the CODM does not regularly review segment assets and liabilities.

Geographical information

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

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the signing parties of the sales or service contracts. During each of

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6. REVENUE AND SEGMENT INFORMATION—continued

Geographical information—continued

the reporting periods presented, there were no sales or service contracts with a signing party located outside of the PRC.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the Track Record Period is as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Telecom operator A	2,532,929	2,555,317	2,736,689	1,164,498	1,254,563
Telecom operator B	1,252,514	1,212,707	1,173,224	492,838	472,833
Telecom operator C	836,813	876,541	845,696	380,067	396,869

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

7. OTHER INCOME

Continuing operations

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Government grants	45,160	49,180	44,098	21,032	10,112
Income from management support services(i)	11,474	52,181	29,179	16,449	7,861
Interest income from related parties (Note 44)	3,586	19,649	19,001	9,719	7,770
Interest income from current bank accounts	17,293	14,721	19,018	9,392	14,041
Interest income from AFS investments	14,503	177	—	—	—
Others	242	5,883	3,416	2,330	1,732
	92,258	141,791	114,712	58,922	41,516

Note:

(i) Income from management support services represents income generated primarily from the provision of management services in the areas of legal support, human resources and administration, etc. to the Group's related parties (Note 44).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

8. OTHER GAINS AND LOSSES

Continuing operations

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Gain (loss) on disposal of property, plant and equipment	2,943	3,894	(5,135)	188	(1,585)
(Loss) gain on disposal of intangible assets	(391)	(8,132)	(413)	431	(113)
Impairment loss of intangible assets	—	—	(2,200)	—	—
Impairment loss of an AFS investment	—	—	(4,335)	—	—
Impairment loss of inventories	(17,281)	—	(110)	—	—
(Allowance for) reversal of allowance for trade receivables	(1,113)	(671)	(4,714)	200	(5,739)
Allowance for other receivables	(1,586)	(1,525)	(1,123)	(243)	(50)
Reversal of allowance for contract assets	—	—	—	—	9,312
Gain on disposal of a subsidiary	—	48,763	—	—	—
Gain from extinguishment of liabilities(i)	10,398	2,635	1,278	442	405
Exchange (loss) gain, net	(3,561)	(95,196)	84,029	40,127	(27,240)
Others	6,495	5,004	1,551	1,787	15
	(4,096)	(45,228)	68,828	42,932	(24,995)

Note:

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

9. FINANCE COSTS

Continuing operations

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank borrowings	6,075	93,905	83,986	48,682	33,855

10. INCOME TAX EXPENSES RELATING TO CONTINUING OPERATIONS

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax:					
Hong Kong Profits Tax					
—Current year	368	126	802	—	—
PRC enterprise income tax ("EIT")					
—Current year	127,796	106,403	92,440	45,140	20,989
Deferred tax (Note 34)	(40,542)	(39,531)	(4,658)	(26,757)	(2,278)
	87,622	66,998	88,584	18,383	18,711

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10. INCOME TAX EXPENSES RELATING TO CONTINUING OPERATIONS—continued

Under the Law of the PRC on enterprise income tax (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Track Record Period.

The Group's subsidiaries operating in the PRC are eligible for certain tax credits of 150% deduction rate on certain research and development expenses for the years ended December 31, 2015, 2016 and 2017.

On August 9, 2012, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC and the State Administration of Taxation promulgated and implemented Trial Measures for the Administration over the Certification of Key Software Enterprises and Integrated Circuit Design Enterprises under State Planned Layout, pursuant to which key software enterprises under the state plan layout could go through tax reduction procedures with the competent tax authorities to enjoy preferential tax policies.

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

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

The Group's subsidiaries located in Hong Kong are subject to Hong Kong Profits Tax at a rate of 16.5% for the Track Record Period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10. INCOME TAX EXPENSES RELATING TO CONTINUING OPERATIONS—continued

The income tax expenses for each of the year/period during the Track Record Period can be reconciled to the profit before tax from continuing operations per the consolidated statements of profit or loss and other comprehensive income as follows:

Continuing operations

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	397,412	141,018	423,760	9,868	105,548
Tax at applicable income tax rate of 10%	39,741	14,102	42,376	987	10,555
Tax effect of share of results of associates and a joint venture	—	1,000	26	238	(12)
Tax effect of 150% deduction rate on certain research and development expenses	(15,711)	(12,802)	(14,547)	—	—
Tax effect of expenses not deductible for tax purpose	25,650	19,165	19,532	5,498	13,949
Tax effect of income not taxable for tax purpose	(1,906)	(3,508)	(19,596)	(2,193)	(2,057)
Tax effect of tax losses not recognized	174	42,703	38,095	39,949	21,543
Tax effect of withholding tax on dividend distribution	16,987	15,072	26,861	—	—
Tax effect of different tax rates of subsidiaries not applicable of 10%					
PRC	22,582	(8,826)	(4,482)	(26,096)	(25,267)
Hong Kong	105	92	319	—	—
Income tax expenses for the year/period	87,622	66,998	88,584	18,383	18,711

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

11. PROFIT FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period from continuing operations has been arrived at after charging (crediting):					
Staff costs, including directors' remuneration set out in Note 14					
Directors' remuneration	5,749	13,885	21,897	3,635	8,304
Employee benefit expenses					
Other staff costs (salaries, wages, allowance, and bonus)	2,632,085	2,480,401	2,836,288	1,338,031	1,337,156
Contribution to retirement benefits scheme	214,876	217,643	208,215	102,461	108,562
Share-based compensation expenses	22,556	25,552	60,987	44,012	18,798
Total staff costs	2,875,266	2,737,481	3,127,387	1,488,139	1,472,820
Cost of inventories recognized as expenses (including in cost of sales)	119,410	173,272	115,217	43,766	23,872
Depreciation of property, plant and equipment	56,689	33,718	35,424	19,780	12,633
Amortization of intangible assets	136,707	97,608	55,301	27,521	19,679
Amortization of prepaid lease payments	2,501	2,405	2,019	1,010	1,010
Auditor's remuneration	9,109	6,627	9,631	5,723	7,306

12. DISCONTINUED OPERATIONS

Disposal of two business operations

During the Track Record Period, the Group disposed two of business operations including the International Business and the e-public service business which primarily engaged in the provision of big data services, tools and applications to governmental bodies and public institutions (the "E-public Service Business").

On June 30, 2016, the Group entered into a series of sale agreements with AsiaInfo International (H.K.) Limited ("International HK"), which is an indirect wholly-owned subsidiary of Dr. Suning Tian, the founder and chairman of the Group, to dispose of the International Business and transfer the equity interests of all subsidiaries under such business for nil consideration.

Upon the acquisition of AsiaInfo Big Data in December 2017 as described in note (ii) of the consolidated statements of changes in equity, which is a business combination under common control, AsiaInfo Big Data is regarded as if it has been within the Group throughout the Track Record Period. Accordingly, the disposal of AsiaInfo Big Data's E-public Service Business incurred in November 2017 was considered as a discontinued operation of the Group. Such E-public Service Business was disposed of by AsiaInfo Big Data to Guangzhou AsiaInfo Cloud Bigdata Co., Ltd., a related party of the Group, for nil consideration. Through such disposal, substantial business of E-public Service

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12. DISCONTINUED OPERATIONS—continued

Disposal of two business operations—continued

Business was disposed of with an insignificant amount of contracts completed during the period ended June 30, 2018.

Details of the assets and liabilities disposed of, and the calculation of the profit or loss on these disposal, are disclosed in Note 45.

Analysis of loss for the year/period from discontinued operations

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

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss of International Business	(364,987)	(194,195)	—	—	—
Loss of E-public Service Business	(65,939)	(89,084)	(17,683)	(52,152)	(1,279)
Gain (loss) on disposal	10,464	(11,594)	450	—	—
Loss for the year/period from discontinued operations	(420,462)	(294,873)	(17,233)	(52,152)	(1,279)

a. Discontinued International Business

The results of the discontinued International Business for the two years ended December 31, 2015 and 2016, which have been included in the consolidated statements of profit or loss and other comprehensive income, are set out as follows:

Discontinued International Business	Year ended December 31,	
	2015	2016
	RMB'000	RMB'000
Revenue	86,163	23,314
Cost of sales	(283,515)	(125,266)
Gross loss	(197,352)	(101,952)
Other income	—	40
Other gains and losses	9,102	(2,184)
Selling and marketing expenses	(47,800)	(15,212)
Administrative expenses	(2,637)	(1,378)
Research and development expenses	(123,664)	(71,962)
Loss before tax	(362,351)	(192,648)
Income tax expenses	(2,636)	(1,547)
Loss for the year	(364,987)	(194,195)

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12. DISCONTINUED OPERATIONS—continued

Analysis of loss for the year/period from discontinued operations—continued

a. Discontinued International Business—continued

	Year ended December 31,	
	2015	2016
	RMB'000	RMB'000
Loss for the year from discontinued International Business has been arrived at after charging:		
Staff costs		
Staff salaries and other benefits	223,855	121,005
Contribution to retirement benefit scheme	10,264	5,666
Share-based compensation expenses	1,009	—
Total staff cost	235,128	126,671
Depreciation of property, plant and equipment	892	1,445

b. Discontinued E-public Service Business

The results of the discontinued E-public Service Business, for the three years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2017 (unaudited) and 2018, which have been included in the consolidated statements of profit or loss and other comprehensive income, are set out as follows:

	Year ended December 31,			Six months ended June 30,	
Discontinued E-public Service Business	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	45,439	91,464	23,197	8,870	986
Cost of sales	(74,872)	(68,021)	(37,970)	(29,191)	(2,265)
Gross (loss) profit	(29,433)	23,443	(14,773)	(20,321)	(1,279)
Other income	25	73	40	22	—
Other gains and losses(i)	(3,175)	(5,515)	35,569	(2,890)	—
Selling and marketing expenses	(15,424)	(56,397)	(23,160)	(14,964)	—
Administrative expenses	(1,577)	(11,192)	(3,439)	(2,364)	—
Research and development expenses	(16,001)	(31,970)	(9,701)	(9,695)	—
Share of results of associates	1,275	(1,321)	(1,573)	(1,351)	—
Share of results of joint ventures	(1,628)	(5,191)	(646)	(589)	—
Loss before tax	(65,938)	(88,070)	(17,683)	(52,152)	(1,279)
Income tax expenses	(1)	(1,014)	—	—	—
Loss for the year/period	(65,939)	(89,084)	(17,683)	(52,152)	(1,279)

Note:

(i) Included in other gains and losses during the year ended December 31, 2017, there were gains on disposal of subsidiaries amounting to RMB37,197,000 (Note 45).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12. DISCONTINUED OPERATIONS—continued

Analysis of loss for the year/period from discontinued operations—continued

b. Discontinued E-public Service Business—continued

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss for the year/period from discontinued E-public Service Business has been arrived at after charging:					
Staff cost					
Staff salaries and other benefits	68,680	104,120	49,464	34,672	1,470
Contribution to retirement benefit scheme	6,483	12,685	4,503	3,055	140
Total staff cost	75,163	116,805	53,967	37,727	1,610
Depreciation of property, plant and equipment	606	923	320	201	—

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 (unaudited) and 2018 is based on the following data:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(Loss) earnings:					
(Loss) earnings for the purpose of calculating (loss) earnings per share	(105,212)	(211,415)	328,765	(32,270)	86,737
Number of shares:					
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	624,348,176	624,348,176	624,348,176	624,348,176	624,348,176

The calculation of basic (loss) earnings per share for the Track Record Period was based on the (loss) profit for the year/period attributable to the owners of the Company. The calculation of the number of shares for the purpose of basic (loss) earnings per share for the Track Record Period has taken into account the allotment and issuance of new shares by the Company to all of the then existing shareholders on June 26, 2018 (Note 2) and the share subdivision as set out in Note 50(c) as if the new issuance and the share subdivision had been effective on January 1, 2015.

No diluted (loss) earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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

Directors and chief executive

Mr. Nianshu Gao served as the CEO of the Company since July 2016 and was appointed as a director of the Company on August 18, 2017. Mr. Jun Wu served as the Company's director and CEO since April 15, 2014 and terminated his role served as the CEO in July 2016, and his role served as the director of the Company on May 15, 2017. Mr. James Hsu was appointed as a director of the Company with effect from May 9, 2014 to January 31, 2018.

Details of the emoluments paid or payable to the directors and chief executive of the Company by entities comprising the Group during the Track Record Period are as follows:

Year ended December 31, 2015

	Salaries and other benefits	Discretionary bonus	Contribution to retirement benefit scheme	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors and chief executives:					
Mr. Jun Wu	1,929	1,418	44	2,174	5,565
Mr. James Hsu	184	—	—	—	184
Mr. Zhen Ji	—	—	—	—	—
Mr. Steve Zhang	—	—	—	—	—
Mr. Jian Ding	—	—	—	—	—
Mr. Suning Tian	—	—	—	—	—
Mr. Jingyang Wu	—	—	—	—	—
Mr. Yichen Zhang	—	—	—	—	—
	2,113	1,418	44	2,174	5,749

Year ended December 31, 2016

	Salaries and other benefits	Discretionary bonus	Contribution to retirement benefit scheme	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors and chief executives:					
Mr. Jun Wu	2,065	—	48	10,123	12,236
Mr. Nianshu Gao	575	721	20	—	1,316
Mr. James Hsu	333	—	—	—	333
Mr. Zhen Ji	—	—	—	—	—
Mr. Steve Zhang	—	—	—	—	—
Mr. Yuesheng Xin	—	—	—	—	—
Mr. Jian Ding	—	—	—	—	—
Mr. Suning Tian	—	—	—	—	—
Mr. Jingyang Wu	—	—	—	—	—
Mr. Yichen Zhang	—	—	—	—	—
	2,973	721	68	10,123	13,885

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS—continued

Directors and chief executive—continued

Year ended December 31, 2017

	Salaries and other benefits	Discretionary bonus	Contribution to retirement benefit scheme	Share-based compensation	Termination expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors and chief executives:						
Mr. Jun Wu	734	—	20	1,369	1,339	3,462
Mr. Nianshu Gao	2,052	4,860	51	11,133	—	18,096
Mr. James Hsu	339	—	—	—	—	339
Mr. Yuesheng Xin	—	—	—	—	—	—
Mr. Jian Ding	—	—	—	—	—	—
Mr. Suning Tian	—	—	—	—	—	—
Mr. Jingyang Wu	—	—	—	—	—	—
Mr. Yichen Zhang	—	—	—	—	—	—
	3,125	4,860	71	12,502	1,339	21,897

Six months ended June 30, 2017

	Salaries and other benefits	Discretionary bonus	Contribution to retirement benefit scheme	Share-based compensation	Termination expenses	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Directors and chief executives:						
Mr. Jun Wu	734	—	20	1,369	1,339	3,462
Mr. James Hsu	173	—	—	—	—	173
Mr. Yuesheng Xin	—	—	—	—	—	—
Mr. Jian Ding	—	—	—	—	—	—
Mr. Suning Tian	—	—	—	—	—	—
Mr. Jingyang Wu	—	—	—	—	—	—
Mr. Yichen Zhang	—	—	—	—	—	—
	907	—	20	1,369	1,339	3,635

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS—continued

Directors and chief executive—continued

Six months ended June 30, 2018

	Salaries and other benefits	Discretionary bonus	Contribution to retirement benefit scheme	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors and chief executives:					
Mr. Nianshu Gao	1,225	1,320	26	5,733	8,304
Mr. James Hsu	—	—	—	—	—
Mr. Yuesheng Xin	—	—	—	—	—
Mr. Jian Ding	—	—	—	—	—
Mr. Suning Tian	—	—	—	—	—
Mr. Jingyang Wu	—	—	—	—	—
Mr. Yichen Zhang	—	—	—	—	—
Mr. Liyang Zhang	—	—	—	—	—
	1,225	1,320	26	5,733	8,304

Note:

Mr. Zhen Ji was appointed as a director of the Company on January 15, 2015 and resigned on August 31, 2016. Mr. Steve Zhang was appointed as a director of the Company with effect from January 14, 2014 and resigned on July 15, 2016. Mr. Yuesheng Xin was appointed as a director of the Company with effect from August 31, 2016. Mr. Suning Tian, Mr. Yichen Zhang, Mr. Jingyang Wu and Mr. Jian Ding were all appointed as directors of the Company since January 15, 2014. Mr. Liyang Zhang was appointed as a director of the Company on January 31, 2018.

No emoluments were paid or payable to Mr. Zhen Ji, Mr. Steve Zhang, Mr. Suning Tian, Mr. Jian Ding, Mr. Yichen Zhang, Mr. Jingyang Wu, Mr. Yuesheng Xin and Mr. Liyang Zhang, the directors of the Company during the Track Record Period.

The emoluments of the directors and chief executive shown above were for their management services rendered to the Group.

During the Track Record Period, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the holding companies of the Company. Details of the share-based payments are set out in Note 42.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS—continued

Employees

The five highest paid individuals of the Group during the Track Record Period included one director each for the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, whose emoluments were included in the disclosures above. There was no director included in the five highest paid individuals of the Group for the six months ended June 30, 2017 (unaudited). The emoluments of the remaining individuals for the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Employees					
Salaries and other benefits	5,321	6,175	5,686	2,385	3,258
Discretionary bonus	10,771	5,603	13,682	6,300	4,030
Share-based compensation expenses	4,918	13,661	36,184	20,503	19,367
Contribution to retirement benefit scheme	190	220	214	88	126
	21,200	25,659	55,766	29,276	26,781

Their top five emoluments fell within the following band:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	Number of employees	Number of employees	Number of employees	Number of employees (unaudited)	Number of employees
HK$3,500,001 to HK$4,000,000	1	1	—	—	—
HK$4,000,001 to HK$4,500,000	2	2	—	—	—
HK$4,500,001 to HK$5,000,000	—	1	—	1	1
HK$5,000,001 to HK$5,500,000	—	—	—	—	1
HK$5,500,001 to HK$6,000,000	—	—	—	2	1
HK$6,000,001 to HK$6,500,000	—	—	—	1	—
HK$7,000,001 to HK$7,500,000	1	—	—	—	1
HK$7,500,001 to HK$8,000,000	1	—	—	—	—
HK$10,000,001 to HK$10,500,000	—	—	2	—	1
HK$10,500,001 to HK$11,000,000	—	—	—	1	—
HK$11,000,001 to HK$11,500,000	—	—	1	—	—
HK$11,500,001 to HK$12,000,000	—	—	1	—	—
HK$15,000,001 to HK$15,500,000	—	1	—	—	—
HK$20,500,001 to HK$21,000,000	—	—	1	—	—
	5	5	5	5	5

Saved as disclosed above, during the Track Record Period, no emoluments were paid by the Group to the directors or chief executive of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors of the Company and the five highest paid individuals of the Group waived or agreed to waive any emoluments during the Track Record Period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At January 1, 2015	190,404	76,856	11,931	211,242	490,433
Exchange realignment	—	51	—	376	427
Additions	—	14,525	407	41,445	56,377
Disposals	—	(12,224)	(2,543)	(42,670)	(57,437)
At December 31, 2015	190,404	79,208	9,795	210,393	489,800
Exchange realignment	—	—	—	6	6
Additions	6,490	9,961	795	10,446	27,692
Disposals	—	(434)	(3,110)	(17,626)	(21,170)
At December 31, 2016	196,894	88,735	7,480	203,219	496,328
Additions	693	3,725	1,264	4,607	10,289
Disposals	(4)	(8,856)	(3,743)	(72,005)	(84,608)
At December 31, 2017	197,583	83,604	5,001	135,821	422,009
Additions	—	4,832	373	5,411	10,616
Disposals	—	(1,027)	—	(3,889)	(4,916)
At June 30, 2018	197,583	87,409	5,374	137,343	427,709
ACCUMULATED DEPRECIATION					
At January 1, 2015	(3,967)	(19,401)	(9,032)	(136,327)	(168,727)
Exchange realignment	—	(45)	—	(147)	(192)
Charged for the year	(4,035)	(8,453)	(1,155)	(44,544)	(58,187)
Eliminated on disposals	—	9,801	2,250	39,419	51,470
At December 31, 2015	(8,002)	(18,098)	(7,937)	(141,599)	(175,636)
Exchange realignment	—	—	—	(7)	(7)
Charged for the year	(4,154)	(9,287)	(585)	(22,060)	(36,086)
Eliminated on disposals	—	54	2,856	16,470	19,380
At December 31, 2016	(12,156)	(27,331)	(5,666)	(147,196)	(192,349)
Charged for the year	(4,235)	(10,690)	(576)	(20,243)	(35,744)
Eliminated on disposals	—	3,121	3,170	62,422	68,713
At December 31, 2017	(16,391)	(34,900)	(3,072)	(105,017)	(159,380)
Charged for the period	(2,432)	(2,855)	(414)	(6,932)	(12,633)
Eliminated on disposals	—	661	—	2,670	3,331
At June 30, 2018	(18,823)	(37,094)	(3,486)	(109,279)	(168,682)
CARRYING VALUES					
At December 31, 2015	182,402	61,110	1,858	68,794	314,164
At December 31, 2016	184,738	61,404	1,814	56,023	303,979
At December 31, 2017	181,192	48,704	1,929	30,804	262,629
At June 30, 2018	178,760	50,315	1,888	28,064	259,027

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. PROPERTY, PLANT AND EQUIPMENT—continued

The above items of property, plant and equipment, taking into account their residual values of the cost, are depreciated on a straight-line basis over their useful lives shown as follows:

Buildings	40 to 47 years
Leasehold improvements	Shorter of the lease term or 5 to 10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 to 10 years

16. PREPAID LEASE PAYMENTS

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed for reporting purposes as:				
Non-current assets	145,677	87,508	85,489	84,479
Current assets (included in prepayments, deposits and other receivables – Note 26)[(1)]	3,175	2,019	2,019	2,019
	148,852	89,527	87,508	86,498

Note:

(1) The current portion of prepaid lease payment included in prepayment, deposits and other receivables represents the portion to be amortized within one year in relation to the land use rights.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. PREPAID LEASE PAYMENTS—continued

The movements of the prepaid lease payments is as follows:

	RMB'000
COST	
At January 1, 2015	100,971
Additions	57,787
At December 31, 2015	158,758
Disposal of a subsidiary	(57,787)
At December 31, 2016 and 2017 and June 30, 2018	100,971
ACCUMULATED AMORTIZATION	
At January 1, 2015	(7,405)
Charged for the year	(2,501)
At December 31, 2015	(9,906)
Charged for the year	(2,405)
Eliminated on disposal of a subsidiary	867
At December 31, 2016	(11,444)
Charged for the year	(2,019)
At December 31, 2017	(13,463)
Charged for the period	(1,010)
At June 30, 2018	(14,473)
CARRYING VALUES	
At December 31, 2015	148,852
At December 31, 2016	89,527
At December 31, 2017	87,508
At June 30, 2018	86,498

The Group entered into the land use right transfer agreement with Beijing Municipal Bureau of Land and Resources pursuant to which the Group acquired the land use right with a 50-year term in Beijing in 2011. Subsequently in 2015, the Group entered into another land use right transfer agreement pursuant to which the Group acquired the land use right with a 50-year term in Nanjing. The prepaid lease payments represent the land use rights and are amortized on a straight-line basis over lease terms of 50 years as stated in the relevant land use right certificates granted for usage to the Group.

On March 1, 2016, the prepaid lease payment for the land use right in Nanjing was disposed of with the disposal of a subsidiary, Nanjing AsiaInfo Internet Technologies Limited ("AsiaInfo Nanjing Internet"), details of which are set out in Note 45.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17. INTANGIBLE ASSETS

	Customer relationships	Core technologies	Non-compete agreements	Software	Memberships	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2015	779,585	295,512	6,729	6,808	4,240	1,092,874
Additions	—	—	—	7,729	—	7,729
Disposals	—	—	—	(4,133)	—	(4,133)
At December 31, 2015	779,585	295,512	6,729	10,404	4,240	1,096,470
Additions	—	—	—	9,461	—	9,461
Disposal	—	—	—	(10,017)	(840)	(10,857)
At December 31, 2016	779,585	295,512	6,729	9,848	3,400	1,095,074
Additions	—	—	—	1,659	—	1,659
Disposal	—	—	—	(1,845)	—	(1,845)
At December 31, 2017	779,585	295,512	6,729	9,662	3,400	1,094,888
Additions	—	—	—	2,258	—	2,258
Disposal	—	—	—	(1,101)	—	(1,101)
At June 30, 2018	779,585	295,512	6,729	10,819	3,400	1,096,045
AMORTIZATION AND IMPAIRMENT						
At January 1, 2015	(517,207)	(221,634)	(6,670)	(5,008)	—	(750,519)
Charged for the year	(86,071)	(49,252)	(59)	(1,325)	—	(136,707)
Eliminated on disposals	—	—	—	3,742	—	3,742
At December 31, 2015	(603,278)	(270,886)	(6,729)	(2,591)	—	(883,484)
Charged for the year	(69,365)	(24,626)	—	(3,617)	—	(97,608)
Eliminated on disposals	—	—	—	2,725	—	2,725
At December 31, 2016	(672,643)	(295,512)	(6,729)	(3,483)	—	(978,367)
Charged for the year	(52,331)	—	—	(2,970)	—	(55,301)
Eliminated on disposals	—	—	—	1,432	—	1,432
Impairments	—	—	—	—	(2,200)	(2,200)
At December 31, 2017	(724,974)	(295,512)	(6,729)	(5,021)	(2,200)	(1,034,436)
Charged for the period	(17,148)	—	—	(2,531)	—	(19,679)
Eliminated on disposals	—	—	—	988	—	988
At June 30, 2018	(742,122)	(295,512)	(6,729)	(6,564)	(2,200)	(1,053,127)
CARRYING VALUES						
At December 31, 2015	176,307	24,626	—	7,813	4,240	212,986
At December 31, 2016	106,942	—	—	6,365	3,400	116,707
At December 31, 2017	54,611	—	—	4,641	1,200	60,452
At June 30, 2018	37,463	—	—	4,255	1,200	42,918

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17. INTANGIBLE ASSETS—CONTINUED

All intangible assets have finite useful lives and are amortized on a straight-line basis based on their estimated useful lives, except for the customer relationships having finite useful lives and being amortized on an accelerated basis based on their estimated useful lives and the memberships having infinite lives, as follows:

Customer relationships	2 to 10 years
Software	1 to 6 years
Core technologies	5 to 6 years
Non-compete agreements	2 to 10 years

18. GOODWILL

The goodwill was primarily arisen the acquisition of Linkage Technologies International Holdings Limited ("Linkage") on July 1, 2010. The carrying values was RMB1,932,246,000 as at December 31, 2015, 2016, 2017 and June 30, 2018, 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 unit which is operating in the software business.

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

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

The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a pre-tax discount rate of 19.0% for each year/period of the Track Record Period. The cash flows of the cash-generating units 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 of the Company believe that the projected growth rates are reasonable. Other key assumptions for the value in use calculations relate to the estimation of cash inflows and/or outflows which include budgeted sales and gross profit margin. Such estimation is based on the past performance of the cash-generating units, industry information and management's expectations for the market development, including the fluctuation in the software products and related services business in the current economic environment.

The table below sets forth a sensitivity analysis of the impact of variations in key assumptions, namely the discount rate and the revenue growth rate, on the recoverable amount of the cash-generating units of software business, where the headroom represents the excess of the recoverable amount over the carrying amount of the goodwill. The directors of the Company believe that any

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. GOODWILL—continued

Impairment testing on goodwill—continued

reasonably possible change in any of other assumptions would not cause the aggregate carrying amount of the cash-generating unit to exceed the recoverable amount of this cash-generating unit.

	Headroom			
	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Change in discount rate				
0%	376,424	490,157	1,213,770	2,838,838
+0.5%	264,424	372,157	1,072,770	2,623,838
+1%	162,424	261,157	940,770	2,421,838
Change in revenue growth rate				
0%	376,424	490,157	1,213,770	2,838,838
-0.5%	339,424	456,157	1,173,770	2,774,838
-1%	303,424	422,157	1,133,770	2,709,838

During the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, no impairment loss was recognized.

The recoverable amount of cash-generating units of software business is RMB2,687,000,000, RMB2,803,000,000, RMB4,070,000,000 and RMB5,056,000,000 as at December 31, 2015, 2016, 2017 and June 30, 2018, respectively, which were higher than the carrying value at the respective dates during the Track Record Period, and determined based on the value in use calculations.

19. INVESTMENTS IN ASSOCIATES

Details of the Group's investments in associates are aggregately presented as follows:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of unlisted investments in associates	12,750	12,750	56,000	56,000
Share of results and other comprehensive income	1,275	(46)	258	378
	14,025	12,704	56,258	56,378

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19. INVESTMENTS IN ASSOCIATES—continued

Details of the Group's associates at the end of each year/period of the Track Record Period are as follows:

Name of entity[(i)]	Place of incorporation/ registration	Principal place of operation	Proportion of ownership interest and voting rights held by the Group								Principal activity
			At December 31,						At June 30,		
			2015		2016		2017		2018		
			Directly	Voting	Directly	Voting	Directly	Voting	Directly	Voting	
Guiyang Global Big Data Exchange Co., Ltd.[(v)] (貴陽大數據交易所有限責任公司)	PRC	PRC	21.5%	14.3%	21.5%	14.3%	—	—	—	—	Provision of big data services
AsiaInfo Lantao Technology Co., Ltd. (Jiangsu)[(ii)] (亞信藍濤（江蘇）數據科技有限公司)	PRC	PRC	28.0%	33.3%	28.0%	33.3%	—	—	—	—	Provision of big data services
Dalian Xikang Yunshe Development Co., Ltd.[(iii)] (大連熙康雲舍發展有限公司)	PRC	PRC	—	—	—	—	10.0%	20.0%	10.0%	20.0%	Provision of hospitality management, travel planning management and other management services
Beijing Yangguang Tiannv Information Technology Co., Ltd.[(iv)] (北京陽光天女信息科技有限公司)	PRC	PRC	—	—	—	—	9.0%	14.3%	9.0%	14.3%	Provision of information technology development services

All of the above associates are accounted for using the equity method in the Historical Financial Information.

Notes:

(i) The English names of the companies are translated from their registered Chinese names for identification purpose only.

(ii) On November 3, 2017, AsiaInfo Lantao Technology Co., Ltd. (Jiangsu) ("AsiaInfo Lantao") was disposed of to a related party as part of the discontinued E-public Service Business described in Note 12.

(iii) In 2017, the Group invested RMB50,000,000 into Dalian Xikang Yunshe Development Co., Ltd ("Dalian Xikang Yunshe") for 10% equity interests. Pursuant to the articles of associations, the Group has the ability to exercise significant influence over the investee through the power to appoint one out of five seats in the board of directors.

(iv) On February 23, 2017, the Group invested RMB6,000,000 into Beijing Yangguang Tiannv Information Technology Co., Ltd. ("Yangguang Tiannv") for 10% equity interests. The Group has the ability to exercise significant influence over the investee through the power to appoint one out of seven seats in the board of directors and has the rights to exercise its voting power throughout any decision-making process of the investee.

On November 5, 2017, an independent third-party non-controlling shareholder contracted to inject RMB20,000,000 to Yangguang Tiannv with capital injections made separately in 2017 and 2018, which resulted in a dilution of the Group's interest in Yangguang Tiannv from 10% to 9%.

(v) The Group invested 21.5% equity interests in Guiyang Global Big Data Exchange Co., Ltd. ("Big Data Guiyang") in 2015. Since the Group has power to appoint one out of seven seats in the board of directors of Big Data Guiyang and as the decision-making and policymaking need four out of five voting from the shareholders and no shareholder's voting interest in more than 50%, the Group considered the equity interests in Big Data Guiyang is an investment in associate with significant influence.

The investment in Big Data Guiyang was disposed of to a related party on November 3, 2017 as part of the discontinued E-public Service Business described in Note 12.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19. INVESTMENTS IN ASSOCIATES—continued

The summarized financial information in respect of each of the Group's associates is set out as follows:

A. Big Data Guiyang

	At December 31,	
	2015	2016
	RMB'000	RMB'000
Current assets	40,649	29,767
Non-current assets	12,982	14,842
Current liabilities	5,418	1,737
Non-current liabilities	193	193
Net assets	48,020	42,679

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Revenue	4,078	2,514	4,753
Loss and total comprehensive expense for the year	(1,204)	(5,342)	(6,269)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the Historical Financial Information is as follows:

	Year ended December 31,	
	2015	2016
	RMB'000	RMB'000
Net assets of Big Data Guiyang	48,020	42,679
	48,020	42,679
Proportion of the Group's ownership interests in Big Data Guiyang	21.5%	21.5%
The Group's share of net assets in Big Data Guiyang	10,324	9,175
Goodwill[1]	167	167
Carrying amount of the Group's interests in Big Data Guiyang	10,491	9,342

Note:

(1) For the investment in Big Data Guiyang, the excess of the cost of the investment over the Group's share of the fair value of the identifiable assets and liabilities of the investee was recognized as goodwill, which has been included within the carrying amount of the investment. The entire carrying amount of the investment (including goodwill) was tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. No impairment loss has been recognized during the Track Record Period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19. INVESTMENTS IN ASSOCIATES—continued

B. AsiaInfo Lantao

	At December 31,	
	2015	2016
	RMB'000	RMB'000
Current assets	1,239	1,713
Non-current assets	11,798	10,545
Current liabilities	415	251
Net assets	12,622	12,007

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Revenue	58	719	342
Loss and total comprehensive expense for the year	(4,760)	(3,616)	(4,298)

In June 2015, an independent third-party non-controlling shareholding company has injected capital amounting to RMB10,710,000 to AsiaInfo Lantao, which resulted in a dilution of the Group's interest in AsiaInfo Lantao from 40% to 28%. The gain on deemed disposal of partial interest, representing the difference between the share of net asset value before and after the dilution, amounting to RMB3,095,000 was credited to the consolidated statements of profit or loss and other comprehensive income.

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the Historical Financial Information for the two years ended December 31, 2016 is as follows:

	Year ended December 31,	
	2015	2016
	RMB'000	RMB'000
Net assets of AsiaInfo Lantao	12,622	12,007
Proportion of the Group's ownership interests in AsiaInfo Lantao	28%	28%
Carrying amount of the Group's interests in AsiaInfo Lantao	3,534	3,362

C. Dalian Xikang Yunshe

	At December 31,	At June 30,
	2017	2018
	RMB'000	RMB'000
Current assets	317,187	320,655
Non-current assets	255,616	324,643
Current liabilities	7,109	17,718
Non-current liabilities	24,754	24,719
Net assets	540,940	602,861

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19. INVESTMENTS IN ASSOCIATES—continued

C. Dalian Xikang Yunshe—continued

	Year ended December 31, 2017	Six months ended June 30, 2018
	RMB'000	RMB'000
Revenue	3,081	1,561
Loss and total comprehensive expense for the year/period	(10,183)	(4,882)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the Historical Financial Information for the year ended December 31, 2017 and six months ended June 30, 2018 is as follows:

	Year ended December 31, 2017	Six months ended June 30, 2018
	RMB'000	RMB'000
Net assets of Dalian Xikang Yunshe	540,940	602,861
Less: non-controlling interest in Dalian Xikang Yunshe	51,123	117,926
	489,817	484,935
Proportion of the Group's ownership interests in Dalian Xikang Yunshe	10%	10%
Carrying amount of the Group's interests in Dalian Xikang Yunshe	48,982	48,494

D. Yangguang Tiannv

	At December 31, 2017	At June 30, 2018
	RMB'000	RMB'000
Current assets	8,495	13,131
Non-current assets	8,457	7,999
Current liabilities	3,645	1,064
Net assets	13,307	20,066

	Year ended December 31, 2017	Six months ended June 30, 2018
	RMB'000	RMB'000
Revenue	10,319	4,461
Loss and total comprehensive expense for the year/period	(13,516)	(3,241)

On November 5, 2017, an independent third-party noncontrolling shareholding company contracted to inject RMB20,000,000 to Yangguang Tiannv, which resulted in a dilution of the Group's interest in Yangguang Tiannv from 10% to 9% with RMB10,000,000 capital injection being made in 2017. Further injection, amounting to RMB10,000,000, was made separately in 2018 with no further impact on the Group's ownership in the associate. The gain on deemed disposal of partial interest,

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19. INVESTMENTS IN ASSOCIATES—continued

D. Yangguang Tiannv—continued

representing the difference between the share of net asset value before and after the dilution, amounting to RMB2,417,000 and RMB900,000 for the year ended December 31, 2017 and the six months ended June 30, 2018, respectively, were credited to the consolidated statements of profit or loss and other comprehensive income.

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the Historical Financial Information for the year ended December 31, 2017 and six months ended June 30, 2018 is as follows:

	Year ended December 31,	Six months ended June 30,
	2017	2018
	RMB'000	RMB'000
Net assets of Yangguang Tiannv	13,307	20,066
Proportion of the Group's ownership interests in Yangguang Tiannv	9%	9%
The Group's share of net assets in Yangguang Tiannv	1,198	1,806
Goodwill[(v)]	6,078	6,078
Carrying amount of the Group's interests in Yangguang Tiannv	7,276	7,884

Note:

(v) On acquisition of the investment in Yangguang Tiannv, the excess of the cost of the investment over the Group's share of the realizable fair value of the identifiable assets and liabilities of the investee was recognized as goodwill, which has been included within the carrying amount of the investment. The entire carrying amount of the investment (including goodwill) was tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. No impairment loss has been recognized during the Track Record Period.

20. INVESTMENTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	At December 31,	
	2015	2016
	RMB'000	RMB'000
Cost of unlisted investments in joint ventures	6,120	19,120
Share of results and other comprehensive expense	(1,629)	(16,820)
	4,491	2,300

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

20. INVESTMENTS IN JOINT VENTURES—continued

Details of the Group's joint ventures at December 31, 2015 and 2016 are set out as follows:

Name of entity[i]	Place of incorporation/ registration	Principal place of operation	Proportion of ownership interest and voting rights held by the Group at December 31, 2015 Directly	2015 Voting	2016 Directly	2016 Voting	Principal activity
Guangzhou Data Exchange Service, Co., Ltd.[ii] (廣州數據交易服務有限公司)	PRC	PRC	—	—	50%	40%	Provision of big data services
Global Big Data Exchange (Wuhan) Co., Ltd.[ii][iii] (武漢長江大數據交易有限公司)	PRC	PRC	51%	50%	51%	50%	Provision of big data services
Beijing AsiaInfo Dataware Technology Co., Ltd.[iv] (北京亞信數件科技有限公司)	PRC	PRC	—	—	48.67%	50%	Provision of big data services

Notes:

(i) The English names of the companies are translated from their registered Chinese names for identification purpose only.

(ii) The joint venture investments were disposed to a related party on November 3, 2017 and included as a part of the discontinued E-public Service Business included in Note 12.

(iii) The Group held 51% of the equity interests in Global Big Data Exchange (Wuhan) Co., Ltd. ("Big Data Wuhan"). Pursuant to the shareholder agreement, the Group has the right to cast 50% of the votes at shareholder meetings of Big Data Wuhan.

(iv) The Group held 48.67% of equity interests in Beijing AsiaInfo Dataware Technology Co., Ltd. in August 2016. Pursuant to the shareholder agreement, the Group had the right to cast 50% of the votes at shareholder meetings. Beijing AsiaInfo Dataware Technology Co., Ltd. was sold to a related company, Beijing AsiaInfo (Xintong) Technology Co., Ltd. ("Beijing Xintong") in 2017.

The summarized financial information in respect of each of the Group's joint ventures is set out as follows:

(a) Guangzhou Data Exchange Service, Co., Ltd. ("Guangzhou Data")

	At December 31, 2016
	RMB'000
Current assets	4,872
Non-current assets	8
Current liabilities	281
Net assets	4,599

	Year ended December 31, 2016	2017
	RMB'000	RMB'000
Revenue	—	549
Loss and total comprehensive expense for the year	(1,401)	(1,292)

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

20. INVESTMENTS IN JOINT VENTURES—continued

(a) Guangzhou Data Exchange Service, Co., Ltd. ("Guangzhou Data")—continued

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the Historical Financial Information is as follows:

	Year ended December 31, 2016
	RMB'000
Net assets of Guangzhou Data	4,599
	4,599
Proportion of the Group's ownership interests in Guangzhou Data	50%
Carrying amount of the Group's interests in Guangzhou Data	2,300

(b) Big Data Wuhan

	At December 31, 2015	At December 31, 2016
	RMB'000	RMB'000
Current assets	8,465	917
Non-current assets	824	673
Current liabilities	482	3,948
Net assets (liabilities)	8,807	(2,358)

	Year ended December 31, 2015	Year ended December 31, 2016	For the ten months ended 2017
	RMB'000	RMB'000	RMB'000
Revenue	—	—	—
Loss and total comprehensive expense for the year/period	(3,194)	(11,164)	(2,975)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the Historical Financial Information is as follows:

	Year ended December 31, 2015	Year ended December 31, 2016
	RMB'000	RMB'000
Net assets (liabilities) of Big Data Wuhan	8,807	(2,358)
	8,807	(2,358)
Proportion of the Group's ownership interests in Big Data Wuhan	51%	51%
Carrying amount of the Group's interests in Big Data Wuhan	4,491	—
Unrecognized share of loss and total comprehensive expense of Big Data Wuhan for the year	—	(1,203)

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

20. INVESTMENTS IN JOINT VENTURES—continued

(c) Beijing AsiaInfo Dataware Technology Co., Ltd. ("Beijing Dataware")

	At December 31, 2016
	RMB'000
Current assets	14,011
Non-current assets	818
Current liabilities	19,121
Net liabilities	(4,292)

	Year ended December 31,	
	2016	2017
	RMB'000	RMB'000
Revenue	763	532
Loss and total comprehensive expense for the year	(29,288)	(23,606)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the Historical Financial Information is as follows:

	Year ended December 31, 2016
	RMB'000
Net liabilities of Beijing Dataware	(4,292)
	(4,292)
Proportion of the Group's ownership interests in Beijing Dataware	48.67%
Carrying amount of the Group's interests in Beijing Dataware	—
Unrecognized share of loss and total comprehensive expense of Beijing Dataware	(2,089)

21. INVESTMENTS IN SUBSIDIARIES

The Company

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Investments in subsidiaries	71,430	76,305	81,598	79,403

Note: The balances represent the investments in subsidiaries which is carried at cost less impairment loss. There has no impairment during the Track Record Period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

22. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments

	At December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Unlisted investments:			
A wealth management product	—	20,000	—
An unlisted equity investment	8,000	8,000	8,000
Total cost	8,000	28,000	8,000
Accumulated impairment	—	—	(4,335)
	8,000	28,000	3,665
Analyzed for reporting purposes as:			
Current assets	—	20,000	3,665
Non-current assets	8,000	8,000	—
	8,000	28,000	3,665

The investment in a wealth management product is issued by a major and reputable commercial bank which had an original maturity less than one year. The Group estimated that its fair value approximated to the amount stated on the monthly investment reports provided by the bank.

The unlisted equity investment in the PRC held by the Group represents the investment in Baoku Online Inc. ("Baoku"), a private company incorporated in the PRC, primarily engaged in provision of travel management IT solution and maintenance service for airline companies. The interests of the equity investment held by the Group is 9.71%, without any rights to nominate directors, and such that the Group does not have a significant influence on the equity investment. The investment was measured at cost less impairment at the end of each year of the Track Record Period because (1) the investment did not have a quoted market price in an active market and (2) the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably and the probabilities of the various estimates cannot be reasonably assessed.

During the year ended December 31, 2017, the Group entered into a proposal to dispose its AFS investment in Baoku and was actively engaged in locating a buyer. In December 2017, a pre-sale agreement was signed with a potential third-party buyer with a pre-determined selling price. Pursuant to the pre-sale agreement, which obligated the transaction to take place within 90 days of contact signing, the Group considered the disposal is highly probable and provided an impairment amount of RMB4,335,000 based on its fair value less cost to sell.

Investment in Baoka was classified as financial assets at FVTPL upon application of HKFRS 9 on January 1, 2018. Upon disposal of investment in Baoku in March 2018, no other unlisted investments were held by the Group as at June 30, 2018.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23. OTHER NON-CURRENT ASSETS

Other non-current assets consist of housing loan provided to employees, rental deposits and deposits for project performance.

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Employee housing loan	14,840	7,418	3,518	1,858
Rental deposits	17,729	32,855	33,429	36,889
Project performance deposits	1,401	9,802	9,300	2,734
	33,970	50,075	46,247	41,481

The Group has launched an employee housing loan program that provides non-interest bearing loans to qualified employees with a five-year term since 2012. Such loan receivables are secured and recoverable upon demand as all employees are in service.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the total outstanding amount of such employee loans granted under the program were RMB18,740,000, RMB10,390,000 and RMB5,510,000 and RMB3,171,000, respectively.

The employee loans that were due in more than one year were classified as other non-current assets. Such loans with due dates being less than one year were classified as other current assets and include in the balance of prepayments, deposits and other receivables (Note 26).

During the Track Record Period, the directors of the Company believe that no impairment allowance is necessary in respect of the loan receivables as there is no significant change in credit quality, the employees have been in service and the balances are considered fully recoverable.

24. INVENTORIES

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Computer hardware and software products	31,817	2,297	7,100	2,697

25. TRADE AND NOTES RECEIVABLES

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	764,363	769,390	838,890	833,608
Notes receivables	27,777	11,813	56,638	7,339
Less: allowance for doubtful debts	(4,649)	(5,315)	(7,083)	(15,301)
	787,491	775,888	888,445	825,646

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25. TRADE AND NOTES RECEIVABLES—continued

customers may be granted on a discretionary basis by considering customer type, the current creditworthiness and the customer's financial condition and payment history with the Group.

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

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

Aging of trade and notes receivables, net of allowance for doubtful debts, based on the dates when the Group has the right to bill, at the end of each year/period of the Track Record Period is as follows:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
1-30 days	488,818	492,768	511,500	441,197
31-90 days	137,286	164,904	184,986	173,403
91–180 days	124,700	77,551	113,042	81,430
181–365 days	25,943	30,359	65,755	105,377
Over 365 days	10,744	10,306	13,162	24,239
	787,491	775,888	888,445	825,646

Trade receivables disclosed below are past due at the end of each year/period of the Track Record Period for which the Group has not recognized an allowance for doubtful debts because, based on past experience, the directors of the Company are of the opinion that there has not been a significant change in credit quality and the balances are still considered fully recoverable and the Group is satisfied with the subsequent settlement. There is no past due for notes receivables.

Aging of trade receivables that are past due but not impaired is as follows:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
1- 90 days	194,795	213,095	255,585	231,694
91–180 days	58,625	32,479	64,863	81,145
181–365 days	21,720	20,317	41,893	57,324
Over 365 days	6,557	7,594	6,541	18,173
	281,697	273,485	368,882	388,336

The Group provides allowance for trade receivables based on the evaluation of collectability and aging analysis. Certain judgment is applied in assessing the ultimate realization of these

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25. TRADE AND NOTES RECEIVABLES—continued

receivables, including the current creditworthiness and the past collection history of the customers. Reversals of allowance are made based on subsequent cash settlements collected, being partially or fully recovered.

Movements in the allowance for doubtful debts are as follows:

	At December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
At beginning of the year	4,824	4,649	5,315
Provision of allowance for trade receivables	1,651	1,027	5,766
Reversal of allowance for trade receivables	(538)	(356)	(1,052)
Written-off as uncollectible	—	—	(2,015)
Disposal of subsidiaries	(1,328)	—	(919)
Exchange adjustments	40	(5)	(12)
At end of the year	4,649	5,315	7,083

Allowance for doubtful debts included individually impaired trade receivables with an aggregate gross principal balance of RMB10,744,000, RMB10,306,000 and RMB13,162,000 as at December 31, 2015, 2016 and 2017, respectively, of which the Group does not expect it can be collected. The Group does not hold any collateral over these balances.

Movement in lifetime ECL that has been recognized for trade receivables in accordance with the simplified approach set out in HKFRS 9 for the six months ended June 30, 2018 is as follows:

	RMB'000
At December 31, 2017 under HKAS 39	7,083
Adjustment upon application of HKFRS 9	2,479
At January 1, 2018—restated under HKFRS 9	9,562
Allowance on trade receivables	5,739
At June 30, 2018	15,301

The Group generally provides their customers with one to two years' assurance-type warranty period free of charge. As at December 31, 2015, 2016 and 2017 and June 30, 2018, no retention held by customers for trade receivables.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment of value added tax	48,596	96,359	92,298	118,124
Prepayment for outsourcing system supporting service	35,428	29,669	27,341	28,261
Prepayment for technical service and telecommunication service	6,056	11,861	18,927	18,301
Project bidding and other deposits	35,899	40,252	11,249	15,620
Advances to suppliers	6,013	1,726	2,171	1,859
Deferred issue costs	—	—	5,026	8,347
Prepaid rental expenses	7,404	7,200	5,592	7,446
Staff advances	1,707	3,245	4,358	4,265
Interest receivable	2,108	5,544	4,135	6,106
Prepaid lease payments (Note 16)	3,175	2,019	2,019	2,019
Employee housing loans	3,900	2,972	1,992	1,313
Others	4,059	5,013	3,537	121
	154,345	205,860	178,645	211,782
Less: allowance for other receivables	—	(1,525)	(2,144)	(2,144)
	154,345	204,335	176,501	209,638

Movements in the allowance for other receivables are as follows:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	—	—	1,525	2,144
Provision of allowance for other receivables	1,586	1,525	1,123	50
Written-off as uncollectible	(1,586)	—	(504)	(50)
At end of the year/period	—	1,525	2,144	2,144

The Company

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred issue costs	—	—	5,026	8,347

27. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has rights to considerations from customers for the provision of software business and network security business. Contract assets arise when the Group has rights to considerations for completion of such services and not yet billed under the relevant contracts, and their rights are conditioned on factors other than passage of time. Any amount previously recognized as a contract assets are transferred to trade receivables when the rights become unconditional. Remaining rights and

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

27. CONTRACT ASSETS AND CONTRACT LIABILITIES—continued

performance obligations in a particular contract are accounted for and presented on a net basis, as either a contract asset or a contract liability.

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed for reporting purposes as follows:				
Contract assets	1,650,905	1,683,234	1,632,039	1,522,157
Contract liabilities	(647,356)	(533,536)	(387,913)	(272,939)

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

For the contract liabilities as at December 31, 2015, 2016 and 2017 and June 30, 2018, the entire balances were expected to be recognized as revenue during the year ended December 31, 2016, 2017 and the years ending December 31, 2018 and 2019, respectively.

The Group generally provides their customers with one to two years' warranty period free of charge. As at December 31, 2015, 2016 and 2017 and June 30, 2018, no retentions were held by customers for contract work.

Movement in lifetime ECL that has been recognized for contract assets in accordance with the simplified approach set out in HKFRS 9 for the six months ended June 30, 2018 is as follows:

	RMB'000
At December 31, 2017 under HKAS 39	—
Adjustment upon application of HKFRS 9	19,641
At January 1, 2018—restated under HKFRS 9	19,641
Reversal of allowance on contract assets	(9,312)
At June 30, 2018	10,329

28. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

In order to minimize credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK—continued

records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on the historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off trade receivables and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. For the six months ended June 30, 2018, none of the trade receivables and contract assets had been written off.

The following consideration details the risk profile of trade receivables and contract assets, based on the Group's provision matrix. As the Group's historical credit loss experience showed significantly different loss patterns for different customer portfolio (including strategic and normal risk type), the provision for loss allowance was further distinguished between the Group's customer portfolio of different risk type.

Strategic type customers	Represent the three largest telecom operators in the PRC (including their headquarters, provincial, municipal and specialized companies) and certain large state-owned enterprises in the PRC
Normal risk type customers	Represent the small- to medium-sized enterprises in the PRC

As at January 1, 2018

Strategic type customers:

For the strategic type customers, the directors of the Company determines that the ECL rate is relatively low based on the size of the strategic type customers, which are the three telecom operators and other large state-owned enterprises. Such customers have good credit rating, very rare past default payment history with minimal amount. The directors of the Company have adopted average loss rates of 0.62% and 0.50% on the gross carrying amounts of the trade receivables and the contract assets for strategic type customers, respectively, as at January 1, 2018.

Strategic type customers	**Average loss rate**	**Gross carrying amount**	**Impairment loss allowance**
	%	**RMB'000**	**RMB'000**
Trade receivables	0.62%	824,340	5,081
Contract assets	0.50%	1,595,599	7,971

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK—continued

Normal risk type customers:

For the normal risk type customers, the provision matrix is adopted by the directors of the Company as below to determine the ECL on the gross carrying amount of trade receivables and contract assets for normal risk type customers as at January 1, 2018, amounted to RMB14,550,000 and RMB36,440,000, respectively.

Normal risk type customers	Average loss rate	Gross carrying amount	Impairment loss allowance
	%	RMB'000	RMB'000
Trade receivables	30.80%	14,550	4,481
Contract assets	32.03%	36,440	11,670

As at June 30, 2018

Strategic type customers:

For the strategic type customers, the directors of the Company have adopted the average loss rates of 0.41% and 0.39% on the gross carrying amounts of the trade receivables and the contract assets for strategic type customers, respectively, as at June 30, 2018, respectively.

Strategic type customers	Average loss rate	Gross carrying amount	Impairment loss allowance
	%	RMB'000	RMB'000
Trade receivables	0.41%	807,645	3,346
Contract assets	0.39%	1,516,438	5,852

Normal risk type customers:

For the normal risk type customers, the provision matrix is adopted by the directors of the Company as below to determine the ECL on the gross carrying amount of trade receivables and contract assets for normal risk type customers as at June 30, 2018, amounted to RMB25,963,000 and RMB16,048,000 as at June 30, 2018, respectively.

Normal risk type customers	Average loss rate	Gross carrying amount	Impairment loss allowance
	%	RMB'000	RMB'000
Trade receivables	46.05%	25,963	11,955
Contract assets	27.90%	16,048	4,477

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK—continued

The Group's current credit risk grading framework comprises the following categories under the general approach:

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past due amounts within 1 year	12-months ECL
Doubtful	There has been a significant increase in credit risk since initial recognition (aged within 1 years but less than 2 years)	Lifetime ECL-not credit- impaired
In default	There is evidence indicating that the asset is credit-impaired (aged over 2 years)	Lifetime ECL- credit- impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

No allowance has been provided for notes receivables, pledged bank deposits and bank balances and cash since the balances are all with the banks which have low credit risks during the six months ended June 30, 2018.

There has been no change in the estimation technique or significant assumptions made throughout the six-month period ended June 30, 2018.

29. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group, obtain letters of credits or guarantees. Deposits amounting to RMB230,704,000, RMB523,770,000 and RMB537,089,000 and RMB418,174,000 had been pledged to secure facilities and other short-term bank borrowings, letters of credits or guarantees as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively, and were, therefore, classified as current assets. The deposits amounting to RMB45,379,000, RMB71,020,000 and RMB39,669,000 as at December 31, 2015, 2016 and 2017 had been pledged to secure long-term borrowings, respectively, and were, therefore, classified as non-current assets for the respective year. The deposits amounting to RMB587,346,000 as at June 30, 2018 had been pledged for a period longer than one year to secure bank borrowings within one year, or other letters of credits, guarantees and facilities of the Group based on the banks' requirement, and were, therefore, classified as non-current assets for the period.

Pledged bank deposits of the Group carried interests at market rates which range from 0.3% to 3.0%, 0.3% to 2.8%, 0.3% to 2.8% and 0.3% to 2.1% as at December 31, 2015, 2016, 2017 and June 30, 2018, respectively.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH—continued

Bank balances and cash

The Group

Bank balances and cash of the Group comprised cash and bank balances that bear interest at prevailing market rates, per annum, ranging from 0.30% to 1.15%, 0.3% to 1.15%, 0.3% to 1.553% and 0.3% to 1.95% as at December 31, 2015, 2016, 2017 and June 30, 2018, respectively.

The Company

Bank balances and cash of the Company comprised cash and bank balances that bear nil interest as at December 31, 2015 and bear interest at prevailing market rates, ranging from 0% to 0.05%, 0% to 0.15% and 0% to 0.5% as at December 31, 2016, 2017 and June 30, 2018, respectively.

30. DERIVATIVE FINANCIAL INSTRUMENTS

In June 2014, the Group entered into foreign currency forward contracts to manage the foreign exchange risk arising from a customer project in Europe. Under the foreign currency forward contracts, the Group sells Euro ("EUR") for U.S. dollar ("US$") at fixed exchange rates on certain expected dates when the Group collects Euro from the customer.

The Group recorded these derivative financial instruments at fair value and the changes from the inception to the period end were included in the consolidated statements of profit or loss and other comprehensive income. The following table represented the fair value and carrying amount of derivative financial instruments for the year ended December 31, 2015:

	At December 31, 2015
	RMB'000
Foreign currency forward contracts	
Current	749
Non-current	9,643
	10,392

Such contracts were disposed together with the discontinued International Business in 2016.

Major terms of the foreign currency forward contracts were as follows:

Notional amount	Inception date	Maturity date	Exchange rates
Sell EUR 4,000,000	June 10, 2014	March 8, 2017	EUR 1: US$1.3548
Sell EUR 2,000,260	June 10, 2014	September 6, 2017	EUR 1: US$1.3548

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. TRADE AND NOTES PAYABLES

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	595,677	711,050	529,808	432,550
Notes payables	6,101	81,196	82,692	70,000
	601,778	792,246	612,500	502,550

The table below sets forth, as at the end of each year/period of the Track Record Period indicated, the aging analysis of the trade and notes payables:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
1-90 days	332,417	325,900	233,444	123,196
91–180 days	166,744	72,117	84,739	102,142
181–365 days	73,467	216,091	74,079	67,626
1–2 years	17,492	166,480	173,673	111,684
Over 2 years	11,658	11,658	46,565	97,902
	601,778	792,246	612,500	502,550

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.

32. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

The Group

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued payroll and welfare	1,324,852	1,399,315	1,601,912	1,448,330
Accrued expenses	87,932	87,158	122,336	73,454
Other tax payables	63,247	71,538	85,601	30,188
Accrued listing expenses and issue costs	—	—	31,153	40,242
Employee reimbursement payable	21,451	21,984	19,607	12,732
Advance from customers	11,293	15,064	14,148	16,513
Other payable	13,828	5,970	3,352	6,961
Accrued liabilities	16,512	6,951	3,665	4,775
Others	1,751	3,060	8,726	5,773
	1,540,866	1,611,040	1,890,500	1,638,968

The Company

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued listing expenses and issue costs	—	—	31,153	40,242

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33. BANK BORROWINGS

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed as:				
Secured bank borrowings carrying interest at variable rates	1,372,848	1,776,195	1,747,337	1,793,139
Unsecured bank borrowings carrying interest at fixed-rates	74,944	500,792	—	—
	1,447,792	2,276,987	1,747,337	1,793,139
Carrying amount repayable:				
Within one year	422,352	1,237,502	1,154,593	1,793,139
More than one year but not exceeding two years	259,744	416,220	592,744	—
More than two years but not exceeding five years	765,696	623,265	—	—
	1,447,792	2,276,987	1,747,337	1,793,139

The Group had bank borrowings denominated in both US$ and RMB as at December 31, 2015 and 2016 and solely in US$ as at December 31, 2017. On April 24, 2018, AsiaInfo Technologies HK and an offshore bank entered into a supplementary agreement, pursuant to which the original bank borrowing denominated in US$ with the principal amount of US$60,000,000 was exchanged to the equivalent amount of a bank borrowing denominated in HK$. The Group had bank borrowings denominated in both US$ and HK$ as at June 30, 2018.

During the six months ended June 30, 2018, the Group obtained new bank borrowing facilities from two offshore banks of US$160,000,000 (equivalent to RMB1,177,761,000) and drew down an amount of US$149,800,000 (equivalent to RMB941,957,000). The borrowings are repayable in 12 months. The proceeds were used to refinance the existing offshore bank borrowings from an offshore bank ("Refinancing of bank borrowings").

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33. BANK BORROWINGS—continued

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analysis of borrowings by currency:				
Denominated in US$	1,372,848	1,776,195	1,747,337	1,396,103
Denominated in RMB	74,944	500,792	—	—
Denominated in HK$	—	—	—	397,036
	1,447,792	2,276,987	1,747,337	1,793,139
Total borrowings carried at:				
Floating rates	1,372,848	1,776,195	1,747,337	1,793,139
Fixed rates	74,944	500,792	—	—
	1,447,792	2,276,987	1,747,337	1,793,139

Interests on bank borrowings denominated in US$ are at variable interest rates based on three-month London InterBank Offered Rate plus 2% to 3.2%, 0.7% to 3.2%, 1% to 3.2% and 0.7% to 3.2% as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively. Interests on bank borrowings denominated in HK$ are at variable interest rates based on three-month Hong Kong Interbank Offered Rate plus 1% as at June 30, 2018.

Interests on bank borrowings denominated in RMB at fixed rates are calculated based on the borrowing rates announced by the People's Bank of China. The interest rate of RMB bank borrowings are charged at 4.22% to 5.90%, 4.57% to 4.79% and 4.35% to 4.79% per annum for the years ended December 31, 2015, 2016 and 2017, respectively. The RMB bank borrowings were fully repaid in 2017.

The Group's short-term borrowings and/or long-term borrowings do not contain any financial covenants. As at December 31, 2015, 2016, 2017 and June 30, 2018, the Group had unutilized committed credit facilities amounting to RMB549,284,000, RMB1,117,467,000, RMB1,440,900,000 and RMB606,743,000, respectively.

34. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	122,911	168,103	194,389	197,496
Deferred tax liabilities	(103,682)	(109,343)	(130,971)	(129,256)
	19,229	58,760	63,418	68,240

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. DEFERRED TAXATION—continued

The following are the major deferred tax assets (liabilities) recognized from continuing operation and movement thereon during the Track Record Period:

	Impairment loss	Accrued payroll and welfare	Accrued expense	Tax losses	Undistributable profits of the PRC subsidiaries	Intangible assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	1,391	69,021	8,661	—	(66,589)	(33,797)	(21,313)
Credited (charged) to profit or loss	1,471	36,901	5,466	—	(16,987)	13,691	40,542
At December 31, 2015	2,862	105,922	14,127	—	(83,576)	(20,106)	19,229
Credited (charged) to profit or loss	18	(15,403)	39,877	20,700	(15,072)	9,411	39,531
At December 31, 2016	2,880	90,519	54,004	20,700	(98,648)	(10,695)	58,760
Credited (charged) to profit or loss	493	32,034	936	(7,177)	(26,861)	5,233	4,658
At December 31, 2017	3,373	122,553	54,940	13,523	(125,509)	(5,462)	63,418
Effect arising from initial application of HKFRS 9	2,544	—	—	—	—	—	2,544
Credited (charged) to profit or loss	321	(4,262)	(21,678)	26,182	—	1,715	2,278
At June 30, 2018	6,238	118,291	33,262	39,705	(125,509)	(3,747)	68,240

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the Group has unused tax losses of RMB521,649,000, RMB883,909,000 and RMB980,787,000 and RMB1,276,860,000 available for offset against future profits. A deferred tax asset has been recognized in respect of RMB82,802,000, RMB54,092,000 and RMB158,820,000 as at December 31, 2016, 2017 and June 30, 2018 of such tax losses.

No deferred tax assets has been recognized in respect of the remaining tax losses of RMB521,649,000, RMB801,107,000, RMB926,695,000 and RMB1,118,040,000 at December 31, 2015, 2016, 2017 and June 30, 2018, respectively, due to the unpredictability of future profit streams.

The unrecognized tax losses with expiring date are summarized below:

	At December 31,			At June 30,
Unused tax loss expiring in:	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
2019	3	—	—	—
2020	46,752	15,041	1,022	1,022
2021	—	88,888	88,888	88,888
2022	—	—	32,936	32,936
2023	—	—	—	50,595
	46,755	103,929	122,846	173,441

The Group has also unused tax losses without expiring date, amounting to RMB474,894,000, RMB697,178,000, RMB803,849,000 and RMB944,599,000 as at December 31, 2015, 2016, 2017 and June 30, 2018, respectively.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. DEFERRED TAXATION—continued

Deferred tax assets are recognized if it is probable that all of the deferred tax assets will be realized through the recovery of taxes previously paid and/or further taxable income. The directors of the Company have reviewed its deferred tax assets at the end of each year/period of Track Record period and considered that it was probable that the deferred tax assets of the Group will be realized through further taxable income based on directors' assessment of the probability that taxable profits will be available over the years which the deferred tax assets can be realized or utilized.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or further cash flows will be, classified in the Group's consolidated statements of cash flows from financing activities.

	Dividend payables	Accrued issue costs	Bank borrowings	Amounts due to related parties (non-trade)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	—	—	—	42,161	42,161
Financing cash flows(i)	—	—	210,667	(310,286)	(99,619)
Dividend declared	2,191,258	—	—	—	2,191,258
Noncash push-down debt from related parties	(1,196,567)	—	1,196,567	—	—
Settled with amounts due from related parties	(554,814)	—	—	(85,529)	(640,343)
Effect of exchange differences	5,478	—	34,483	845	40,806
Interest expense	—	—	6,075	—	6,075
Reclassification to amounts due to related parties	(445,355)	—		445,355	—
At December 31, 2015	—	—	1,447,792	92,546	1,540,338
Financing cash flows(i)	—	—	634,425	(613,026)	21,399
Settled with amounts due from related parties	—	—	—	577,662	577,662
Effect of exchange differences	—	—	100,865	13,760	114,625
Interest expense	—	—	93,905	—	93,905
At December 31, 2016	—	—	2,276,987	70,942	2,347,929
Financing cash flows(i)	—	(761)	(501,119)	(46,921)	(548,801)
Settled with amounts due from related parties	—	—	—	(224)	(224)
Deferred issue costs	—	5,026	—	—	5,026
Effect of exchange differences	—	—	(112,517)	(942)	(113,459)
Interest expense	—	—	83,986	—	83,986
At December 31, 2017	—	4,265	1,747,337	22,855	1,774,457
Financing cash flows(i)	—	(2,585)	(4,479)	(15,905)	(22,969)
Dividend declared	693,447	—	—	—	693,447
Settled with amounts due from related parties	(709,629)	—	—	(5,272)	(714,901)
Deferred issue costs	—	3,321	—	—	3,321
Effect of exchange differences	21,430	—	16,426	—	37,856
Interest expenses	—	—	33,855	—	33,855
Reclassification to amounts due to related parties	(5,248)	—	—	5,248	—
At June 30, 2018	—	5,001	1,793,139	6,926	1,805,066

Note:

(i) The financing cash flows represent the net amount of new bank borrowings raised, repayment of bank borrowings, interest paid, advance from related parties, repayment to related parties, dividend distribution and payment of issue costs.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. PAID-IN/SHARE CAPITAL

The Group

For the purpose of the presentation of the consolidated statements of financial position, the share capital of the Group represents the share capital of the Company as at January 1, 2015, December 31, 2015, 2016 and 2017 upon the completion of the Reorganization and the paid-in capital of AsiaInfo Big Data amounting to US$44,440,417 (equivalent to RMB285,200,000) as at December 31, 2015 and 2016. The share capital of the Group represents the share capital of the Company as at June 30, 2018.

The Company

Details of the movement of share capital of the Company are as follows:

	Number of shares	Nominal value per share	Share capital
Authorized			
At July 15, 2003 (date of incorporation), January 1, 2015, December 31, 2015, December 31, 2016 and December 31, 2017	500,000	US$ 0.1	US$ 50,000
Authorized during the period(i)	100,000,000,000	HK$0.0000001	HK$ 10,000
Cancelled during the period	(500,000)	US$ 0.1	US$ (50,000)
At June 30, 2018	100,000,000,000	HK$0.0000001	HK$ 10,000
Issued			
At July 15, 2003 (date of incorporation)	6,457	US$ 0.1	US$ 645.7
Issued during the years	2,831	US$ 0.1	US$ 283.1
At January 1, 2015	9,288	US$ 0.1	US$ 928.8
At December 31, 2015	9,288	US$ 0.1	US$ 928.8
At December 31, 2016	9,288	US$ 0.1	US$ 928.8
At December 31, 2017	9,288	US$ 0.1	US$ 928.8
Cancelled during the period(ii)	(9,288)	US$ 0.1	US$ (928.8)
Issued and re-denominated par value during the period(iii)	9,288	HK$0.0000001	HK$ 0.00009288
Issued during the period(iii)	1	HK$0.0000001	HK$ 0.0000001
Cancelled during the period(iv)	(9,289)	HK$0.0000001	HK$(0.00009289)
Issued during the period(iv)	78,043,522	HK$0.0000001	HK$ 7.8
At June 30, 2018(v)	78,043,522	HK$0.0000001	HK$ 7.8

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Presented as	8	8	8	—

Notes:

(i) The Company was authorized to issue 500,000 ordinary shares at par value of US$0.1 since its incorporation. On April 16, 2018, the Company was further authorized to issue a maximum of 100,000,000,000 shares with a par value of HK$0.0000001.

(ii) On April 16, 2018, the 9,288 ordinary shares at a par value of US$0.1 held by AsiaInfo Technologies HK were cancelled as part of the Group Reorganization.

(iii) On April 16, 2018, the par value of the issued shares was re-denominated from US$0.10 per issued share to HK$0.0000001 per issued share. On the same date, 9,288 new ordinary shares were allotted and issued to AsiaInfo Technologies HK at a par value of HK$0.0000001 each.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. PAID-IN/SHARE CAPITAL—continued

Subsequently on April 29, 2018, the 9,288 ordinary shares with a par value of HK$0.0000001 held by AsiaInfo Technologies HK were transferred to AsiaInfo Holdings. On April 30, 2018, the Company further allotted and issued one ordinary share at HK$0.0000001 par value to AsiaInfo Holdings as a part of the Group Reorganization described in Note 2.

(iv) On June 26, 2018, the Company allotted and issued 78,043,522 ordinary shares at HK$0.0000001 par value each to all of the then existing shareholders of Skipper Holdings. On the same day, AsiaInfo Holdings surrendered all of the then held 9,289 ordinary shares at HK$0.0000001 par value each, which were all cancelled immediately.

(v) All ordinary shares registered in the name of AsiaInfo Technologies HK which were mortgaged and charged in favor of Bank of China Limited, Macau Branch pursuant to a share mortgage dated September 9, 2015, as confirmed by a deed of confirmation dated December 30, 2015, are released pursuant to a deed of release dated April 6, 2018 and the charged ordinary shares are ceased to be affected by the registered charge.

37. NON-CONTROLLING INTERESTS

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	1,232	4,105	26,415	19,941
Loss for the year/period	(5,460)	(9,438)	(10,822)	(1,179)
Acquisition of additional interests in a subsidiary(ii)	(741)	(5,646)	—	(18,762)
Effect from capital contribution by non-controlling interest shareholder(i)	9,232	37,633	—	—
Dividend distribution	(158)	—	—	—
Other comprehensive income (expense)	—	28	(34)	—
Disposal of subsidiaries(iii)	—	(267)	4,382	—
Balance at end of the year/period	4,105	26,415	19,941	—

Notes:

(i) In 2015, two third-party non-controlling shareholding companies injected capital contribution of RMB9,348,000 in the Group's wholly-owned subsidiaries, Ha'erbin Big Data Exchange Center Limited and Software BVI with capital injections, amounting to RMB3,600,000 and RMB5,748,000, respectively, and acquired 30% and 12% of the equity interests in the two respective subsidiaries. Upon the capital injection, the Group then held 70% and 88% of equity interests in Ha'erbin Big Data Exchange Center Limited and Software BVI in 2015.

The amount in 2016 represents two capital contributions from non-controlling shareholders amounting to RMB37,633,000, one of which resulted in an increase in the non-controlling interest amount of RMB7,000,000 when a third-party company injected in Xianyang AsiaInfo Innovation Technologies Limited ("Xianyang AsiaInfo") for 44.75% equity interest, offsetting by another capital contribution in Beijing AsiaInfo Smart Big Data Co., Ltd. ("Smart Big Data"), by certain third-party shareholders which resulted in an decrease in the non-controlling interest.

On September 30, 2016, the Group entered into agreements with certain third-party companies, pursuant to which the third-party companies agreed to make an aggregated capital injection of RMB260,000,000 to acquire 7.977% equity interests in Smart Big Data, which was previously fully owned by the Group. There was RMB210,000,000 paid in September and October 2016. As Smart Big Data had a net assets of RMB124,031,000 on the date of injection, the contribution of the non-controlling shareholders resulted in an non-controlling interest balance amount of RMB30,633,000, which represents the net assets shared by the non-controlling shareholders as at the capital contribution date.

(ii) During the year ended December 31, 2016, the Group acquired 49% non-controlling interest in Guangzhou AsiaInfo Big Data Limited. ("Guangzhou AsiaInfo Big Data") from a third-party individual for a total consideration of RMB34,691,000. The difference between the cash received and the carrying amount of the non-controlling interest, amounting to RMB29,045,000, was recognized in other reserve. Upon the acquisition, Guangzhou AsiaInfo Big Data became a wholly-owned subsidiary of the Group.

On March 15, 2018, Beijing AsiaInfo Smart Big Data entered into an investment termination agreements with its non-controlling shareholders which owns an aggregated equity interests of 7.977%. Pursuant to the agreements, Beijing AsiaInfo Smart Big Data acquired the non-controlling interests from the non-controlling shareholders with a total consideration amounting to RMB210,000,000, among which RMB160,000,000 was paid and RMB50,000,000 was offset with the amounts due from the non-controlling shareholder, Beijing AsiaInfo Voyager Consulting Co., Ltd. (Note 44). The carrying amount of non-controlling interest on the date of acquisition was RMB18,762,000 and the difference between the consideration paid and the carrying amount of the non-controlling interests was recorded as other reserve.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

37. NON-CONTROLLING INTERESTS—continued

(iii) In August 2017 and October 2017, the Group disposed of Software BVI and Beijing AsiaInfo Century Big Data Co., Ltd. (Note 45), respectively, with an aggregated effect of RMB4,382,000 to non-controlling shareholders, relating to the disposal of related assets or liabilities. The amounts previously recognized in other comprehensive income were transferred to other reserve.

38. DIVIDENDS

In December 2015, the board of directors of AsiaInfo Technologies HK approved for a series of dividend distribution to its then immediate holding company, AsiaInfo Holdings, pursuant to which a series of agreements were signed to distribute AsiaInfo Technologies HK's dividends with an aggregate amount of US$339,999,000 (equivalent to RMB2,191,258,000), which were settled by (1) the transfer of the investment in Bonson BVI (Note 45) in 2015, amounting to US$28,858,324 (equivalent to RMB185,989,000), to AsiaInfo Holdings; (2) the offsetting of the amount due from AsiaInfo Holdings balance, amounting to US$154,806,000 (equivalent to RMB998,432,000); (3) a cash dividend payment, amounting to US$64,200,000 (equivalent to RMB445,355,000) made to AsiaInfo Holdings in 2016; and (4) a series of debt restructuring arrangements the Group carried out in 2018, amounting to RMB561,482,000.

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

No other dividend has been paid or declared by the Company or by other companies comprising the Group during the Track Record Period. The rates of dividend and the number of shares ranking for distribution are not presented as such information is not meaningful having regard to the purpose of this report because the Group's Reorganization had not been completed when the above dividends were declared.

39. RESERVES OF THE COMPANY

The movements in the reserves of the Company are shown as follows:

	Share premium reserve	Other reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	104,146	—	(64,015)	40,131
Profit and total comprehensive income for the year	—	—	2,458	2,458
At December 31, 2015	104,146	—	(61,557)	42,589
Profit (loss) and total comprehensive income (expense) for the year	—	—	(1,967)	(1,967)
At December 31, 2016	104,146	—	(63,524)	40,622
Profit (loss) and total comprehensive (expense) income for the year	—	9,723	(23,892)	(14,169)
At December 31, 2017	104,146	9,723	(87,416)	26,453
Profit and total comprehensive income for the period	—	—	18,614	18,614
At June 30, 2018	104,146	9,723	(68,802)	45,067

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure entities in the Group will be able to continue as a going concern with maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged over the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in Note 33, net of cash and cash equivalents, and total equity of the Group, comprising share capital and reserves.

The directors of the Company reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through raising of new capital, issue of new debt or the redemption of the existing debts.

41. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Available-for-sale investments	8,000	28,000	3,665	—
Loans and receivables (including cash and cash equivalents)	2,795,522	3,934,315	3,876,562	—
Financial assets at amortized costs	—	—	—	2,561,667
Derivative financial instruments	10,392	—	—	—
Financial liabilities				
Financial liabilities measured at amortized cost	2,341,802	3,373,531	2,578,556	2,376,107

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and notes receivables, other receivables, other non-current assets, amounts due from related parties, pledged bank deposits, bank balances and cash, trade and notes payables, other payables, amounts due to related parties, bank borrowings and derivative financial instruments. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, pledged bank deposits and bank balances. The Group keeps its bank borrowings, pledged bank deposits and bank balances at floating rate of interests so as to minimize the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Benchmark Lending Rates of the London Interbank Offered Rate and the Hong Kong Interbank

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

41. FINANCIAL INSTRUMENTS—continued

Financial risk management objectives and policies—continued

Market risk—continued

Interest rate risk—continued

Offered Rate arising from the Group's US$ and HK$ denominated borrowings, respectively. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowings.

The Group currently does not have an interest rate hedging policy to mitigate interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances and cash, pledged bank deposits and variable rate bank borrowings at the end of each reporting period and assumed that the amount of such balances outstanding at the end of each reporting period was outstanding for the whole year/period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the years ended December 31, 2015 and 2016 would increase/decrease by RMB5,968,000 and RMB8,454,000, respectively. This is mainly attributable to the Group's exposure on interest rates on its bank balances and pledged bank deposits and partially offset by the impact from bank borrowings.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2017 and the six months ended June 30, 2018 would decrease/increase by RMB8,505,000 and RMB1,646,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances and pledged bank deposits and partially offset by the impact from bank borrowings.

Currency risk

The Group has bank balances which are denominated in foreign currencies, mainly US$, as at December 31, 2015, 2016 and 2017 and June 30, 2018 and bank borrowings which are denominated in foreign currencies, mainly US$, as at December 31, 2015, 2016 and 2017, and mainly US$ and HK$ as at June 30, 2018 that are exposed to currency risk.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

41. FINANCIAL INSTRUMENTS—continued

Sensitivity analysis—continued

Currency risk—continued

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities, excluded related party borrowings, at the end of each of the year/period during the Track Record Period are set forth as follows:

The Group

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
US$	210,209	102,167	60,283	50,852
HKD	5,013	8,288	1,225	4,324
GBP	11,543	338	342	—
NPR	2,731	55	55	52
EUR	411	3,106	—	—
DKK	8,983	—	—	—
	238,890	113,954	61,905	55,228
Liability				
US$	1,372,848	1,776,195	1,747,337	1,396,103
HK$	—	—	—	397,036
	1,372,848	1,776,195	1,747,337	1,793,139

The Company

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
US$	3,604	3,851	2	582

The Group has related party borrowing balances which are denominated in foreign currency, US$, as at December 31, 2015, 2016 and 2017 that are exposed to currency risk. The balance of related party borrowing as at June 30, 2018 was nil.

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties	483,644	625,580	654,597	—
Amounts due to related parties	—	58,442	—	—

Foreign currency sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only outstanding foreign currency denominated monetary items and adjusts their

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

41. FINANCIAL INSTRUMENTS—continued

Foreign currency sensitivity analysis—continued

translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external bank borrowings from the PRC banks' overseas branches. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates.

If RMB has been appreciated/depreciated 5% against the foreign currency and all other variable were held constant, the Group's post-tax loss for the years ended December 31, 2015 and 2016 would increase/decrease by RMB45,234,000 and RMB78,187,000, respectively. This is mainly attributable to the Group's exposure to foreign currency rates of US$ on its bank borrowings and the foreign currency bank balances as at December 31, 2015 and 2016.

If RMB has been appreciated/depreciated 5% against the foreign currency and all other variable were held constant, the Group's post-tax profit for the year ended December 31, 2017 and the six months ended June 30, 2018 would decrease/increase by RMB63,104,000 and RMB72,502,000, respectively. This is mainly attributable to the Group's exposure to foreign currency rates of US$ and both US$ and HK$ on its bank borrowings and the foreign currency bank balances as at December 31, 2017 and June 30, 2018, respectively.

Credit risk

The Group's maximum exposure to credit risk which causes a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to its trade and notes receivables, other receivables, other non-current assets, amount due from related parties and contract assets.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, investments to be placed and entered into with financial institution of good reputation. These internal procedures help to minimize the Group's credit risk exposure.

The credit risk on bank balances and pledged bank deposits is limited because the counterparties are banks with high credit rating.

The Group has concentration of credit risk on amounts due from related parties. Amounts due from related parties amounted to RMB237,925,000, RMB872,921,000, RMB889,378,000 and RMB28,342,000 as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively. In the opinion of directors of the Company, credit risk is not significant as the counterparties are controlled by the controlling shareholders. The majority of the related party balance had been settled through cash and/or a series of debt restructuring structure during the six months ended June 30, 2018.

Due to the nature of business of the Group, the Group has significant concentration of credit risk on a number of customers. During the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the aggregate amount of the Group's revenue amount to the top three customers was RMB4,622,256,000, RMB4,644,565,000, RMB4,755,609,000 and RMB2,124,265,000,

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

41. FINANCIAL INSTRUMENTS—continued

Foreign currency sensitivity analysis—continued

Credit risk—continued

representing 97.0%, 95.6% and 96.1% and 97.0% of total revenue of the Group for the years/period indicated, respectively. The aggregated balance of the Group's trade and notes receivables from the top three customers was RMB691,665,000, RMB705,946,000, RMB816,157,000 and RMB770,374,000, representing 87.8%, 91.0%, 91.9% and 93.3% of the total trade and notes receivables as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively. In addition, the Group's concentration of credit risk by geographical locations is solely in the PRC. In the opinion of directors of the Company, those customers are mainly large telecommunication companies owned by the PRC government with good financial backgrounds.

Liquidity risk

The Group is exposed to liquidity risk if the Group is unable to raise sufficient funds to meet the financial obligations when they fall due; Net current liabilities were recorded of RMB848,663,000 as at June 30, 2018. Ultimate responsibility for liquidity risk management rests with the directors of the Company, who have established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Company may seek to obtain financing through equity and debt issuances to finance its financials liabilities and operations. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The directors of the Company are of the opinion that taken into account the above plans and measures, the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from the end of the Track Record Period. The consolidated financial statements have been prepared on the going concern basis.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

41. FINANCIAL INSTRUMENTS—continued

Foreign currency sensitivity analysis—continued

Liquidity risk—continued

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The Group

	Weighted average effective interest rate	On demand or within 3 months	3 months to 1 year	1-5 years	Total undiscounted cash flow	Carrying value
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2015						
Financial liabilities						
Trade and notes payables	—	601,778	—	—	601,778	601,778
Other payables	—	13,828	—	—	13,828	13,828
Amounts due to fellow subsidiaries	—	278,404	—	—	278,404	278,404
Bank borrowings	3.6334%	—	437,697	1,131,190	1,568,887	1,447,792
		894,010	437,697	1,131,190	2,462,897	2,341,802
At December 31, 2016						
Financial liabilities						
Trade and notes payables	—	792,246	—	—	792,246	792,246
Other payables	—	5,970	—	—	5,970	5,970
Amount due to a joint venture	—	2,482	—	—	2,482	2,482
Amounts due to fellow subsidiaries	—	290,712	—	—	290,712	290,712
Amount due to the then immediate holding company	—	5,134	—	—	5,134	5,134
Bank borrowings	3.7646%	—	1,284,089	1,144,487	2,428,576	2,276,987
		1,096,544	1,284,089	1,144,487	3,525,120	3,373,531
At December 31, 2017						
Financial liabilities						
Trade and notes payables	—	612,500	—	—	612,500	612,500
Other payables	—	3,352	—	—	3,352	3,352
Amounts due to fellow subsidiaries	—	200,672	—	14,695	215,367	215,367
Bank borrowings	3.2709%	—	1,192,359	637,253	1,829,612	1,747,337
		816,524	1,192,359	651,948	2,660,831	2,578,556
At June 30, 2018						
Financial liabilities						
Trade and notes payables	—	502,550	—	—	502,550	502,550
Other payables	—	6,961	—	—	6,961	6,961
Amounts due to fellow subsidiaries	—	66,836	—	6,621	73,457	73,457
Bank borrowings	3.7474%	409,379	1,442,957	—	1,852,336	1,793,139
		985,726	1,442,957	6,621	2,435,304	2,376,107

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

41. FINANCIAL INSTRUMENTS—continued

Foreign currency sensitivity analysis—continued

Liquidity risk—continued

The Company

	Weighted average effective interest rate	On demand or within 3 months	3 months to 1 year	1-5 years	Total undiscounted cash flow	Carrying value
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2015						
Financial liabilities						
Amounts due to subsidiaries	—	32,437	—	—	32,437	32,437
At December 31, 2016						
Financial liabilities						
Amounts due to subsidiaries	—	34,651	—	—	34,651	34,651
At December 31, 2017						
Financial liabilities						
Amounts due to subsidiaries	—	32,638	—	—	32,638	32,638
At June 30, 2018						
Financial liabilities						
Amounts due to subsidiaries	—	745,592	—	—	745,592	745,592
Amount due to the then immediate holding company	—	5,248	—	—	5,248	5,248
		750,840	—	—	750,840	750,840

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

41. FINANCIAL INSTRUMENTS—continued

Foreign currency sensitivity analysis—continued

Fair value measurement

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

This note provides information about how the Group determines fair values of the following financial assets.

	Fair value as at December 31,			Fair value as at June 30,	Fair value hierarchy	Valuation technique and key input
	2015	2016	2017	2018		
	RMB'000	RMB'000	RMB'000	RMB'000		
Available-for-sale investments						
A wealth management product	—	20,000	—	—	Level 2	Discounted cash flow – future cash flows are estimated based on contractual terms of the wealth management product and discounted at a rate that reflect the credit risk of counterparties.
Derivative financial instruments						
Foreign currency forward contracts . . .	10,392	—	—	—	Level 2	Exchange rate – the fair value was calculated based on the exchange rate provided by the bank at each end of the Track Record Period.

There were no transfers between Level 1 and 2 during the Track Record Period.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values due to short maturity, initially recognized close to each reporting date of the Track Record Period, or with floating interest rates.

42. SHARE-BASED PAYMENTS

During the Track Record Period, the Group did not issue its own stock option scheme. The employees of the Company and its subsidiaries are eligible for the 2011 stock inventive plan (the "2011 Plan") and the 2014 stock inventive plan (the "2014 Plan") adopted by the Company's then immediate holding company, AsiaInfo Holdings and the then intermediate holding company, Skipper Holdings, respectively. Accordingly, the Group accounted for such plans by measuring the services

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

42. SHARE-BASED PAYMENTS—continued

received from the grantee in accordance with the requirement applicable to equity-settled share-based payment transactions, and recognized a corresponding increase in equity as a contribution from the parent companies in accordance with HKFRS 2 *Share-based Payment*.

2011 Plan

On April 21, 2011, AsiaInfo Holdings approved a stock incentive plan with the purpose of enhancing the long-term stockholder value by offering employees and directors to participate in the Group's growth and success and to encourage them to remain the service in the Group. The 2011 Plan is valid and effective for 10 years from the approval date. Under the 2011 Plan, AsiaInfo Holdings is authorized to grant participants restricted stock awards, stock options, or other types of equity incentives with a total number of 7,501,752 ordinary shares of AsiaInfo Holdings.

Furthermore, in connection with the privatization and delisting from the National Association of Securities Dealers Automated Quotations Global Market of the United States of America ("NASDAQ") of AsiaInfo Holdings, the share incentives granted under the 2011 Plan were converted into the share incentive issued by Skipper Holdings with granting the equivalent numbers of ordinary shares of Skipper Holdings without any change of terms as stated under the 2011 Plan in 2014.

Stock Options under the 2011 Plan

In December 2011, pursuant to the 2011 Plan, the compensation committee of the board of directors of AsiaInfo Holdings approved to grant options to certain employees and executive officers. The stock options are valid and effective for 10 years from the approval date and have graded vesting terms of four years and vest in different schedules from the grant date, on condition that employees remain in service without any performance requirements. For the stock options granted to employees of the Group, they will be vested on annual basis equally over four years, 25% on each anniversary of the grant date. For the stock options granted to the then chief executive officer, 17.5%, 17.5%, 32.5% and 32.5% are vested at each anniversary of the grant date over four years. For the stock options granted to the vice president of AsiaInfo Holdings, 20%, 20%, 30% and 30% are vested at each anniversary of the grant date over four years. For the stock options granted in 2017, 0%, 50%, 25% and 25% are vested at each anniversary of the grant date over four years.

The fair value of each stock option was calculated using the Binomial option-pricing model. Option valuation models require the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying share, and changes in the subjective input assumptions can materially affect the fair value estimate of employee stock options.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

42. SHARE-BASED PAYMENTS—continued

2011 Plan—continued

Stock Options under the 2011 Plan—continued

The movements of stock options held by the Group's employees and directors under the 2011 Plan are summarized as follows:

	Number of stock options	Weighted average exercise price per option (US$)
Outstanding as at January 1, 2015	3,201,571	
Forfeited	(119,769)	4.42
Transfer out upon disposal of a subsidiary	(384,177)	4.42
Outstanding as at December 31, 2015	2,697,625	
Forfeited	(3,000)	4.42
Exercised	(89,875)	4.42
Outstanding as at December 31, 2016	2,604,750	
Granted	659,398	4.42
Forfeited	(54,000)	4.42
Exercised	(2,936,681)	4.42
Outstanding as at December 31, 2017 and June 30, 2018	273,467	4.42

RSUs under the 2011 Plan

Under the 2011 Plan, AsiaInfo Holdings granted certain RSUs to the directors of the Company and employees of the Group.

The RSUs vest in two equal installments on the 6-month and 12-month anniversaries of the grant date, or vest 25% on each anniversary or vest 0%, 50%, 25% and 25% on each anniversary of the grant date over four years. The fair value of each RSU is measured based on the market price of the stock on the grant date as AsiaInfo Holdings was still listed on NASDAQ. The Group also has the right at its sole discretion to pay cash in lieu of the issuance of vested shares of common stock.

The movements of RSUs under the 2011 Plan are summarized as follows:

	Number of RSUs	Weighted average grant date fair value per RSU of the original awards (US$)
RSUs unvested as at January 1, 2015	119,892	
Forfeited	(19,867)	13.05
Vested	(88,688)	12.75
Transfer out upon disposal of subsidiaries	(10,557)	11.10
RSUs unvested as at December 31, 2015	780	
Vested	(780)	8.26
RSUs unvested as at December 31, 2016	—	
Granted	33,360	7.60
Vested	(33,360)	7.60
RSUs unvested as at December 31, 2017 and June 30, 2018	—	

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

42. SHARE-BASED PAYMENTS—continued

2011 Plan—continued

RSUs under the 2011 Plan—continued

The Group recognized share-based compensation expenses of RMB9,262,000, nil, RMB1,686,000, RMB748,000 (unaudited) and nil in profit or loss and other comprehensive income during the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018, respectively in relation to the stock options and RSUs issued under the 2011 Plan.

2014 Plan

On June 1, 2015, the board of directors of Skipper Holdings, the then intermediate controlling shareholder of the Company, approved the 2014 Plan with the purpose of enhancing the long-term stockholder value by offering employees and directors to participate in the Group's growth and success and to encourage them to remain the service in the Group. The 2014 Plan is valid and effective for 10 years from the approval date. Under the 2014 Plan, Skipper Holdings is authorized to grant participants restricted stock awards, stock options, or other types of equity incentives with a total number of 14,733,653 ordinary shares of Skipper Holdings.

Stock Options under the 2014 Plan

Under the 2014 Plan, Skipper Holdings granted certain options to the directors of the Company and the employees of the Group on July 1, 2015. The stock options are valid and effective for 10 years from the approval date and have graded vesting terms of four years. The stock options are vested at 0%, 50%, 25% and 25% on each anniversary of the grant date over four years.

The movements of stock options under the 2014 Plan are summarized as follows:

	Number of stock options	**Weighted average exercise price per option (US$)**
Granted on July 1, 2015	6,118,200	21.15
Forfeited	(117,117)	21.15
Outstanding as at December 31, 2015	6,001,083	
Forfeited	(438,726)	21.15
Outstanding as at December 31, 2016	5,562,357	
Forfeited	(1,037,484)	15.38
Exercised	(26,727)	15.38
Outstanding as at December 31, 2017 (note)	4,498,146	
Forfeited	(1,571,730)	15.38
Exercised	(5,625)	15.38
Outstanding as at June 30, 2018	2,920,791	15.38

Note: Upon the grant of the stock options, 1/3 of the options can be exercised at a price of US$15.38, 1/3 of the options can be exercised at a price of US$21.15 and the remaining 1/3 can be exercised at a price of US$26.92. On November 1, 2017, the Group modified the stock option by changing the exercise price to US$15.38 for all stock options granted. Such modification resulted in an additional share-based compensation expenses of RMB4,384,000 for the year ended December 31, 2017.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

42. SHARE-BASED PAYMENTS—continued

2014 Plan—continued

RSUs under the 2014 Plan

Under the 2014 Plan, Skipper Holdings granted certain RSUs to the employees and executive officers. The RSUs are valid and effective for 10 years from the approval date and are vested at 0%, 50%, 25% and 25% on each anniversary of the grant date over four years.

The movements of RSUs issued under the 2014 Plan are summarized as follows:

	Number of RSUs	Weighted average grant date fair value per RSU of the original awards (US$)
Granted on July 1, 2015	974,445	6.83
Forfeited	(15,865)	6.83
Outstanding as at December 31, 2015	958,580	
Granted	147,325	7.2
Forfeited	(65,828)	6.83
Vested	(147,325)	7.2
Outstanding as at December 31, 2016	892,752	
Granted	589,544	7.6
Forfeited	(155,257)	6.83
Vested	(589,544)	6.83
Outstanding as at December 31, 2017	737,495	
Forfeited	(60,041)	6.83
Vested	(557,794)	6.83
Outstanding as at June 30, 2018	119,660	6.83

Fair Value of Stock Options and RSUs under the 2014 Plan

The Group has used the discounted cash flow method to determine the underlying ordinary share fair value of Skipper Holdings. Based on the fair value of the underlying ordinary shares, the Group has used binomial option-pricing model to determine the fair value of the stock option as of the grant date. Option valuation models require the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying share, and changes in the subjective input assumptions can materially affect the fair value estimate of employee stock options.

	July 1, 2015		March 21, 2016	May 1, 2017	November 1, 2017	March 8, 2018
	Option	RSU	RSU	RSU	Option	RSU
Weighted average grant date fair value per option/RSU	1.55	6.83	7.20	7.60	1.34	9.10
Grant date share price	6.83	6.83	7.20	7.60	7.69	9.10
Weighted average exercise price	21.15	—	—	—	15.38	—
Expected volatility	50%	50%	—	—	49%	—
Contractual life	10 years	10 years	10 years	7 years	10 years	10 years
Risk-free rate	2.82%	2.82%	—	—	2.97%	—
Expected dividend yield	0%	0%	0%	0%	0%	0%

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

42. SHARE-BASED PAYMENTS—continued

2014 Plan—continued

Fair Value of Stock Options and RSUs under the 2014 Plan—continued

The Company recognized a total share-based compensation expenses of RMB16,477,000, RMB35,675,000, RMB67,419,000, RMB44,633,000 (unaudited) and RMB5,308,000 in profit or loss during the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively, in relation to the stock options and RSUs issued under the 2014 Plan.

Treasury shares incentive plan

In preparation of the global offering and listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, in order to provide an incentive to the executive management team of the Company, on March 8, 2018, the board of directors of Skipper Holdings approved a treasury share incentive plan, pursuant to which Skipper Holdings proposed to transfer an aggregate of 335,282 shares at par value of US$0.0005 each, which is held by Skipper Holdings as treasury shares for nil consideration.

As at June 30, 2018, all of the 335,282 treasury shares were granted to the senior management of the Company. The fair value is US$9.10 (equivalent to RMB57.33) per share, which is valued by the management with reference to valuations carried out by an independent qualified professional valuer not connected with the Group.

The Company recognized a total share-based compensation expenses of RMB19,223,000 in profit or loss during the six months ended June 30, 2018 in relation to the shares granted.

43. RETIREMENT BENEFIT SCHEME

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

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

The amounts of contributions made by the Group in respect of the retirement benefit scheme to employees and directors during the Track Record Period are disclosed in Note 11, Note 12 and Note 14.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Related parties of the Group

The management of the Group considers that the following entities are related parties of the Group:

Name[(i)]	Relationship
Skipper Holdings[(iii)]	The then intermediate holding company of the Company
AsiaInfo Holdings[(iii)]	The then immediate holding company of the Company
AsiaInfo Cayman	Entity controlled by Skipper Holdings
AsiaInfo Chengdu	Entity controlled by Skipper Holdings
Beijing AsiaInfo Data Co., Ltd.	Entity controlled by Skipper Holdings
Beijing AsiaInfo Innovation Technologies Limited[(ii)]	Entity controlled by Skipper Holdings
Nanjing AsiaInfo Network Technology Co., Ltd.	Entity controlled by Skipper Holdings
Beijing Dataware[(iv)]	A joint venture investment of the Group
Bonson BVI	Entity controlled by Skipper Holdings
AsiaInfo Guangzhou Software	Entity controlled by Skipper Holdings
International HK	Entity controlled by Skipper Holdings
Beijing Xintong	Entity controlled by Skipper Holdings
Nanjing AsiaInfo Information Security Technology Co., Ltd.	Entity controlled by Skipper Holdings
Software BVI	Entity controlled by Skipper Holdings
Skipper Parent (US), LLC	Entity controlled by Skipper Holdings
AsiaInfo International Pte. Ltd.	Entity controlled by Skipper Holdings
AsiaInfo Software (Hong Kong) Co., Ltd.	Entity controlled by Skipper Holdings
AsiaInfo Security (Hong Kong) Co., Ltd.	Entity controlled by Skipper Holdings
AsiaInfo International US Corporation	Entity controlled by Skipper Holdings
Innovation BVI	Entity controlled by Skipper Holdings
Beijing AsiaInfo Voyager Consulting Co., Ltd.	Controlled by Dr. Suning Tian
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	Entity controlled by Skipper Holdings
AsiaInfo Electronics (Fujian) Technology Co., Ltd.	Entity controlled by Skipper Holdings
Big Data Wuhan	A joint venture investment of the Group
Guangzhou AsiaInfo Zhihang Technologies Limited ("Guangzhou AsiaInfo Zhihang")	Entity controlled by Skipper Holdings

Notes:

(i) The English name is for identification purpose only and the official names of the companies are in Chinese.

(ii) Beijing AsiaInfo Innovation Technologies Limited was disposed of during the year of 2017 and account for as a related party that controlled by the then intermediate shareholder of the Group.

(iii) As part of the Group Reorganization, AsiaInfo Holdings surrendered all of the then held 9,289 ordinary shares of the Company on June 26, 2018 and was no longer the immediate holding company of the Company. AsiaInfo Holdings became a fellow subsidiary of the Group immediately upon the cancellation of shares of the Company on June 26, 2018. Skipper Holdings was the intermediate holding company of AsiaInfo Holdings and the intermediate holding company of the Company prior to the Group Reorganization and became a fellow subsidiary of the Group upon the completion of Group Reorganization.

(iv) Beijing Dataware was a joint venture the Group invested in with equity interest of 48.67% in 2016 and was disposed of in 2017 to a related company, Beijing Xintong, and continued to be a related party of the Group (no longer in the form of a joint venture investment).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. RELATED PARTY BALANCES AND TRANSACTIONS—continued

(b) Amounts due from related parties

The following balances were the amounts due from related parties:

Amounts due from related parties—trade nature

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Beijing Xintong	1,300	29,510	25,488	435
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	—	19,538	22,550	2,580
Beijing AsiaInfo Data Co., Ltd.	—	—	8,913	11,475
Skipper Parent (US), LLC	—	—	4,639	—
Beijing Dataware	—	11,349	1,693	—
Skipper Holdings	—	—	1,006	—
AsiaInfo Guangzhou Software	—	—	926	4,126
Nanjing AsiaInfo Network Technology Co., Ltd.	6	356	825	824
AsiaInfo Software (Hong Kong) Co., Ltd.	—	—	131	—
AsiaInfo International Pte. Ltd.	103	91	94	—
Innovation BVI	—	—	22	22
AsiaInfo Chengdu	56,027	33,047	—	—
Big Data Wuhan	14	1,854	—	—
AsiaInfo International US Corporation	3,249	—	—	—
Guangzhou AsiaInfo Zhihang	—	—	—	26
	60,699	95,745	66,287	19,488

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed for reporting purpose as:				
Current assets	60,699	95,745	66,287	19,488
Non-current assets	—	—	—	—
	60,699	95,745	66,287	19,488

The Group generally grants a credit period of 30 days to its related parties. Aging of amounts due from related parties—trade nature, based on the dates when the Group has the rights to bill is set forth as follows:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
1-90 days	36,925	57,651	62,918	11,260
91-180 days	20,459	31,584	786	5,857
181-365 days	3,315	2,764	529	1,604
Over 365 days	—	3,746	2,054	767
	60,699	95,745	66,287	19,488

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. RELATED PARTY BALANCES AND TRANSACTIONS—continued

(b) Amounts due from related parties—continued

Amounts due from related parties—trade nature—continued

Prepayment to related parties

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
AsiaInfo Chengdu	1,338	63,233	73,197	7,157
AsiaInfo Guangzhou Software	—	—	6,030	—
AsiaInfo Electronics (Fujian) Technology Co., Ltd.	—	—	4,839	—
Beijing AsiaInfo Data Co., Ltd.	—	—	3,174	51
Beijing AsiaInfo Innovation Technologies Limited	—	—	725	1,315
Total	1,338	63,233	87,965	8,523

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed for reporting purpose as:				
Current assets	1,338	63,233	87,965	8,523
Non-current assets	—	—	—	—
	1,338	63,233	87,965	8,523

Amounts due from related parties—non-trade nature

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
AsiaInfo Holdings	71,960	597,235	614,150	—
Beijing AsiaInfo Voyager Consulting Co., Ltd.	—	—	50,000	—
AsiaInfo Cayman	—	37,498	37,559	—
Bonson BVI	23,004	24,575	23,339	—
International HK	—	6,696	6,484	—
AsiaInfo International US Corporation	—	3,469	3,267	—
AsiaInfo Security (Hong Kong) Co., Ltd.	325	347	327	331
Nanjing AsiaInfo Information Security Technology Co., Ltd. (note d(v))	80,599	44,123	—	—
	175,888	713,943	735,126	331

Note: The balances, except for certain related party borrowings, are unsecured, interest-free and repayable on demand.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. RELATED PARTY BALANCES AND TRANSACTIONS—continued

(b) Amounts due from related parties—continued

Amounts due from related parties—non-trade nature—continued

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed for reporting purpose as:				
Current assets	80,924	48,010	97,637	—
Non-current assets	94,964	665,933	637,489	331
	175,888	713,943	735,126	331

Maximum amount outstanding during the year/period are as follows:

	Year ended December 31,			Six months ended June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
AsiaInfo Holdings	71,960	597,235	647,762	743,528
Beijing AsiaInfo Voyager Consulting Co., Ltd.	—	—	50,000	50,000
AsiaInfo Cayman	293,693	37,498	37,559	37,559
Bonson BVI	23,004	24,575	24,575	23,339
International HK	—	6,696	6,696	6,484
AsiaInfo International US Corporation	—	3,469	3,469	3,267
AsiaInfo Security (Hong Kong) Co., Ltd.	325	347	347	331
Nanjing AsiaInfo Information Security Technology Co., Ltd. (note d(v))	80,599	84,123	44,123	—
AsiaInfo Chengdu	45,000	—	—	—
	514,581	753,943	814,531	864,508

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. RELATED PARTY BALANCES AND TRANSACTIONS—continued

(c) Amounts due to related parties

The following balances were the amounts due to related parties:

Amounts due to related parties—trade nature

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
AsiaInfo Chengdu	115,727	204,195	135,013	45,853
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	—	20,709	18,427	656
Beijing AsiaInfo Data Co., Ltd.	—	—	14,623	7,568
AsiaInfo Electronics (Fujian) Technology Co., Ltd.	—	—	6,429	4,023
Bonson BVI	—	—	6,088	—
Software BVI	—	—	5,930	—
Beijing AsiaInfo Innovation Technologies Limited	—	—	5,121	2,710
Beijing Dataware	—	2,482	861	—
International HK	70,117	—	20	443
AsiaInfo International Pte. Ltd.	14	—	—	30
	185,858	227,386	192,512	61,283

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed for reporting purpose as:				
Current liabilities	185,858	227,386	192,512	61,283
Non-current liabilities	—	—	—	—
	185,858	227,386	192,512	61,283

The average credit period granted by the related parties is 90 days. Aging of amounts due to related parties—trade nature are as follows:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
1-90 days	185,858	157,231	142,778	37,277
91-180 days	—	48,539	26,752	24,006
181-365 days	—	17,249	—	—
Over 365 days	—	4,367	22,982	—
	185,858	227,386	192,512	61,283

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. RELATED PARTY BALANCES AND TRANSACTIONS—continued

(c) Amounts due to related parties—continued

Amounts due to related parties—non-trade nature

The Group

	At December 31, 2015	At December 31, 2016	At December 31, 2017	At June 30, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
AsiaInfo Guangzhou Software	—	—	14,695	6,621
AsiaInfo Cayman	12,763	6,905	7,831	—
Skipper Parent (US), LLC	—	5,134	—	—
Nanjing AsiaInfo Network Technology Co., Ltd.	764	466	329	305
AsiaInfo Holdings	—	—	—	5,248
Beijing Xintong	79,019	—	—	—
International HK	—	58,437	—	—
	92,546	70,942	22,855	12,174

	At December 31, 2015	At December 31, 2016	At December 31, 2017	At June 30, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed for reporting purpose as:				
Current liabilities	92,546	70,942	8,160	5,553
Non-current liabilities	—	—	14,695	6,621
	92,546	70,942	22,855	12,174

The Company

	At December 31, 2015	At December 31, 2016	At December 31, 2017	At June 30, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
AsiaInfo Holdings	—	—	—	5,248

(d) Borrowings within related parties during the Track Record Period are listed out below:

(i) On July 10, 2015, AsiaInfo Technologies HK and a related party, AsiaInfo Cayman, entered into a borrowing agreement where AsiaInfo Technologies HK agreed to provide a revolving facility to AsiaInfo Cayman up to US$50,000,000. US$20,000,000 (equivalent to RMB122,344,000) was drawn on July 13, 2015. The amounts due from AsiaInfo Cayman were unsecured, interest bearing at 1.53% per annum and repayable on demand. The amount was fully settled as at December 31, 2015.

(ii) On May 18, 2015, AsiaInfo (H.K.) Limited and AsiaInfo Cayman, entered into a borrowing agreement where AsiaInfo (H.K.) Limited agreed to provide a revolving facility up to US$58,910,000. A borrowing was drawn on May 19, 2015, amounting to US$22,182,000 (equivalent to RMB144,043,000). On December 30, 2015, another agreements were entered into between AsiaInfo Technologies HK, AsiaInfo Holdings, AsiaInfo (H.K.) Limited and AsiaInfo Cayman where AsiaInfo Cayman transferred the loan owed to AsiaInfo (H.K.) Limited to AsiaInfo Holdings, and

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. RELATED PARTY BALANCES AND TRANSACTIONS—continued

(d) Borrowings within related parties during the Track Record Period are listed out below—continued:

AsiaInfo Holdings (H.K.) limited transferred the rights to receive to AsiaInfo Technologies HK. The loan was unsecured, interest bearing at 1.53% per annum and repayable on demand. The amount was settled by a series of related party debt restructuring arrangements as described in (f) during the six months ended June 30, 2018.

(iii) On May 5, 2015, AsiaInfo Technologies HK and a related party, AsiaInfo Cayman, entered into a borrowing agreement where AsiaInfo Technologies HK agreed to provide a revolving facility up to US$6,000,000. A full amount of US$6,000,000 was drawn on May 6, 2015. The loan was unsecured, interest bearing at 1.53% per annum and repayable on demand. The amount was settled by non-cash transactions as described in Note 46 as at December 31, 2015.

(iv) On September 1, 2015, AsiaInfo Technologies HK and a related party, AsiaInfo Holdings, entered into a borrowing agreement where AsiaInfo Technologies HK agreed to provide a revolving facility up to US$25,700,000. Two borrowings were drawn in 2016 and 2017 in an amount of US$15,700,000 (equivalent to RMB108,910,900) and US$10,000,000 (equivalent to RMB65,342,000), respectively. The loan was unsecured, interest free and repayable on demand. The amount was settled by a series of related party debt restructuring arrangements as described in (f) during the six months ended June 30, 2018.

(v) On October 31, 2015, AsiaInfo Nanjing and a related party, Nanjing AsiaInfo Information Security Technology Co., Ltd., entered into a borrowing agreement where AsiaInfo Nanjing agreed to lend RMB80,000,000 to Nanjing AsiaInfo Information Security Technologies Ltd. for its daily operation. The loan was unsecured with an interest rate of 4.35% per annum and repayable on demand. RMB40,000,000 was repaid on December 29, 2016 and the outstanding amount was RMB40,000,000 as at December 31, 2016. Subsequently the outstanding balance was fully repaid in 2017.

(vi) On August 11, 2015, AsiaInfo Holdings entered into an facility agreement with Bank of China, Macau Branch, pursuant to which AsiaInfo Holdings borrowed a term loan of US$200,000,000. On December 30, 2015, AsiaInfo Holdings entered into an amendment and novation deed with AsiaInfo Technologies HK, pursuant to which AsiaInfo Holdings transferred all of its rights and obligations under the original facility agreement in connection with the entire unpaid principal amount of the outstanding loan US$191,445,000 and accrued interest of US$825,313 as at December 30, 2015 to AsiaInfo Technologies HK (the "Debt Push-down"). The amount due from AsiaInfo Holdings was partially offset by the dividend payment in an aggregate amount of US$140,000,000 (equivalent to RMB909,104,000) declared by AsiaInfo Technologies HK, and the remaining amounts were unsecured, interest bearing at 3.2% per annum plus the London Interbank Offered Rate ("LIBOR"), and repayable on demand. The amount was substantially settled by dividend distribution

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. RELATED PARTY BALANCES AND TRANSACTIONS—continued

(d) Borrowings within related parties during the Track Record Period are listed out below—continued:

of US$140,000,000 (equivalent to RMB909,104,000) in December 2015. The remaining balance was settled by a series of related party debt restructuring arrangements as described in (f) during the six months ended June 30, 2018.

(vii) On November 2, 2015, Beijing Xintong and AsiaInfo Chengdu entered into a related party borrowing agreement, pursuant to which AsiaInfo Chengdu borrowed RMB45,000,000 from Beijing Xintong with an annual interest rate of 4.35%. As both AsiaInfo Chengdu and Beijing Xintong were disposed of on October 30, 2015 and December 28, 2015, respectively, the balance was excluded from related party balances thereafter.

(viii) On April 28, 2016, Beijing AsiaInfo Big Data entered into a borrowing agreement with a related party, Beijing Xintong, pursuant to which Beijing AsiaInfo Big Data agreed to borrow RMB19,500,000 from the lender. The loan from Beijing Xintong was unsecured, interest bearing at 4.35% per annum and repayable on demand. The balance of amount due to was fully repaid on September 30, 2016.

Another borrowing agreement was entered into between Beijing Xintong and Beijing AsiaInfo Big Data on May 4, 2017, pursuant to which Beijing Xintong agreed to lend RMB10,000,000 to Beijing AsiaInfo Big Data at an annual rate of 4.35%. As Beijing AsiaInfo Big Data was disposed of to a third-party company on November 3, 2017, the outstanding balance was not treated as related party balance thereafter.

(ix) On June 14, 2016, AsiaInfo Technologies HK entered into a borrowing agreement with a related party, International HK, pursuant to which International HK agreed to make available a revolving facility, up to US$60,000,000. A borrowing was drawn on June 16, 2016, amounting to US$45,000,000 (equivalent to RMB298,404,000). The loan from International HK was unsecured, interest bearing at a three-month LIBOR rate plus 100bps and repayable on demand. The amount was partially repaid of US$12,000,000 (equivalent to RMB81,169,200) and US$25,000,000 (equivalent to RMB173,425,000) on October 26, 2016 and December 30, 2016, respectively. The remaining amount due to International HK was outstanding as at December 31, 2016 and was fully repaid in March 2017.

(x) On July 31, 2016, AsiaInfo Nanjing and a related party, Beijing Xintong, entered into a borrowing agreement, pursuant to which AsiaInfo Nanjing agreed to lend RMB24,000,000 to the borrower. The amounts due from Beijing Xintong were unsecured, interest bearing at 4.35% per annum and repayable on demand. The amount was settled by the dividend declared by the Company to AsiaInfo Holdings, amounting to RMB693,447,000 (equivalent to US$108,000,000), through a series of debt restructuring arrangements as described in (f) during the six months ended June 30, 2018.

(xi) On April 5, 2017 and May 31, 2017, AsiaInfo China and Beijing Dataware, a related party, entered into two separated related party borrowing agreements, pursuant to which Beijing Dataware borrowed RMB6,500,000 and RMB6,400,000 from

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. RELATED PARTY BALANCES AND TRANSACTIONS—continued

(d) Borrowings within related parties during the Track Record Period are listed out below—continued:

AsiaInfo China, respectively, both of which carried an annual interest rate at 4.35%. The loans were fully repaid on December 6, 2017.

Interests were accrued and expenses were charged to the Group until October 2017 upon the sale of Beijing AsiaInfo Big Data to Guangzhou AsiaInfo Cloud Bigdata Co., Ltd. (Note 12) as a part of the discontinued operations.

(e) The significant transactions with related parties during the Track Record Period are listed out below

During the Track Record Period, the Group had the following major transactions with related companies, other than those disclosed elsewhere in the consolidated financial statements:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of property, plant and equipment to:					
Nanjing AsiaInfo Network Technology Co., Ltd.	696	—	—	—	—
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	—	1,523	—	—	—
Beijing Dataware	—	351	—	—	—
	696	1,874	—	—	—
Purchase of property, plant and equipment from:					
AsiaInfo Guangzhou Software	—	—	319	—	—
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	—	—	327	327	—
Beijing Dataware	—	—	206	206	—
AsiaInfo International Pte. Ltd.	—	—	—	—	92
	—	—	852	533	92
Interest expenses charged by:					
International HK (note d(ix))	—	2,818	261	261	—
Beijing Xintong (note d(xi))	—	368	219	—	—
	—	3,186	480	261	—
Interest income generated from:					
AsiaInfo Holdings (note d(ii), d(iv), d(vi))	241	15,690	15,672	8,071	7,497
Nanjing AsiaInfo Information Security Technology Co., Ltd. (note d(v))	599	3,524	1,188	772	—
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	—	—	749	749	261
Beijing Xintong (note d(x))	—	435	1,053	—	—
Beijing Dataware (note d(xi))	—	—	339	92	—
AsiaInfo Cayman (note d(i), d(iii))	2,420	—	—	35	12
AsiaInfo Chengdu (note d(vii))	326	—	—	—	—
	3,586	19,649	19,001	9,719	7,770

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. RELATED PARTY BALANCES AND TRANSACTIONS—continued

(e) The significant transactions with related parties during the Track Record Period are listed out below—continued

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Network security outsourcing services charged by:					
AsiaInfo Chengdu	73,035	334,472	120,976	78,411	11,867
	73,035	334,472	120,976	78,411	11,867
Technological support services charged by:					
AsiaInfo Chengdu	14,721	36,079	20,310	9,664	3,321
Beijing AsiaInfo Data Co., Ltd.	—	—	2,038	—	178
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	—	60,429	2,193	2,193	193
Beijing AsiaInfo Innovation Technologies Limited	—	—	182	—	41
Beijing Dataware	—	2,342	495	495	—
Nanjing AsiaInfo Network Technology Co., Ltd.	—	425	—	—	—
	14,721	99,275	25,218	12,352	3,733
	87,756	433,747	146,194	90,763	15,600
Subcontract cost from discontinued operations charged by:					
Beijing AsiaInfo Innovation Technologies Limited	—	—	1,209	—	713
Beijing AsiaInfo Data Co., Ltd.	—	—	555	—	1,530
Nanjing AsiaInfo Network Technology Co., Ltd.	420	440	—	—	—
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	—	22,423	—	—	—
AsiaInfo Electronics (Fujian) Technology Co., Ltd.	—	—	—	—	22
	420	22,863	1,764	—	2,265

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. RELATED PARTY BALANCES AND TRANSACTIONS—continued

(e) The significant transactions with related parties during the Track Record Period are listed out below—continued

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Technological support services provided to:					
AsiaInfo Chengdu	10,984	1,165	287	287	—
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	—	341	2,497	1,882	704
Beijing Xintong	—	19,075	—	—	24
	10,984	20,581	2,784	2,169	728
Office rental provided to:					
AsiaInfo Chengdu	1,382	5,528	3,442	1,721	2,015
Beijing Dataware	—	1,346	945	945	—
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	—	—	433	135	309
Beijing AsiaInfo Data Co., Ltd.	—	—	—	—	371
	1,382	6,874	4,820	2,801	2,695
Management support services provided to:					
AsiaInfo Chengdu	11,474	43,947	17,494	13,490	4,383
Beijing Dataware	—	8,234	—	—	—
Beijing AsiaInfo Data Co., Ltd.	—	—	111	—	2,117
International HK	—	—	5,267	—	—
AsiaInfo Long Voyage Software (Beijing) Co., Ltd.	—	—	6,307	2,959	1,361
	11,474	52,181	29,179	16,449	7,861

(f) Related party debt restructuring

The Group carried out a series of related party debt restructuring arrangements in 2018 to settle the outstanding non-trade nature balances of related parties.

On April 30 and June 25, 2018, the Company and its subsidiaries, including AsiaInfo Nanjing, AsiaInfo China and AsiaInfo Technologies HK (the "Transferors") entered into a series of agreements with related parties including Beijing Xintong, Bonson BVI, AsiaInfo Cayman, International HK, AsiaInfo International US Corporation, AsiaInfo Holdings and Skipper Holdings (the "Related Parties"). Pursuant to the agreements, the receivables from the Related Parties of the Transferors were transferred to AsiaInfo Holdings, through which AsiaInfo Holdings became a debtor of AsiaInfo Technologies HK.

Furthermore, pursuant to the written resolutions dated May 21, 2018, the Company declared to AsiaInfo Holdings a dividend in aggregate amount of US$108,000,000 (equivalent to RMB693,447,000) as described in Note 38 which is used to settle the receivables from AsiaInfo Holdings remained through the restructuring arrangements.

An aggregated balance of US$793,000 (equivalent to RMB5,248,000) payable to AsiaInfo Holdings was outstanding upon completion of the above restructuring arrangements as at June 30, 2018 and fully repaid on July 16, 2018.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. RELATED PARTY BALANCES AND TRANSACTIONS—continued

(g) Compensation of key management personnel

The remuneration of key management personnel which represents the directors of the Company and key executives of the Group during the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 (unaudited) and 2018 is as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	6,030	6,605	5,597	3,292	3,258
Discretionary bonus	10,154	5,787	13,957	6,300	4,030
Contributions to retirement benefit scheme	212	270	230	108	126
Share-based compensation expenses	4,469	11,058	34,341	21,872	19,367
Total emoluments	20,865	23,720	54,125	31,572	26,781

The remuneration of the directors of the Company and key executives of the Group is determined having regard to the performance of individuals and market trends.

Saved as disclosed above, there were no other significant transactions with related parties during the Track Record Period or other significant balances with them at the end of each year of the Track Record Period.

45. DISPOSAL OF SUBSIDIARIES

On the following respective dates, the Group entered into transfer agreements with either independent third parties or related parties under common control of the then intermediate shareholder of the Group. The management of the Group considered that it was beneficial to enter into the disposals since these subsidiaries were not related to the principal activities of the Group and were in accordance with the Group's ongoing business strategy, which is mainly to discontinue the International Business and the E-public Service Business.

In October 2015, the Group disposed of a wholly-owned subsidiary, AsiaInfo Chengdu to a related party controlled by the then intermediate shareholder, for a consideration of RMB80,000,000.

On November 27, 2015, as part of the discontinued operations, AsiaInfo Technologies HK transferred 40,190,982 ordinary shares of AsiaInfo International Pte. Ltd. ("AsiaInfo Singapore") to International HK, an indirect wholly-owned subsidiary of AsiaInfo Cayman, representing 100% of the issued share capital of AsiaInfo Singapore, and 1 ordinary share of AsiaInfo (Thailand) Limited ("AsiaInfo Thailand"), representing 0.0025% of the issued share capital of AsiaInfo Thailand to the Group's fellow subsidiaries. The consideration for the disposal of equity interest in AsiaInfo Singapore and AsiaInfo Thailand was US$39,000,000 and Thai Baht 100, respectively (aggregately equivalent to RMB253,250,000), the considerations of which were fully settled by International HK on November 27, 2015.

On December 28, 2015, the shareholders of AsiaInfo Technologies HK passed a resolution approving the declaration of a special dividend by way of distribution all of the ordinary shares, to AsiaInfo Holdings, the sole shareholder of AsiaInfo Technologies HK, which offsets the transfer of

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45. DISPOSAL OF SUBSIDIARIES—continued

investment in Bonson BVI, a subsidiary of the Group and was disposed of in 2015. The consideration for the disposal of equity interest in Bonson BVI was US$28,858,324 (equivalent to RMB185,989,000), being accounted for a major non-cash transaction during the Track Record Period (Note 46).

On April 19, 2016, the Group disposed of a wholly-owned subsidiary, AsiaInfo Nanjing Internet, to a third-party company, for a consideration of RMB107,498,000.

On May 30, 2016, as part of the disposal of the International Business, the Group disposed of a wholly-owned subsidiary, AsiaInfo UK, altogether with its wholly-owned subsidiaries, AsiaInfo Denmark ApS and AsiaInfo (Hungary) Kft., to a related party controlled by the then intermediate holding company for a consideration of RMB13,140,000.

On September 21, 2017, the Group disposed of its 88% owned subsidiaries, including Software BVI, AsiaInfo Software (H.K.) Limited ("Software HK") and AsiaInfo Guangzhou Software, to a related party, Innovation BVI, for a consideration of RMB22,000.

On November 3, 2017, as part of the discontinued operations, the Group disposed of a wholly-owned subsidiary, Beijing AsiaInfo Century Big Data Co., Ltd. ("Century Big Data"), along with its subsidiaries, to a related party for a consideration of nil.

No disposal of subsidiaries during the six months ended June 30, 2018.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45. DISPOSAL OF SUBSIDIARIES—continued

For the year ended December 31, 2015, 2016 and 2017

The aggregate amounts of the assets and liabilities attributable to the subsidiaries on the dates of disposal were as follows:

	2015			
	AsiaInfo Chengdu at October 30, 2015	AsiaInfo Singapore, AsiaInfo Thailand and their subsidiaries at October 25, 2015	Bonson BVI at December 28, 2015	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	1,613	922	—	2,535
Amounts due from the then immediate holding company	—	—	29,221	29,221
Other non-current receivables	1,140	—	—	1,140
Inventories	490	—	—	490
Trade and notes receivables	88,557	1,846	—	90,403
Prepayments, deposits and other receivables	49,441	64,072	168,354	281,867
Contract assets	75,157	102	—	75,259
Bank balances and cash	38,433	21,218	13,556	73,207
Trade and notes payables	(22,872)	—	—	(22,872)
Contract liabilities	(45,880)	(4,835)	—	(50,715)
Other payables, deposits received and accrued expenses	(38,648)	(91,002)	(40,166)	(169,816)
Net assets (liabilities) disposed of	147,431	(7,677)	170,965	310,719
Consideration	80,000	253,250	185,989	519,239
Net (assets) liabilities disposed of	(147,431)	7,677	(170,965)	(310,719)
Cumulative exchange difference reclassified to profit or loss upon disposal	—	(2,899)	13,363	10,464
(Loss) gain on disposal	(67,431)	258,028	28,387	218,984
Satisfied by:				
Dividend distribution	—	253,250	185,989	439,239
Cash	80,000	—	—	80,000
	80,000	253,250	185,989	519,239
Net cash (outflow) inflow arising on disposal of subsidiaries:				
Cash consideration received	80,000	—	—	80,000
Bank balances and cash disposed of	(38,433)	(21,218)	(13,556)	(73,207)
	41,567	(21,218)	(13,556)	6,793

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45. DISPOSAL OF SUBSIDIARIES—continued

For the year ended December 31, 2015, 2016 and 2017—continued

	2016		
	AsiaInfo Nanjing Internet at March 1, 2016	AsiaInfo UK and it subsidiaries at May 16, 2016	Total
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	614	82	696
Prepaid lease payments	56,920	—	56,920
Prepayments, deposits and other receivables	—	159,666	159,666
Bank balances and cash	1,201	45,231	46,432
Trade and notes payables	—	(4,827)	(4,827)
Other payables, deposits received and accrued expenses	—	(164,500)	(164,500)
Net assets disposed of	58,735	35,652	94,387
Consideration	107,498	13,140	120,638
Net assets disposed of	(58,735)	(35,652)	(94,387)
Cumulative exchange difference reclassified to profit or loss upon disposal	—	(11,594)	(11,594)
Gain (loss) on disposal	48,763	(34,106)	14,657
Satisfied by:			
Cash	70,000	—	70,000
Amounts due from/to related parties	37,498	13,140	50,638
	107,498	13,140	120,638
Net cash (outflow) inflow arising on disposal of subsidiaries:			
Cash consideration received	70,000	—	70,000
Bank balances and cash disposed of	(1,201)	(45,231)	(46,432)
	68,799	(45,231)	23,568

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45. DISPOSAL OF SUBSIDIARIES—continued

For the year ended December 31, 2015, 2016 and 2017—continued

	2017		
	Software BVI, Software HK and AsiaInfo Guangzhou Software at September 21, 2017	Century Big Data at November 3, 2017	Total
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	4,828	4,550	9,378
Investments in associates	—	2,159	2,159
Investments in joint ventures	—	9,648	9,648
Amounts due from associate	—	4,820	4,820
Inventories	—	88	88
Trade and notes receivables	6,770	9,722	16,492
Prepayments, deposits and other receivables	25,664	19,109	44,773
Contract assets	6,732	59,495	66,227
Bank balances and cash	2,638	29,977	32,615
Trade and notes payables	(2,228)	(23,602)	(25,830)
Contract liabilities	(3,986)	(10,382)	(14,368)
Other payables, deposits received and accrued expenses	(80,166)	(126,900)	(207,066)
Income tax payable	(20,872)	(1,031)	(21,903)
Other non-current liabilities	—	(11,958)	(11,958)
Non-controlling interest	7,274	(2,892)	4,382
Net liabilities disposed of	(53,346)	(37,197)	(90,543)
Consideration	22	—	22
Net liabilities disposed of	53,346	37,197	90,543
Cumulative exchange differences reclassified to profit or loss upon disposal	450	—	450
Gain on disposal	53,818	37,197	91,015
Satisfied by:			
Cash	22	—	22
Net outflow arising on disposal of subsidiaries:			
Cash consideration received	—	—	—
Bank balances and cash disposed of	(2,638)	(29,977)	(32,615)
	(2,638)	(29,977)	(32,615)

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45. DISPOSAL OF SUBSIDIARIES—continued

Gains (losses) on disposal of subsidiaries

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Gains (losses) on disposal of subsidiaries[i]			
—recognized in equity	208,520	(22,512)	53,368
—recognized in profit or loss and other comprehensive income	10,464	37,169	37,647
	218,984	14,657	91,015

Note:

(i) The entire equity interests that the Group held in AsiaInfo Nanjing Internet and Century Big Data were disposed of in 2016 and 2017, respectively, to two independent third-party companies on which the gains were recognized in the consolidated statements of profit or loss from continuing operations and discontinued operations, respectively. The remaining disposal of subsidiaries were all disposed of to the companies under common control of the then intermediate holding company of the Group, on which the gains (losses) were recognized in the consolidated statements of changes in equity.

46. MAJOR NON-CASH TRANSACTIONS

During the year ended December 31, 2015, dividend amounting to US$28,858,324 (equivalent to RMB185,989,000) declared by AsiaInfo Technologies HK was settled by offsetting the transfer of the investment in Bonson BVI (Note 38) and dividend amounting to US$140,000,000 (equivalent to RMB902,286,000) was settled by offsetting the Debt Push-down relating to bank borrowings as disclosed in Note 44; the declared dividend was further offset by the balance of the amount due from AsiaInfo Holdings, amounting to US$14,806,000 (equivalent to RMB97,164,000).

A dividend was approved by the board of directors of the Company, pursuant to which the Company declared a dividend on May 21, 2018, amounting to US$108,000,000 (equivalent to RMB693,447,000), to the then sole holding company, AsiaInfo Holdings. The dividend declared was primarily for the purpose of related party debt restructuring and offset by the balance of amount due from AsiaInfo Holdings as described in Note 44(f).

47. OPERATING LEASE COMMITMENTS

At the end of each year/period of Track Record Period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	41,013	47,970	59,772	83,563
In the second to the fifth year inclusive	104,385	232,285	270,880	267,773
Over five years	414	106,221	46,472	15,491
	145,812	386,476	377,124	366,827

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for lease terms ranging from one year to five years for the Group and rentals are normally fixed during the lease periods. The operating lease with future minimum lease commitments for over five years relates to an agreement signed on February 6, 2016 with a third party

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

47. OPERATING LEASE COMMITMENTS—continued

pursuant to which a lease term of five year shall start upon the completion of the construction of the building.

The Company did not have any lease commitment receivable at the end of each reporting period.

48. CAPITAL COMMITMENTS

	At December 31,			At June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	11,504	3,327	17,860	11,210

49. PARTICULARS OF SUBSIDIARIES

At the date of this report, the Company has direct and indirect shareholders/equity interest in the following subsidiaries:

			Proportion of interest attributable to the Company										
			At December 31,						At June 30,		At the date of this report		
			2015		2016		2017		2018				
Name of subsidiary(i)	Place and date of establishment/ acquisition	Issue and fully paid ordinary share capital/ registered capital	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Principal activities
AsiaInfo China 亞信科技(中國)有限公司 (Previously known as AsiaInfo-Linkage Technologies (China), Inc. 亞信聯創科技(中國)有限公司) ("AsiaInfo China")	The PRC May 2, 1995	US$26,040,570	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of software solutions
AsiaInfo Nanjing 亞信科技(南京)有限公司 (Previously known as Linkage AsiaInfo Technologies (Nanjing), Inc. 聯創亞信科技(南京)有限公司)	The PRC February 16, 2004	US$11,000,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of software solutions
Shanghai AsiaInfo Online Technology Limited.(ii) 上海亞信在線科技有限公司 (Previously known as Shanghai Xinjia Information Technology Co., Ltd. 上海信迦信息科技有限公司) ("Shanghai AsiaInfo Online")	The PRC September 25, 2008	RMB20,000,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of software solutions
Hangzhou AsiaInfo Cloud Information Technologies Limited 杭州亞信雲信息科技有限公司 (Previously known as Hangzhou Zhongbo Software Technology Co., Ltd 杭州中博軟件技術有限公司) ("AsiaInfo Hangzhou Cloud")	The PRC February 25, 2007	RMB10,000,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of software solutions
Beijing Naomi Technology Co., Ltd. ("Naomi")(vii) 北京鬧米科技有限公司	The PRC May 25, 2012	RMB5,000,000	—	66.67%	—	—	—	—	—	—	—	—	Provision of software solutions
AsiaInfo (Guangzhou) Software Service Ltd. 亞信(廣州)軟件服務有限公司 ("AsiaInfo Guangzhou Software")(v)	The PRC March 6, 2015	RMB50,000,000	—	88%	—	88%	—	—	—	—	—	—	Provision of software solutions
Nanjing AsiaInfo Software Co., Ltd 南京亞信軟件有限公司	The PRC February 6, 2015	RMB30,000,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of software solutions
Hunan AsiaInfo Software Co., Ltd 湖南亞信軟件有限公司	The PRC April 16, 2015	RMB30,000,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of software solutions
Hangzhou AsiaInfo Software Co., Ltd 杭州亞信軟件有限公司	The PRC May 15, 2015	RMB50,000,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of software solutions
Guangzhou AsiaInfo Technology Co., Ltd 廣州亞信技術有限公司	The PRC Aug 11, 2017	RMB200,000,000	—	—	—	—	—	100%	—	100%	—	100%	Provision of software solutions

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49. PARTICULARS OF SUBSIDIARIES—continued

Name of subsidiary[i]	Place and date of establishment/ acquisition	Issue and fully paid ordinary share capital/ registered capital	Proportion of interest attributable to the Company: At December 31, 2015 Directly	2015 Indirectly	2016 Directly	2016 Indirectly	2017 Directly	2017 Indirectly	At June 30, 2018 Directly	2018 Indirectly	At the date of this report Directly	At the date of this report Indirectly	Principal activities
Nanjing AsiaInfo Internet [vi] 南京亞信互聯網科技有限公司	The PRC June 9, 2015	US$20,000,000	—	100%	—	—	—	—	—	—	—	—	Provision of software solutions
Beijing AsiaInfo Smart Big Data.[viii] 北京亞信智慧數據科技有限公司	The PRC August 21, 2014	RMB285,200,000	—	100%	—	92.023%	—	92.023%	—	100%	—	100%	Provision of big data services
Guangzhou Zhihui Online Technology Co., Ltd 廣州智匯在線科技有限公司 (Previously known as Guangzhou AsiaInfo Big Data Co., Ltd. 廣州亞信數據有限公司)	The PRC October 19, 2016	RMB10,000,000	—	—	—	100%	—	100%	—	100%	—	100%	Provision of big data services
Century Big Data Ltd. 北京亞信時代數據處理有限公司	The PRC September 24, 2014	RMB285,200,000	—	100%	—	100%	—	—	—	—	—	—	Provision of big data services
Beijing AsiaInfo Big Data 北京亞信數據有限公司	The PRC October 22, 2014	RMB285,200,000	—	100%	—	100%	—	—	—	—	—	—	Provision of big data services
Wuxi AsiaInfo Big Data Limited 無錫亞信數據有限公司	The PRC November 5, 2015	RMB200,000,000	—	100%	—	100%	—	—	—	—	—	—	Provision of big data services
AsiaInfo Data Power (Fujian) Technologies Inc. 亞信數電(福建)科技有限公司	The PRC August 19, 2014	RMB50,000,000	—	56%	—	56%	—	—	—	—	—	—	Provision of big data services
Beijing AsiaInfo Hulian Technologies Limited 北京亞信互聯科技有限公司	The PRC February 27, 2015	RMB25,000,000	—	85%	—	85%	—	—	—	—	—	—	Provision of big data services
Beijing Shangxin Yitong Information Technology Limited[ix]	The PRC June 1, 2018	RMB10,000,000	—	—	—	—	—	—	—	100%	—	100%	Provision of software solutions
Beijing AsiaInfo Innovation Technologies Limited 北京亞信融創科技有限公司	The PRC February 28, 2015	RMB20,000,000	—	85%	—	85%	—	—	—	—	—	—	Provision of big data services
Xianyang AsiaInfo Innovation Technologies Limited 鹹陽亞信融創科技有限公司	The PRC November 6, 2015	RMB10,000,000	—	55.25%	—	55.25%	—	—	—	—	—	—	Provision of big data services
Ningxia AsiaInfo Smart Big Data Co., Ltd. 寧夏亞信智慧數據科技有限公司	The PRC December 30, 2015	RMB5,000,000	—	—	—	55%	—	—	—	—	—	—	Provision of big data services
Guizhou Naxin Technologies Co., Ltd. 貴州納信科技有限公司	The PRC February 4, 2016	RMB2,000,000	—	—	—	51%	—	—	—	—	—	—	Provision of big data services
Ha'erbin Big Data Exchange Center Limited 哈爾濱數據交易中心有限公司	The PRC February 15, 2015	RMB 30,000,000	—	70%	—	70%	—	—	—	—	—	—	Provision of big data services
Fuyang AsiaInfo Big Data Limited 阜陽亞信數據有限公司	The PRC July 29, 2016	RMB10,000,000	—	—	—	100%	—	—	—	—	—	—	Provision of big data services
Wuhan Changjiang Academy of Big Data Limited 武漢長江大數據研究院有限公司	The PRC July 25, 2016	RMB5,000,000	—	—	—	100%	—	—	—	—	—	—	Provision of big data services
Luzhou AsiaInfo Big Data Limited 瀘州亞信數據有限公司	The PRC September 23, 2016	RMB10,000,000	—	—	—	100%	—	—	—	—	—	—	Provision of big data services
AsiaInfo (H.K.) Development Limited (Previously known as Linkage-AsiaInfo (H.K.) Limited)	HK January 20, 2011	US$90,000,000	—	100%	—	100%	—	100%	—	100%	—	100%	Investment holding
AsiaInfo (H.K.) Limited (Previously known as AsiaInfo-Linkage (H.K.) Limited)	HK November 8, 2010	US$9,500,000	—	100%	—	100%	—	100%	—	100%	—	100%	Investment holding
Hong Kong AsiaInfo Technologies Limited (Previously known as Hong Kong AsiaInfo-Linkage Technologies Limited)	HK November 25, 1998	HK$20,000	—	100%	—	100%	—	100%	—	100%	—	100%	Investment holding

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49. PARTICULARS OF SUBSIDIARIES—continued

Name of subsidiary[i]	Place and date of establishment/ acquisition	Issue and fully paid ordinary share capital/ registered capital	Proportion of interest attributable to the Company										Principal activities
			At December 31,						At June 30,		At the date of this report		
			2015		2016		2017		2018				
			Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
Software HK[v]	HK September 17, 2014	HK$1	—	88%	—	88%	—	—	—	—	—	—	Investment holding
AsiaInfo Big Data (H.K.) Limited 亞信大數據（香港）有限公司	HK June 20, 2014	US$44,440,417	—	100%	—	100%	—	100%	—	100%	—	100%	Investment holding
AsiaInfo Technologies HK 香港亞信科技有限公司	HK January 20, 1997	HK$12.75	100%	—	100%	—	100%	—	100%	—	100%	—	Investment holding
AsiaInfo (U.K.) Limited[iii][iv] (Previously known as AsiaInfo-Linkage (U.K.) Limited) ("AsiaInfo UK")	England and Wales September 16, 2013	Great Britain Pound 1	100%	—	—	—	—	—	—	—	—	—	Provision of engineering and technical consultancy services
AsiaInfo Denmark ApS[iii][iv] (Previously known as AsiaInfo-Linkage Denmark ApS)	Denmark October 11, 2013	Danish Krona 5,512,317	—	100%	—	—	—	—	—	—	—	—	Provision of engineering and technical consultancy services
AsiaInfo (Hungary) Kft.[iii][iv] (Previously known as AsiaInfo-Linkage (Hungary) Kft.)	Hungary November 12, 2013	Hungarian forint 200,000,000	—	100%	—	—	—	—	—	—	—	—	Provision of engineering and technical consultancy services
Software BVI[iii][v]	The BVI August 28, 2014	US$3,400	88%	—	88%	—	—	—	—	—	—	—	Investment holding
AsiaInfo Big Data Limited[iii]	The BVI June 6, 2014	US$44,440,417	—	100%	—	100%	—	100%	—	100%	—	100%	Investment holding

Notes:

(i) The English name is for identification purpose only and the official names of the companies are in Chinese.

(ii) In July 2015, the Group acquired a further 10% additional equity interests in Shanghai AsiaInfo Online from a non-controlling shareholder for a cash consideration of RMB500,000. Upon the acquisition, Shanghai AsiaInfo Online became a wholly owned subsidiary of the Group.

(iii) No audited statutory financial statements have been prepared for the companies since their date of incorporation or during the Track Record Period as they are incorporated in a jurisdiction where there is no statutory audit requirements.

(iv) In May 2016, AsiaInfo UK, altogether with its wholly-owned subsidiaries, AsiaInfo Denmark ApS and AsiaInfo (Hungary) Kft., were disposed by the Group to a related party controlled by the then intermediate shareholder for a consideration of RMB13,140,000. Details are set out in Note 45.

(v) In August 2017, the Group disposed AsiaInfo Guangzhou Software, along with Software BVI and Software HK to a third-party company, for an aggregated consideration of RMB22,000. Details are set out in Note 45.

(vi) In March 2016, the Group disposed of Nanjing AsiaInfo Internet to a third-party company for a consideration of RMB107,498,000. Details are set out in Note 45.

(vii) Naomi was deregistered on February 24, 2016.

(viii) On September 30, 2016, the Group entered into agreements with certain third-party companies, pursuant to which the third-party companies made an aggregated capital injection of RMB210,000,000 to acquire 7.977% equity interests in Beijing AsiaInfo Smart Big Data Co., Ltd. ("Smart Big Data"), which was previously fully owned by the Group; the Group then held 92.023% of the total equity share of Smart Big Data.
On March 15, 2018, Beijing AsiaInfo Smart Big Data entered into an investment termination agreements with its non-controlling shareholders, Pursuant to which, Beijing AsiaInfo Smart Big Data acquired the entire non-controlling interests from the non-controlling shareholders and became a wholly owned subsidiary.

(ix) Pursuant to an acquisition agreement on May 22, 2018, the Group acquired 100% equity interests in Beijing Shangxin Yitong Information Technology Limited ("Beijing Shangxin Yitong") for a consideration of RMB584,000 from a third-party company, SmartCall Group Limited. No audited statutory financial statements have been prepared for Beijing Shangxin Yitong since its date of acquisition.

None of the subsidiaries had issued any debt securities at the end of the Track Record Period.

All companies now comprising the Group have adopted December 31, as their financial year end. All companies established in the PRC were all registered as limited liability companies.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49. PARTICULARS OF SUBSIDIARIES—continued

No audited statutory financial statements have been prepared for the Company since its date of incorporation as there is no statutory audit requirements in the BVI. No audited statutory financial statements have been prepared for the companies not incorporated in the PRC and Hong Kong.

The statutory financial statements of the following subsidiaries established in the PRC and HK were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by the following certified public accountants registered in the PRC or Hong Kong.

Name of subsidiary	Financial year ended	Name of auditors
AsiaInfo China	December 31, 2015, 2016 and 2017	Rui Hua Certified Public Accountants LLP[i] ("Rui Hua") 瑞華會計師事務所（特殊普通合夥）（"瑞華"）
AsiaInfo Nanjing	December 31, 2015, 2016 and 2017	Rui Hua 瑞華
Shanghai AsiaInfo Online	December 31, 2015, 2016 and 2017	Rui Hua 瑞華
AsiaInfo Hangzhou Cloud	December 31, 2015, 2016 and 2017	Rui Hua 瑞華
Naomi	December 31, 2015	N/A[ii]
AsiaInfo Guangzhou Software	December 31, 2015	Pan-China Certified Public Accountants LLP[i] 天健會計師事務所（特殊普通合夥）
	December 31, 2016 and 2017	Rui Hua 瑞華
Nanjing AsiaInfo Software Co., Ltd.	December 31, 2015, 2016 and 2017	Rui Hua 瑞華
Hunan AsiaInfo Software Co., Ltd.	December 31, 2015, 2016 and 2017	Rui Hua 瑞華
Guangzhou AsiaInfo Technology Co., Ltd.	December 31, 2017	Rui Hua 瑞華
Hangzhou AsiaInfo Software Co., Ltd.	December 31, 2015, 2016 and 2017	Rui Hua 瑞華
Nanjing AsiaInfo Internet	December 31, 2015	Rui Hua 瑞華
Beijing AsiaInfo Smart Big Data	December 31, 2015, 2016 and 2017	Rui Hua 瑞華
Guangzhou Zhihui Online Technology Co., Ltd.	December 31, 2016 and 2017	Rui Hua 瑞華
Century Big Data Co., Ltd.	December 31, 2016 and 2017	Rui Hua 瑞華
Beijing AsiaInfo Big Data	December 31, 2015 and 2016	Rui Hua 瑞華
Wuxi AsiaInfo Big Data Limited	December 31, 2015 and 2016	Rui Hua 瑞華
AsiaInfo Data Power (Fujian) Technologies Inc.	December 31, 2015 and 2016	Rui Hua 瑞華
Beijing AsiaInfo Hulian Technologies Limited	December 31, 2015 and 2016	Rui Hua 瑞華

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49. PARTICULARS OF SUBSIDIARIES—continued

Name of subsidiary	Financial year ended	Name of auditors
Beijing AsiaInfo Innovation Technologies Limited	December 31, 2015 and 2016	Rui Hua 瑞華
Xianyang AsiaInfo Innovation Technologies Limited	December 31, 2015	N/A(iv)
	December 31, 2016	Rui Hua 瑞華
Ningxia AsiaInfo Smart Big Data Co., Ltd.	December 31, 2016	N/A(iii)
Guizhou Naxin Technologies Co., Ltd.	December 31, 2016	N/A(v)
Ha'erbin Big Data Exchange Center Limited	December 31, 2015 and 2016	Rui Hua 瑞華
Fuyang AsiaInfo Big Data Limited	December 31, 2016	N/A(v)
Wuhan Changjiang Academy of Big Data Limited	December 31, 2016	Rui Hua 瑞華
AsiaInfo (H.K.) Development Limited	December 31, 2015, 2016 and 2017	BDO Limited
AsiaInfo (H.K.) Limited	December 31, 2015, 2016 and 2017	BDO Limited
Hong Kong AsiaInfo Technologies Limited	December 31, 2015, 2016 and 2017	BDO Limited
Software HK	December 31, 2015 and 2016	BDO Limited
AsiaInfo Big Data (H.K.) Limited	December 31, 2015, 2016 and 2017	BDO Limited
AsiaInfo Technologies HK	December 31, 2015, 2016 and 2017	BDO Limited

Notes:

(i) The English names for all the PRC certified public accountants firms are used for identification purpose only.

(ii) No audited financial statements for the year ended December 31, 2015 have been prepared as Naomi was in the process of liquidation during the year ended December 31, 2015 and was finally dissolved on February 24, 2016.

(iii) No audited financial statements for the year ended December 31, 2016 have been prepared as Ningxia AsiaInfo Smart Big Data Co. Ltd., Fuyang AsiaInfo Big Data Limited and Luzhou AsiaInfo Big Data Limited as all the companies were in the process of liquidation during the year ended December 31, 2016 and were finally disposed of in early 2017.

(iv) No audited financial statements for the year ended December 31, 2015 have been prepared as Xianyang AsiaInfo was established in November 2015 with no operation until the year 2016.

(v) No audited financial statements for the year ended December 31, 2016 have been prepared as the companies have been inactive since its establishment.

50. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed elsewhere in the Historical Financial Information, subsequent to the end of the Track Record Period, the following significant events took place:

(a) On July 11, 2018, pursuant to the new share option scheme and restricted share award scheme approved and adopted on June 28, 2018, the Company allotted and issued (i) 5,875 shares (being 47,000 shares after taking into account the share subdivision described in (c) below) with a par value of HK$0.0000001 each to certain grantees upon the exercise of 5,875 share options granted under the share option scheme; and (ii) 466,126 shares (being

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

50. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD—continued

3,729,008 shares after taking into account the share subdivision) to certain restricted share award grantees which are vested immediately upon the grant.

(b) On July 11, 2018, the Company entered into individual agreements with all the grantees for share options and RSUs granted under the 2011 Plan and 2014 Plan (as described in Note 42), pursuant to which all the then outstanding share options and RSUs granted by Skipper Holdings, the then intermediate holding company, and AsiaInfo Holdings, the then immediate holding company, were pushed down to the Company.

(c) On November 26, 2018, the shareholders of the Company resolved that each issued and unissued ordinary shares of HK$0.0000001 par value each of the Company be subdivided into 8 shares of HK$0.0000000125 par value each.

51. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to June 30, 2018.