China ITS (Holdings) Co., Ltd.
中国智能交通系统(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1900)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS OF UNAUDITED 2019 ANNUAL RESULTS

As of 31 December, 2019 (the "**Year**" or the "**2019**"), unaudited results of China ITS (Holdings) Co., Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") are as follows:

- The Group recorded RMB1,001.0 million from the new contracts signed, representing a decrease of 12.8% compared to the previous year.
- Revenue of RMB1,033.2 million was generated, representing an increase of 11.8% compared to the previous year.
- As of 31 December, 2019, the Group recorded RMB840.1 million from backlog, representing a decrease of 14.1% compared to the end of the previous year.
- The Group generated gross profit of RMB206.6 million, which increased by 25.5% compared to the previous year and recorded gross profit margin of 20.0%, representing an increase of 2.2 percentage points compared to the previous year.
- The loss attributable to owners of the parent of the Company amounted to RMB44.8 million as compared to the loss of RMB116.3 million for the previous year. Although the Group's railway business recorded a loss of RMB71.6 million for the Year, including the impairment loss of the business, the Group's financial performance for the Year was still better than the previous year, mainly attributable to the following factors: (i) the profit of CEECGLOBAL LIMITED, which was acquired by the Group in 2019, the financial results of which were consolidated into the Group's financial statements; (ii) the loss from changes in fair value of financial assets was relatively large for the year ended 31 December, 2018, while the gain from changes in fair value of financial assets was relatively significant for the Year.

ANNUAL RESULTS

The unaudited consolidated results of the Group for the year ended 31 December 2019, with comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000 Unaudited	2018 RMB'000 Audited
REVENUE	5	**1,033,190**	923,966
Cost of revenue		**(826,570)**	(759,331)
Gross profit		**206,620**	164,635
Other income and gains	6	**76,743**	56,564
Selling, distribution and administrative expenses		**(151,503)**	(197,305)
Impairment losses on financial and contract assets, net		**(21,792)**	(47,531)
Other expenses		**(101,080)**	(52,209)
Finance costs		**(37,357)**	(42,171)
Share of profits and losses of:			
Joint ventures		**1,772**	4,913
Associates		**(1,044)**	(991)
LOSS BEFORE TAX		**(27,641)**	(114,095)
Income tax expense	7	**(8,485)**	(2,183)
LOSS FOR THE YEAR		**(36,126)**	(116,278)
Attributable to:			
Owners of the Company		**(44,837)**	(116,278)
Non-controlling interests		**8,711**	–
		(36,126)	(116,278)

LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Notes	RMB Unaudited	RMB Audited
Basic	9	**(0.03)**	(0.07)
Diluted	9	**(0.03)**	(0.07)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
LOSS FOR THE YEAR	**(36,126)**	(116,278)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(12,352)**	(11,170)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(12,352)**	(11,170)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(48,478)**	(127,448)
Attributable to:		
Owners of the Company	**(57,187)**	(127,448)
Non-controlling interests	**8,709**	–
	(48,478)	(127,448)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000 Unaudited	2018 RMB'000 Audited
NON-CURRENT ASSETS			
Prepayment for acquisition of property and equipment		**124,708**	–
Property and equipment		**251,157**	262,359
Investment properties		**83,710**	78,200
Goodwill		**254,851**	274,027
Other intangible assets		**5,938**	1,983
Investments in joint ventures		**2,067**	48,305
Investments in associates		**2,027**	3,071
Financial assets at fair value through profit or loss	*12*	**182,993**	117,755
Deferred tax assets		**9,666**	17,514
Loan receivables		**30,000**	33,000
Pledged deposits		**70,000**	134,290
Total non-current assets		**1,017,117**	970,504
CURRENT ASSETS			
Inventories		**206,684**	59,798
Contract assets	*10*	**475,482**	696,704
Trade and bills receivables	*11*	**909,025**	975,011
Prepayments, deposits and other receivables		**502,769**	343,442
Financial assets at fair value through profit or loss	*12*	**–**	20,000
Amounts due from related parties		**386,096**	650,811
Pledged deposits		**205,478**	234,428
Cash and cash equivalents		**302,722**	146,436
		2,988,256	3,126,630
Assets held for sale		**–**	8,500
Total current assets		**2,988,256**	3,135,130

	Notes	2019 RMB'000 Unaudited	2018 RMB'000 Audited
CURRENT LIABILITIES			
Trade and bills payables	*13*	**399,185**	651,863
Other payables and accruals		**716,660**	556,725
Interest-bearing bank borrowings		**701,587**	363,509
Amounts due to related parties		**4,769**	27,956
Income tax payable		**31,364**	29,512
Total current liabilities		**1,853,565**	1,629,565
NET CURRENT ASSETS		**1,134,691**	1,505,565
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,151,808**	2,476,069
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**146,430**	420,843
Deferred tax liabilities		**18,594**	24,537
Total non-current liabilities		**165,024**	445,380
Net assets		**1,986,784**	2,030,689
EQUITY			
Equity attributable to owners of the Company			
Share capital		**290**	290
Reserves		**1,972,763**	2,030,399
		1,973,053	2,030,689
Non-controlling interests		**13,731**	–
Total equity		**1,986,784**	2,030,689

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE AND GROUP INFORMATION

China ITS (Holdings) Co., Ltd. (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 20 February 2008. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The Company's principal place of business in Hong Kong is in 8/F., Golden Star Building, 20–24 Lockhart Road, Wanchai. The principal executive office of the Company is located at Building 204, No. A10, Jiuxianqiao North Road, Chaoyang District, Beijing, 100015, the People's Republic of China (the "**PRC**").

The Company and its subsidiaries (the "**Group**") is a provider of transportation infrastructure technology solutions and services, mainly in the PRC and Myanmar. During the year ended 31 December 2019, the Group was involved in the following principal activities:

(a) Specialised solutions business — providing solutions to discrete problems occurring in clients' existing or planned transportation infrastructure through the design, development and implementation of hardware-based and software-based systems; and

(b) Value-added operation and services — engaging in the provision of operation outsourcing and value-added services, via intelligent transportation system platforms, servicing transportation operators and participants.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Standing Interpretations Committee interpretations issued and approved by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investments, which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Annual Improvements to IFRSs	2015–2017 Cycle
IFRS 16	Leases
IFRIC 23	Uncertainty over income tax treatments
Amendments to IAS 19	Employee benefits
Amendments to IAS 28	Investments in Associates and Joint Ventures
Amendments to IFRS 9	Prepayment Features with Negative Compensation

Except for IFRS 16 which is explained below, the adoption of the new/revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the year ended 31 December 2019 and prior years.

IFRS 16 "Leases"

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation (and, if applicable, impairment loss) of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows applying IAS 7.

IFRS 16 substantially carries forward the lessor accounting requirements of the superseded IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has opted for the modified retrospective application permitted by IFRS 16. Accordingly, IFRS 16 has been applied from 1 January 2019 (i.e. the date of initial application) onwards and the cumulative impact of adoption of IFRS 16 was recognised in equity at 1 January 2019, if any.

Based on the practical expedients under IFRS 16, the Group has elected not to apply the requirements of IFRS 16 in respect of recognition of lease liability and right-of-use asset to leases for which the lease term ends within twelve months of the date of initial application.

The Group has reviewed all of its leases which the lease term ends after twelve months of the date of initial application and assessed that the overall impact of those leases to the Group is insignificant. Therefore, no lease liability or right-of-use asset has been recognised in these financial statements.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group has the following operating segments based on its business units:

(i) Specialised solutions: Providing solutions to discrete problems occurring in clients' existing or planned transportation infrastructure through the design, development and implementation of hardware-based and software-based systems; and

(ii) Value-added operation and services: Engaging in the provision of operation outsourcing and value-added services, via intelligent transportation system platforms, servicing transportation operators and participants.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that finance income, finance costs, exchange differences, changes in fair value of financial assets at fair value through profit or loss as well as head office and corporate income and expenses are excluded from this measurement.

Intersegment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2019 (unaudited)	Specialised solutions *RMB'000*	Value-added operation and services *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*			
Sales to external customers	**893,021**	**140,169**	**1,033,190**
Intersegment sales	**306**	**–**	**306**
	893,327	**140,169**	**1,033,496**
Reconciliation:			
Elimination of intersegment sales			**(306)**
Revenue			**1,033,190**
Segment results	**3,780**	**1,054**	**4,834**
Reconciliation:			
Finance income			**30,086**
Finance costs			**(37,357)**
Changes in fair value of investment properties			**310**
Gain on investment property transferred from inventory			**865**
Changes in fair value of financial assets at fair value through profit or loss			**10,696**
Dividend income from equity investment at fair value through profit or loss			**1,867**
Corporate and other unallocated expenses			**(38,942)**
Loss before tax			**(27,641)**

31 December 2019 (unaudited)

Other segment information:			
Share of profits/(losses) of:			
Joint ventures	**1,772**	**–**	**1,772**
Associates	**(1,044)**	**–**	**(1,044)**
Impairment losses	**117,515**	**1,080**	**118,595**
Depreciation and amortisation	**2,137**	**771**	**2,908**
Capital expenditure*	**4,711**	**395**	**5,106**

* *Capital expenditure represents the additions to property and equipment and intangible assets.*

Year ended 31 December 2018 (audited)	Specialised solutions *RMB'000*	Value-added operation and services *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	849,102	74,864	923,966
Intersegment sales	–	6,833	6,833
	849,102	81,697	930,799
Reconciliation:			
Elimination of intersegment sales			(6,833)
Revenue			923,966
Segment results	(27,422)	(3,783)	(31,205)
Reconciliation:			
Finance income			35,667
Finance costs			(42,171)
Exchange losses			(653)
Changes in fair value of investment properties			6,400
Gain on investment property transferred from inventory			1,244
Changes in fair value of financial assets at fair value through profit or loss			(51,207)
Dividend income from equity investment at fair value through profit or loss			1,695
Corporate and other unallocated expenses			(33,865)
Loss before tax			(114,095)
31 December 2018 (audited)			
Other segment information:			
Share of profits/(losses) of:			
Joint ventures	4,913	–	4,913
Associates	(991)	–	(991)
Impairment losses	73,872	4,351	78,223
Depreciation and amortisation	2,294	870	3,164
Capital expenditure*	2,547	103	2,650

* *Capital expenditure represents the additions to property and equipment and intangible assets.*

Geographical information

(a) Revenue from external customers

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Mainland China	**967,287**	895,791
Overseas	**65,903**	28,175
	1,033,190	923,966

(b) Non-current assets

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Mainland China	**599,750**	667,945
Overseas	**124,708**	–
	724,458	667,945

Information about major customers

No individual customer of the Group contributed 10% or more of the Group's revenue.

5. REVENUE

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Revenue from contracts with customers within IFRS 15	**1,033,190**	923,966

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019 (unaudited)

Segments	**Specialised solutions** *RMB'000*	**Value-added operation and services** *RMB'000*	**Total** *RMB'000*
Type of goods or services			
System integration solution services	**716,718**	**–**	**716,718**
Sale of products	**176,303**	**–**	**176,303**
Maintenance services	**–**	**140,169**	**140,169**
Total revenue from contracts with customers	**893,021**	**140,169**	**1,033,190**
Geographical markets			
Mainland China	**874,593**	**92,694**	**967,287**
Overseas	**18,428**	**47,475**	**65,903**
Total revenue from contracts with customers	**893,021**	**140,169**	**1,033,190**
Timing of revenue recognition			
Goods transferred at a point in time	**176,303**	**18,907**	**195,210**
Services transferred over time	**716,718**	**121,262**	**837,980**
Revenue from contracts with customers	**893,021**	**140,169**	**1,033,190**

For the year ended 31 December 2018 (audited)

	Specialised solutions *RMB'000*	Value-added operation and services *RMB'000*	Total *RMB'000*
Type of goods or services			
System integration solution services	619,730	–	619,730
Sale of products	229,372	–	229,372
Maintenance services	–	74,864	74,864
Total revenue from contracts with customers	849,102	74,864	923,966
Geographical markets			
Mainland China	831,319	64,472	895,791
Overseas	17,783	10,392	28,175
Total revenue from contracts with customers	849,102	74,864	923,966
Timing of revenue recognition			
Goods transferred at a point in time	229,372	–	229,372
Services transferred over time	619,730	74,864	694,594
Revenue from contracts with customers	849,102	74,864	923,966

6. OTHER INCOME AND GAINS

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Finance income	**30,086**	35,667
Gain on disposal of joint venture	**15,977**	–
Gross rental income	**12,632**	7,212
Dividend income from equity investments at fair value through profit or loss	**1,867**	1,695
Changes in fair value of equity investments at fair value through profit or loss	**10,696**	–
Government grants*	**171**	1,617
Gain from the sale of properties	**4,134**	2,704
Gain on investment property transferred from inventory	**865**	1,244
Changes in fair value of investment properties	**310**	6,400
Others	**5**	25
	76,743	56,564

* The government grants have been received by the Group as subsidies for business activities of the Group. There are no unfulfilled conditions or contingencies relating to these grants.

7. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The determination of current and deferred income taxes was based on the enacted tax rates.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

PRC subsidiaries of the Group are subject to PRC Enterprise Income Tax at a rate 25% (2018: 25%) on their respective taxable income, except for those subsidiaries which are qualified as High and New Technology Enterprises and are entitled to 15% (2018: 15%) preferential income tax rate.

No provision for Hong Kong profits tax has been made for the year ended 31 December 2019 (unaudited) (2018: nil), as the Group had no assessable profits arising in Hong Kong for the year.

No provision for corporate income tax for the subsidiaries of the Group in Myanmar and Indonesia has been made for the year ended 31 December 2019 (unaudited) (2018: nil), as the Group's subsidiaries in Myanmar and Indonesia had no assessable profits arising in Myanmar and Indonesia for the year.

According to PRC tax regulations, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, are subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from entities in the PRC. Distributions of the pre-2008 earnings are exempted from the above-mentioned withholding tax. As at 31 December 2019 (unaudited), no deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China (2018: nil). In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future.

The Group is subject to withholding tax in Myanmar at the rate of 2.5% on the service income charged to the companies in Myanmar by non-Myanmar subsidiaries.

The major components of income tax expense/(credit) are as follows:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Current income tax:		
PRC Enterprise Income Tax		
— Provision for the year	**2,414**	6,033
— Underprovision in prior year	**3,643**	3,038
Others	**522**	–
	6,579	9,071
Deferred income tax:	**1,906**	(6,888)
Income tax expense for the year	**8,485**	2,183

8. DIVIDENDS

No dividend was proposed by the Company for the years ended 31 December 2019 (unaudited) and 31 December 2018.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year, as used in the basic loss per share calculation, plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all the dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 (unaudited) and 31 December 2018 in respect of a dilution as the impact of the share option scheme outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation	**(44,837)**	(116,278)

	Number of shares	
	2019	2018
	Unaudited	Audited
Shares		
Weighted average number of shares in issue, used in the basic loss per share calculation	**1,654,024,868**	1,654,024,868

10. CONTRACT ASSETS

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Contract assets arising from:		
System integration solution services	**477,243**	690,059
Maintenance services	**28,450**	38,486
	505,693	728,545
Impairment	**(30,211)**	(31,841)
	475,482	696,704

Contract assets are initially recognised for revenue earned from the sale of products and the provision of system integration solutions and rending of services as the receipt of consideration is conditional on successful completion of installation of the products and construction, respectively. Upon completion of issuing billing to the customer according to the milestones of the projects, the amounts recognised as contract assets are reclassified to trade receivables.

During the year ended 31 December 2019 (unaudited), RMB1,630,000 (2018: RMB3,799,000) was reversed as an allowance for expected credit losses on contract assets.

The expected timing of recovery or settlement for contract assets is as follows:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Within 1 year	**324,574**	564,806
More than 1 year	**150,908**	131,898
	475,482	696,704

Impairment

The movements in the impairment of contract assets are as follows:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
At beginning of year	**31,841**	35,640
Reversal	**(1,630)**	(3,799)
At end of year	**30,211**	31,841

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past the invoice date of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

As at 31 December 2019 (unaudited)	**Credit-impaired**	**Expected credit losses** **Aproud Technology**	**Entities other than Aproud Technology**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Gross carrying amount	**16,219**	**24,657**	**464,817**	**505,693**
Credit loss	**16,219**	**4,605**	**9,387**	**30,211**
Average credit loss rate	**100.00%**	**18.68%**	**2.02%**	**5.97%**

As at 31 December 2018 (audited)	Credit-impaired	Expected credit losses Aproud Technology	Entities other than Aproud Technology	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross carrying amount	16,253	17,272	695,020	728,545
Credit loss	16,253	2,869	12,719	31,841
Average credit loss rate	100%	16.61%	1.83%	4.37%

11. TRADE AND BILLS RECEIVABLES

	2019 ***RMB'000*** **Unaudited**	2018 *RMB'000* Audited
Trade receivables	**744,692**	920,309
Impairment	**(77,806)**	(75,437)
	666,886	844,872
Bills receivables	**242,139**	130,139
	909,025	975,011

Trade receivables, which are non-interest-bearing, are recognised and carried at the original invoiced amount less any loss allowance. Trade receivables generally have credit terms ranging from 30 days to 180 days.

In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its balances of trade receivables. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Less than 6 months	**199,283**	461,207
6 months to 1 year	**264,444**	113,224
1 year to 2 years	**98,013**	138,766
2 years to 3 years	**62,677**	75,312
Over 3 years	**42,469**	56,363
	666,886	844,872

Impairment

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
At beginning of year	**75,437**	35,189
Impairment losses *(note 6)*	**1,815**	46,158
Amount written off as uncollectible	**–**	(5,910)
Acquisition of a subsidiary	**554**	–
At end of year	**77,806**	75,437

The breakdown of the loss allowance as at 31 December 2019 (unaudited)

		Expected credit losses		
	Credit-impaired	**Aproud Technology**	**Entities other than Aproud Technology**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Gross carrying amount	**7,634**	**7,580**	**729,478**	**744,692**
Credit loss	**7,634**	**5,795**	**64,377**	**77,806**
Average credit loss rate	**100.00%**	**76,45%**	**8.82%**	**10.45%**

The breakdown of the loss allowance as at 31 December 2018 (audited)

		Expected credit losses		
	Credit-impaired	Aproud Technology	Entities other than Aproud Technology	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross carrying amount	7,867	8,794	903,648	920,309
Credit loss	7,867	6,183	61,387	75,437
Average credit loss rate	100%	70.31%	6.79%	8.20%

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past the invoice date for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than five years and are not subject to enforcement activity.

Management categorises its trade receivables based on the ageing of the balances. The lifetime expected credit losses for receivables by assessing future cash flows for each group of trade receivables including a probability weighted amount determined by evaluating a range of possible outcomes based on historical credit loss experience by the customer segment, geographical region, tenure and type of customer and applying to the receivables held at the year end. The determining factor impacting collectability is customer attributes. The impact of economic factors, both current and future, is considered in assessing the likelihood of recovery from customers. As the customer group of Aproud Technology is different with other entities in the Group, there are two different provision matrixes. Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix.

Aproud Technology

Aproud Technology was engaged in providing intelligent transportation services in the expressway sector in prior years, and has little business in recent years. The main customers are the administration department of the expressway.

The information about the credit risk of Aproud Technology is as below:

At 31 December 2019 (unaudited)	**Expected credit loss rate**	**Gross carrying amount** *RMB'000*	**Expected credit losses** *RMB'000*
Less than 1 year	**18.68%**	**520**	**97**
1 to 2 years	**36.21%**	**492**	**178**
2 to 3 years	**43.90%**	**793**	**348**
3 to 4 years	**71.89%**	**1,148**	**825**
4 to 5 years	**83.46%**	**558**	**466**
5 to 6 years	**85.82%**	**1,326**	**1,138**
Over 6 years	**100.00%**	**2,743**	**2,743**
		7,580	**5,795**

At 31 December 2018 (audited)	Expected credit loss rate	Gross carrying amount *RMB'000*	Expected credit losses *RMB'000*
Less than 1 year	16.61%	447	74
1 to 2 years	34.85%	1,590	554
2 to 3 years	38.45%	1,256	483
3 to 4 years	71.89%	563	405
4 to 5 years	86.74%	1,362	1,181
5 to 6 years	89.23%	833	743
Over 6 years	100.00%	2,743	2,743
		8,794	6,183

Entities other than Aproud Technology

The entities in the Group other than Aproud Technology are mainly engaged in providing specialised solutions and value-added operation and services in railway sectors. Most of the customers are state-owned enterprises and railways bureau.

The information of about the credit risk of entities other than Aproud Technology is as below:

At 31 December 2019	**Expected credit loss rate**	**Gross carrying amount** *RMB'000*	**Expected credit losses** *RMB'000*
Less than 1 year	**2.02%**	**472,853**	**9,550**
1 to 2 years	**5.38%**	**103,254**	**5,555**
2 to 3 years	**11.93%**	**70,662**	**8,429**
3 to 4 years	**21.17%**	**29,603**	**6,268**
4 to 5 years	**32.42%**	**15,805**	**5,124**
5 to 6 years	**48.12%**	**15,133**	**7,283**
Over 6 years	**100.00%**	**22,168**	**22,168**
		729,478	**64,377**

At 31 December 2018	Expected credit loss rate	Gross carrying amount *RMB'000*	Expected credit losses *RMB'000*
Less than 1 year	1.83%	584,759	10,701
1 to 2 years	4.35%	143,995	6,265
2 to 3 years	9.85%	82,683	8,144
3 to 4 years	16.04%	19,967	3,203
4 to 5 years	25.92%	33,201	8,606
5 to 6 years	35.61%	22,636	8,061
Over 6 years	100.00%	16,407	16,407
		903,648	61,387

Other than the loss allowance using the provision matrix, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB7,634,000 (unaudited) (2018: RMB7,867,000) with a carrying amount before provision of RMB7,634,000 (unaudited) (2018: RMB7,867,000).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 *RMB'000* **Unaudited**	2018 *RMB'000* Audited
Unlisted equity investment, at fair value		
— Current	**–**	20,000
— Non-current	**182,993**	117,755
	182,993	137,755

During the year ended 31 December 2019, the gain of fair value changes of the Group's equity investments at fair value through profit or loss recognised in other expenses amounted to RMB10,696,000 (unaudited) (2018: RMB51,207,000).

13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Current or less than 1 year	**297,430**	569,619
1 to 2 years	**76,539**	70,386
Over 2 years	**25,216**	11,858
	399,185	651,863

The Group's bills payable were secured by pledged deposits of the Group of RMB9,994,000 (unaudited) as at 31 December 2019 (2018: RMB15,894,000).

Trade payables are non-interest-bearing and generally have credit terms ranging from 1 to 360 days.

Publication of the annual report for the Year containing all the information required by Appendix 16 to the Listing Rules ("**2019 Annual Report**") and the audited financial results of the Group for the year ended December 31. 2019 will be delayed due to the outbreak of COVID-19 which caused a disruption in the auditing process. Since the completion of the auditing process depends on the travel restrictions and quarantine arrangements in relation to COVID-19, it is challenging to estimate a completion date for the auditing process with certainty. However, the Group is closely monitoring the current situations in respect of the travel restrictions and quarantine arrangements both in Hong Kong and Mainland China and currently expects to publish the 2019 Annual Report and the audited 2019 financial results on or before 15 May 2020 in accordance with the further guidance on the joint statement issued by the Stock Exchange of Hong Kong Limited and the Securities and Futures Commission dated 16 March 2020. The unaudited annual results in this announcement have been reviewed by the audit committee of the Company but have not been audited by or agreed with the auditors as required under Rule 13.49(2) of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE OVERALL OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

In 2019, the Group recorded RMB1,001.0 million from new contracts signed, representing a decrease of 12.8% compared to the previous year. The Group generated revenue of RMB1,033.2 million, representing an increase of 11.8% compared to the previous year, and as of 31 December, 2019, the Group recorded RMB840.1 million from backlog, representing a decrease of 14.1% compared to the end of the previous year. The Group generated gross profit of RMB206.6 million, which increased by 25.5% compared to the previous year, and recorded gross profit margin of 20.0%, increased from 17.8% for the previous year. The loss attributable to owners of the parent of the Company amounted to RMB44.8 million for the Year compared to the loss of RMB116.3 million for the previous year.

BUSINESS AND FINANCIAL REVIEW

Business Review

1. *Consolidating the railway sector business and vertically upgrading the traditional business*

   The core business of the Group is specialised solutions ("**SS**") of which the railway communication solutions business still maintains a high market share. We are one of the largest solution providers in the railway communication segment and our solutions in terms of railway video, intelligent information and energy-base are also progressing as planned. In the Year, the Group became a solution provider of wired and wireless communication system for the He'an Jiu high-speed railway project, a solution provider of wired communication system for the OTN project of the China Railway Shanghai Group Co.,Ltd., and a solution provider of multiple railway bureau electronic ticket system. The involvement of these projects further consolidated the Group's leading position in the railway communications market.

The railway communications system's intelligent value-added operation and services ("**VAOS**") business requires certain industry accumulation due to the high technical threshold. It needs to provide customers with efficient and convenient services through professional technology to increase user stickiness, which is a kind of higher value-added services business. As this business is at the post stage of railway construction, it has covered most railway bureaus across the country and covered the backbone of the railway network based on the Group's platform advantages combining with its self-developed intelligent maintenance system, which provides intelligent operation and maintenance for railway communications. The Group attaches great importance to the technical support and service quality of VAOS business, as well as the control of customer satisfaction. In the future, the Group will strive to provide high-efficiency, reliable, convenient, all-round technology and operation as well as maintenance services for railway customers through the expansion of diversified professional technical services. In 2019, on the one hand, the Group consolidates the existing value-added operation business, and also continuously expands new value-added operation business. As a result, the revenue from VAOS business increased significantly compared with the previous year.

2. *Business in electric power sector developing well and completing the overseas significant investment*

In the Year, the Group has made solid progress in expanding overseas markets through the acquisition ("**Acquisition**") of 58% equity interests in CEECGLOBAL LIMITED, which engages in investment and construction, upgrading, operation and provision of services in respect of infrastructures in electric power and communication industry to overseas customers in Southeast Asia markets. The Acquisition has provided the Group with a new opportunity to explore the infrastructure market in the Southeast Asia, and to improve and optimize the industrial structure of the Company. Please refer to the announcement of the Company dated 13 May, 2019 for more details.

In the Year, the Group entered into the contract for the ALONE 147,000 kilowatts power plant project in Yangon, Myanmar. The Group plans to invest an estimated amount of RMB330.0 million in the construction and operation of this power plant. It is expected that this power plant will be put into operation and connected to the grid for power generation in the middle of 2020. This project will be remarked as a benchmark project for the Group's expansion of the overseas markets and will also lay a solid foundation for the Group developing the infrastructure market in the Southeast Asia.

FINANCIAL REVIEW

Revenue

For the Year, the Group generated revenue as follows:

	Year ended 31 December,	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Revenue by business model		
SS	**893,327**	849,102
VAOS	**140,169**	81,697
Elimination	**(306)**	(6,833)
Total	**1,033,190**	923,966

(i) SS

For the Year, revenue of RMB893.3 million was recognised from the SS business, representing an increase of RMB44.2 million compared to the previous year, and increased by 5.2%.

(ii) VAOS

Revenue recognised from the VAOS business for the Year was RMB140.2 million, representing an increase of RMB58.5 million compared to the previous year, and increased by 71.6%.

The increase in the revenue is mainly attributable to the following factors: (1) in 2019, the Group consolidated the existing VAOS business and continually explored the new VAOS business, thus the revenue from the VAOS business of the railway business grew rapidly, increasing by RMB35.3 million compared to the previous year; (2) in the Year, the Group acquired CEECGLOBAL LIMITED, and this company recorded revenue of RMB23.2 million from the VAOS business for the Year, which was included in the consolidated financial statements of the Group for the Year.

Gross Profit and the Gross Profit Margin

The Group generated gross profit of RMB206.6 million in the Year, representing an increase of RMB42.0 million compared to the previous year. Gross profit margin increased from 17.8% for the previous year to 20.0% for the Year.

	Year ended 31 December,	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Gross profit and the Gross Profit Margin by business model		
SS	**150,378**	136,464
Margin %	**16.8%**	16.1%
VAOS	**56,242**	28,171
Margin %	**40.1%**	34.5%
Elimination	**–**	–
Total	**206,620**	164,635
Margin	**20.0%**	17.8%

(i) SS

For the Year, gross profit of RMB150.4 million was recognized from the SS business, representing an increase of RMB13.9 million compared to the previous year. The gross profit margin was 16.8%, representing an increase of 0.7 percentage points compared to the previous year.

(ii) VAOS

Gross profit recognized from the VAOS business for the Year was RMB56.2 million, representing an increase of RMB28.0 million compared to the previous year. The gross profit margin of VAOS was 40.1%, representing an increase of 5.6 percentage points compared to the previous year. This was mainly attributable to the following factor: the Group acquired CEECGLOBAL LIMITED in the Year and this company recorded relatively high gross profit margin from the VAOS business for the Year.

Other Income and Gains

Other income and gains mainly comprised of rental income and gains from changes in fair value of the investment properties. The rental income of the investment properties was related to the real estate price in Beijing and was in line with the market growth trend.

Selling and Administration Expense and Impairment Losses

For the Year, selling and administration expense and impairment losses were approximately RMB274.1 million, representing an increase of RMB29.3 million as compared to the previous year.

(i) Selling and administration expense which was related to daily operational activities

For the Year, selling and administration expense which was related to daily operational activities was RMB153.9 million as compared to RMB164.5 million for the previous year, decreased by RMB10.6 million compared to the previous year. This was mainly due to the Group's effective travel expense savings management and reduced investment in R&D.

(ii) Impairment losses

The impairment losses for the Year were RMB120.2 million as compared to RMB80.3 million for the previous year, increased by RMB39.9 million compared to the previous year, including: 1. the impairment losses for the trade receivables and contract assets were RMB22.4 million, decreased by RMB57.9 million compared to the previous year; 2. due to the macro environmental impacts and changes in the upstream and downstream of the company's industrial chain, the goodwill impairment loss was RMB97.8 million for the Year. Such amount of impairment to goodwill was based on a valuation conducted by the management of the Group and has not been reviewed or agreed by the auditor and appraiser. As part of the audit of the Company's financial statements, an independent valuation will be conducted by an independent third party appraiser, which will form the basis for goodwill impairment in the audited financial statements of the Company. Hence the amount of goodwill impairment in the unaudited financial statements of the Company contained in this announcement may be materially different from the amount recorded in the audited financial statements of the Company for the year ended 31 December, 2019.

Finance Revenue and Finance Cost

Finance revenue comprised of mainly interest income and finance cost comprised of mainly interest expenses for interest-bearing bank loan. The net financial expenses represented the finance cost minus finance revenue. For the Year, this net financial expense was RMB7.5 million, which represented an increase of RMB1.0 million compared to the previous year.

Share of Profit of Joint Venture/Associates

For the Year, share of profit of investment entities was approximately RMB0.7 million, as compared to the profit of RMB3.9 million for the previous year.

Proceeds from Disposal of Joint Venture/Associates

The proceeds from disposal of joint venture/associates by the Group were RMB16.0 million.

Profit or Loss through Fair Value Changes

For the Year, influenced by the market fluctuations, the Group's equity investments in Forever Opensource (stock code: 834415), CNBM Technology (stock code: 834082), and Shenzhen Hopeland led to the profit of RMB10.7 million through fair value changes, as compared to the loss of RMB51.2 million for the previous year.

Income Tax Expenses

The total income tax expenses for the Year were RMB8.5 million, which were RMB2.2 million for the previous year.

Loss for the Year

The loss attributable to owners of the parent of the Company amounted to RMB44.8 million as compared to the loss of RMB116.3 million for the previous year.

Inventory Turnover Days

The inventories of the Group mainly comprised of equipment and spare parts for railway specialized solutions business. For the Year, the inventory turnover days was 31 days (the previous year: 0 days). The reason for this change was: due to commercial purpose, the Group made the centralized purchase of conventional equipment for cutting cost this Year.

Trade Receivables Turnover Days

For the Year, the trade receivables turnover days was 333 days (the previous year: 409 days).

Contract Assets/Contract Liabilities Turnover Days

For the Year, the contract assets/contract liabilities turnover days was 86 days (the previous year: 114 days).

Trade Payables Turnover Days

For the Year, the trade payables turnover days was 232 days (the previous year: 251 days).

Liquidity and Financial Resources

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. As of 31 December, 2019, the Group's current ratio (current assets divided by current liabilities) was 1.6 (as of December 31, 2018: 1.9). The Group's financial position remains healthy.

As of 31 December, 2019, the Group was in a net negative cash position[1] of RMB269.8 million (as at the previous year end: negative RMB269.2 million), similar with the previous year. As at December 31, 2019, the Group's gearing ratio was -5.6%, increased by 11.8 percentage points from -17.4% as at the end of the previous year.

Contingent Liabilities

As at 31 December, 2019, the Group had no material contingent liability.

Charges on Group Assets

As at 31 December, 2019, except for the pledged deposits of approximately RMB275.5 million (as at December 31, 2018: RMB368.7 million), the Group pledged a building with a net carrying amount of approximately RMB208.5 million and equity in a subsidiary (as at the end of the previous year, the Group pledged a building with a net carrying amount of approximately RMB212.9 million and equity in a subsidiary to banks to secure banking facilities granted to the Group) to banks to secure banking facilities granted to the Group. Save as disclosed above, as at December 31, 2019, the Group had no other assets charged to financial institution.

MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 13 May, 2019, China ITS (Holdings) Co., Ltd., a wholly-owned subsidiary of the Company, entered into a share purchase agreement with Totland International Limited, Goal High Global Limited, Mr. Hu Weimin and CEECGLOBAL LIMITED, pursuant to which the Group acquired 58% equity interest in CEECGLOBAL LIMITED at the consideration of RMB85,840,000. Please refer to the announcement published by the Company on 13 May, 2019 for details.

On 13 November, 2019, Tibet Intelligent Aviation Transportation Technology Co., Ltd.* (西藏智航交通科技有限公司), an indirect wholly-owned subsidiary of the Company, entered into an agreement of acquisition of asset by way of share issuance with Forever Opensource Co., Ltd., pursuant to which the Group sold 50% equity interest in Intelligent Aviation System Co., Ltd.* (智能航空系統有限公司) at the consideration of RMB64,000,000, which was satisfied by the issuance of 15,058,824 shares by Forever Opensource Co., Ltd at the issue price of RMB4.25 per share. Please refer to the announcement published by the Company on 13 November, 2019 for details.

(1) Net cash included: cash and cash equivalents, interest-bearing bank borrowings, pledged deposits.

EMPLOYMENT AND EMOLUMENT POLICIES

As at 31 December, 2019, the Group had 319 full-time employees. The emolument policy of the employees of the Group is set up by the Board on the basis of individual role, responsibilities and performance, and the performance of our Group and market conditions.

In addition, the Company has adopted the Pre-IPO Share Incentive Scheme and the Share Option Scheme as an incentive for Directors and eligible employees.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December, 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December, 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed the listed securities of the Company.

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders.

The Company has adopted the code provisions contained in the Code of Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). The Company has complied with all the code provisions in the CG Code for the year ended 31 December, 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules ("**Model Code**") as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December, 2019.

AUDIT COMMITTEE

The audit committee of the Company was established on 18 June, 2010 with effect from the listing of the Company. The current terms of reference of the audit committee have been adopted on 22 December, 2015 in compliance with the CG Code. The primary duties of the audit committee are, among other things, to review and supervise our financial reporting process and internal control systems.

The audit committee comprises three independent non-executive Directors, being Mr. Wang Dong, Mr. Ye Zhou and Mr. Zhou Jianmin. The audit committee is chaired by Mr. Wang Dong.

The audit committee has reviewed the Group's unaudited consolidated financial statements for the year ended 31 December, 2019 contained in this announcement, including the accounting principles and practice adopted by the Group. The audit committee has reviewed the accounting principles and practices and has also reviewed auditing, internal control and financial reporting matters together with the management of the Company.

PUBLICATION OF THE 2019 ANNUAL REPORT

The 2019 Annual Report of the Company containing all the information as required under Appendix 16 of the Listing Rules will be dispatched to the shareholders and available on the Company's website at www.its.cn and the Stock Exchange's website at www.hkexnews.hk in due course.

ACKNOWLEDGEMENT

The chairman of the Company would like to thank the Board, management and all members of our staff for their commitment and diligence. The chairman of the Company would also like to thank our shareholders and business associates for their strong support to the Group.

The financial information contained herein in respect of the annual results of the Group for the year ended 31 December, 2019 have not been audited and have not been agreed with the auditors, and are subject to possible adjustments. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
China ITS (Holdings) Co., Ltd.
Liao Jie
Chairman

Beijing, 31 March, 2020

As at the date of this announcement, the executive directors of the Company are Mr. Liao Jie and Mr. Jiang Hailin, and the independent non-executive directors of the Company are Mr. Ye Zhou, Mr. Wang Dong and Mr. Zhou Jianmin.