



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

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1900



2020
ANNUAL REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liao Jie (*chairman of the Board*)

Mr. Jiang Hailin (*chief executive officer*)

Independent Non-executive Directors

Mr. Ye Zhou

Mr. Wang Dong (*CICPA, CIMA, AAIA, CGMA*)

Mr. Zhou Jianmin

COMPANY SECRETARY

Mr. Leung Ming Shu (*FCCA, FCPA*)

AUTHORIZED REPRESENTATIVES

Mr. Jiang Hailin

Suite 102, 1st Unit, 8th building

1 Balizhuang Beili, Haidian District

Beijing

China

Mr. Leung Ming Shu (*FCCA, FCPA*)

Flat 1, 3/F, Block A

Ventris Place

19–23 Ventris Road

Happy Valley

Hong Kong

AUDIT COMMITTEE

Mr. Wang Dong (*CICPA, CIMA, AAIA, CGMA*) (*committee chairman*)

Mr. Zhou Jianmin

Mr. Ye Zhou

REMUNERATION COMMITTEE

Mr. Ye Zhou (*committee chairman*)

Mr. Wang Dong (*CICPA, CIMA, AAIA, CGMA*)

Mr. Zhou Jianmin

NOMINATION COMMITTEE

Mr. Zhou Jianmin (*committee chairman*)

Mr. Ye Zhou

Mr. Wang Dong (*CICPA, CIMA, AAIA, CGMA*)

REGISTERED OFFICE

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Hutchins Drive

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Grand Cayman KY1-1111

Cayman Islands

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Hong Kong

COMPANY WEBSITE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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3rd Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands



HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

AUDITOR

Mazars CPA Limited
Certified Public Accountants
42/F., Central Plaza
18 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISOR

Morgan, Lewis & Bockius
Suites 1902–09, 19th Floor
Edinburgh Tower, The Landmark
15 Queen's Road Central, Hong Kong

LISTING EXCHANGE INFORMATION

Place of listing: Main Board of The Stock
Exchange of Hong Kong Limited
Stock code: 1900
Board lot: 1000 shares

PRINCIPAL BANKERS

Bank of Beijing Co., Ltd. Beijing Branch Cuiweilu sub-branch
China Everbright Bank Co., Ltd. Beijing Branch
Xicheng sub-branch
China Guangfa Bank Co., Ltd. Beijing Branch
Yuetan sub-branch
Ping An Bank Co., Ltd. Shanghai Pilot Free Trade Zone Branch
Xiamen International Bank Co., Ltd. Beijing
Zhongguancun sub-branch
China Minsheng Banking Corp., Ltd. Beijing Branch
Sales Department
Shanghai Huarui Bank Co., Ltd.
China Construction Bank Hong Kong Branch
Shanghai Pudong Development Bank Co., Ltd. Beijing
Xuanwu sub-branch



Corporate Information

KEY SUBSIDIARIES

"Aproud Technology"	Beijing Aproud Technology Co., Ltd. (北京亞邦偉業技術有限公司)
"CEEC"	CEECGLOBAL LIMITED (世波工程有限公司)
"CIC Infrastructure"	CIC Infrastructure Industry Investment Limited (中智基礎產業投資有限公司)
"CIC Information"	CIC Information Technology Company Limited
"Chengdu Zhongzhi Runbang"	Chengdu Zhongzhi Runbang Transportation Technology Co., Ltd. (成都中智潤邦交通技術有限公司)
"Haotian Jiajie"	Beijing Haotian Jiajie Technology Co., Ltd. (北京昊天佳捷科技有限公司)
"Hongrui Dake"	Beijing Hongrui Dake Technology Co., Ltd. (北京宏瑞達科科技有限公司)
"Jiangsu Zhongzhi Transportation"	Jiangsu Zhongzhi Transportation Technology Co., Ltd. (江蘇中智交通科技有限公司)
"Jiangsu Zhongzhi Ruixin"	Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd. (江蘇中智瑞信物聯科技有限公司)
"Jiangsu Zhixun Tiancheng"	Jiangsu Zhixun Tiancheng Technology Co., Ltd. (江蘇智訊天成技術有限公司)
"Myanmar Ahlone"	Myanmar Ahlone Power Plant Company Limited
"Tibet Intelligent Aviation"	Tibet Intelligent Aviation Transportation Technology Co., Ltd. (西藏智航交通科技有限公司)
"Zhixun Tiancheng"	Beijing Zhixun Tiancheng Technology Co., Ltd. (北京智訊天成技術有限公司)
"Zhixun Cloud"	Beijing Zhixun Cloud Technology Co., Ltd. (北京智訊雲技術有限公司)
"Zhongtian Runbang"	Zhongtian Runbang Information Technology Co., Ltd. (中天潤邦信息技術有限公司)
"Zhongzhi Runbang Intelligent Railway"	Beijing Zhongzhi Runbang Intelligent Railway Transportation Technology Co., Ltd. (北京中智潤邦智慧軌道交通技術有限公司)



HIGHLIGHTS OF 2020 AUDITED ANNUAL RESULTS

For the year ended 31 December 2020 (the “**Year**” or the “**2020**”), highlights of the audited results of China ITS (Holdings) Co., Ltd. (the “**Company**”) and its subsidiaries (collectively the “**Group**”) are as follows:

- The Group recorded RMB982.9 million from the new contracts signed, representing a decrease of 1.8% compared to the previous year.
- Revenue of RMB930.5 million was generated, representing a decrease of 9.9% compared to the previous year.
- As of 31 December 2020, the Group recorded RMB797.0 million from backlog, representing a decrease of 5.1% compared to the end of the previous year.
- The Group generated gross profit of RMB191.5 million, which decreased by 7.3% compared to the previous year, and recorded gross profit margin of 20.6%, representing an increase of 0.6 percentage points compared to the previous year.
- The loss attributable to owners of the parent of the Company amounted to RMB177.1 million as compared to the loss of RMB51.0 million (restated) for the previous year. The increase in loss compared to the previous year was mainly due to the impact of the COVID-19 pandemic for the Year, the Group’s railway sector business having experienced a significant decline compared to the same period last year, and an impairment loss of RMB175.1 million.



Financial Summary

A summary of backlog information, financial performance, financial position and financial ratios of the Group over the last five financial years is set out below:

1. BACKLOG INFORMATION

RMB'000	2020	Year ended December 31,			
		2019	2018	2017	2016
New contracts signed	982,899	1,001,014	1,148,084	974,722	1,665,755 ⁽¹⁾

RMB'000	2020	As at December 31,			
		2019	2018	2017	2016
Backlog	797,034	840,148	978,122	900,699	1,059,909 ⁽¹⁾

2. FINANCIAL PERFORMANCE

RMB'000	2020	Year ended December 31,			
		2019	2018	2017	2016
Revenue	930,536	1,033,190	923,966	1,164,838	1,551,844 ⁽¹⁾
Gross profit	191,511	206,620	164,635	259,338	279,108 ⁽¹⁾
Profit/(loss) attributable to owners of parent	(177,104)	(50,977)	(116,278)	24,490	75,506 ⁽¹⁾

3. FINANCIAL POSITION

RMB'000	2020	As at December 31,			
		2019	2018	2017	2016
Total assets	3,483,207	3,947,644 (restated)	4,105,634	4,333,194	5,347,011
Net assets	1,837,384	1,994,480 (restated)	2,030,689	2,202,490	2,164,758
Net cash position	(183,820)	(269,678)	(269,198) ⁽²⁾	(581,175)	(415,220)

Notes:

- (1) Excluding former subsidiaries which were disposed of and operations which were discontinued since December 31, 2016.
- (2) Net cash position as at December 31, 2018 refers to cash and cash equivalents plus pledged deposits minus interest-bearing bank borrowings.
- (3) Details of the above financial information are set out in Management Discussion and Analysis section on page 10 to page 16.



4. FINANCIAL RATIOS

	For the year ended/As at December 31,				
	2020	2019	2018	2017	2016
Sales cycle ratios:					
Trade receivables turnover days (days) ⁽¹⁾	328	333	409	371	283
Contract assets/contract liabilities turnover days (days) ⁽²⁾	20	82	114	15	58
Combined trade receivables and contract assets/ contract liabilities turnover days (days)	348	415	523	386	341
Other ratios:					
Trade payables turnover days (days) ⁽³⁾	171	230	251	228	200
Current ratio (times) ⁽⁴⁾	1.5	1.6	1.9	1.8	1.5
Gearing ratio (%) ⁽⁵⁾	8.0%	-5.6%	-17.4%	-14.6%	-29.2%
Return on assets (%) ⁽⁶⁾	-5.1%	-1.3%	-2.8%	0.6%	1.4%
Return on equity (%) ⁽⁷⁾	-9.6%	-2.6%	-5.7%	1.1%	3.5%
		(restated)			
		(restated)			

Notes:

- (1) Trade receivables turnover days refers to average trade receivables divided by revenue multiples 365 days.
- (2) Contract assets/contract liabilities turnover days refers to average contract assets minus contract liabilities divided by revenue multiples 365 days.
- (3) Trade payables turnover days refers to average trade payables divided by cost of sales multiples 365 days.
- (4) Current ratio refers to current assets divided by current liabilities.
- (5) Gearing ratio refers to adjusted cash (interest-bearing bank borrowings plus due to related parties minus pledged deposits and cash and bank balances) divided by total equity.
- (6) Return on assets refers to profit attributable to owners of parent divided by total assets as at balance sheet date.
- (7) Return on equity refers to profit attributable to owners of parent divided by total equity as at balance sheet date.
- (8) Details of the above financial information are set out in Management Discussion and Analysis section on page 10 to page 16.



Chairman's Statement

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

In 2020, the Group recorded RMB982.9 million from new contracts signed, representing a decrease of 1.8% compared to the previous year. The Group generated revenue of RMB930.5 million, representing a decrease of 9.9% compared to the previous year, and as of 31 December 2020, the Group recorded RMB797.0 million from backlog, representing a decrease of 5.1% compared to the end of the previous year. The Group generated gross profit of RMB191.5 million, which decreased by 7.3% compared to the previous year, and recorded gross profit margin of 20.6%, increased from 20.0% for the previous year. The loss attributable to owners of the parent of the Company amounted to RMB177.1 million for the Year compared to the loss of RMB51.0 million (restated) for the previous year.

BUSINESS REVIEW

The Company and its subsidiaries (the “**Group**”) is mainly a provider of products, specialised solutions and services related to infrastructure technology in the railway and electric power sectors. The main businesses of this Group are as follows:

- (a) Railway business — We sell products and specialised solutions to customers according to their needs. It mainly includes: railway communication products, energy-base products. We also provide value-added operation and services such as maintenance services, network optimization and network planning, and technical consulting for the products related to the communication system for railway customers.
- (b) Electric power business — We provide products and specialised solutions related to electric power equipment for customers in the electric power infrastructure construction area. It mainly includes power transmission and transformation equipment, and power generation equipment, etc.. According to their needs, we also provide the planning and technical consulting services of the infrastructure construction in relation to electric power such as power plant construction and power grid renovation, and value-added operation and services related to power plant investment, construction and operation, etc..

In the first half of 2020, the COVID-19 pandemic broke out on a large scale in China and the world. Affected by this, the global economy went down, and the Group took active and effective response measures immediately. For the railway business sector, the Group leveraged its own technical and services advantages and made full use of Internet technology to provide customers with remote technical support services to ensure safe railway operation and improve customers satisfaction. At the same time, in response to the pandemic, the Railway sector timely launched a solution of electronic passenger tickets, which became a business highlight in 2020. In addition, the Group proactively expanded its overseas railway business in response to the policy of “One Belt One Road” formulated by the State. For the Year, the Group successfully signed a China-Laos railway project with a contract value of approximately RMB40 million. The energy sector overcame the impact of the pandemic and ensured that the power plant construction project in Myanmar was completed and started grid-connected power generation in 2020 according to the original plan. For the company management, the Group actively organized online learning for management and employees in February 2020, during which the domestic pandemic was the worst, to improve the overall quality of the Group's personnel. The Group also actively organized the resumption of work and production as well as pandemic prevention and control, and adopted the work mode of combining remote office and on-site office, so as to ensure that the work was not affected to the maximum extent.



1. The market share of the railway business sector maintained a relatively high level

In the railway business sector, products and specialised solutions are the principal business of the Group, and the Group is one of the largest providers in this segment. Affected by the COVID-19 pandemic, the delivery of some projects in 2020 was delayed, and recognized revenues of the Group decreased significantly. Although the fixed asset investment in railways reached approximately RMB781.9 billion in 2020, being at the same level as that of the previous year, due to the impact of the railway construction cycle, the overall investment in the railway communications market has declined. Therefore, the number of new contracts signed for the Year has decreased significantly compared to the previous year. However, through our own competitive advantages, the Group still maintained a high market share in products and specialised solutions in the railway communication segment.

2. Overseas self-built power plants were put into operation for power generation, which has become a new business focus of the Group

The Group signed the AHLONE 151,000-kilowatt power plant project in Yangon, Myanmar in 2019. The power plant was put into trial operation and started grid-connected power generation in May 2020. For the Year, the production and operation of the power plant has generated revenue of approximately RMB77 million, which was a record high in the performance of the Group in its power generation business. The smooth progress of the project was a successful step taken by the Group in the field of electric power infrastructure, and it had also laid a solid foundation for the Group to further and solidly explore the infrastructure market in Southeast Asia.

LIAO JIE
Chairman

Beijing, April 16, 2021



Management Discussion and Analysis

Revenue By Industry Sectors

For the Year, the Group generated revenue as follows:

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000 (Restated)
Revenue by industry sectors		
Railway	788,655	1,010,029
Electric power	141,881	23,161
Total	930,536	1,033,190

(i) Railway

For the Year, revenue of RMB788.6 million was recognised from the railway sector, representing a decrease of RMB221.4 million compared to the previous year, and decreased by 21.9%. The sector recorded RMB821.2 million from new contracts signed, representing a decrease of RMB151.5 million compared to the previous year; and the amount of backlog as of the end of the Year was RMB777.9 million, representing a decrease of RMB55.3 million compared to the end of the previous year.

The decrease in revenue was due to the COVID-19 pandemic for the Year, the resumption of work and production of enterprises was affected greatly, and the delivery of some railway projects was delayed, which further resulted in the decrease in revenue.

(ii) Electric power

For the Year, revenue of RMB141.9 million was recognised from the electric power sector, representing an increase of RMB118.7 million compared to the previous year, and increased by 511.6%. The sector recorded RMB161.7 million from new contracts signed, representing an increase of RMB133.4 million compared to the previous year; and the amount of backlog as of the end of the Year was RMB19.1 million, representing an increase of RMB12.1 million compared to the end of the previous year.

The increase in revenue was mainly due to the fact that the Group's self-built power plants have been put into production and operation for the Year, and the power plant projects have generated revenue of RMB77.4 million for the Year, representing a significant increase in the Group's revenue of electric power sector.

Management Discussion and Analysis



By Business Model

For the Year, the Group generated revenue as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Revenue by business model		
Products and specialised solutions	774,343	893,327
Value-added operation and services	156,193	140,169
Elimination	-	(306)
Total	930,536	1,033,190

(i) Products and specialised solutions

For the Year, revenue of RMB774.3 million was recognised from the products and specialised solutions business, representing a decrease of RMB119.0 million compared to the previous year, and decreased by 13.3%. The business recorded RMB837.4 million from new contracts signed, representing a decrease of RMB41.5 million compared to the previous year and the amount of backlog as of the end of the Year was RMB761.1 million, representing a decrease of RMB12.6 million compared to the end of the previous year.

The decrease in revenue was due to the delay in the delivery of some projects, resulting from the significant impact of the COVID-19 pandemic on the resumption of work and production for enterprises in the Year.

(ii) Value-added operation and services

Revenue recognised from the value-added operation and services business for the Year was RMB156.2 million, representing an increase of RMB16.0 million compared to the previous year, and increased by 11.4%. The business recorded RMB145.5 million from new contracts signed, representing an increase of RMB23.3 million compared to the previous year and the amount of backlog as of the end of the Year was RMB35.9 million, representing a decrease of RMB30.5 million compared to the end of the previous year.



Management Discussion and Analysis

Gross Profit and the Gross Profit Margin

The Group generated gross profit of RMB191.5 million in the Year, representing a decrease of RMB15.1 million compared to the previous year. Gross profit margin increased from 20.0% for the previous year to 20.6% for the Year.

By Industry Sectors

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000 (Restated)
Gross profit by industry sectors		
Railway	121,926	183,793
Gross profit margin %	15.5%	18.2%
Electric power	69,585	22,827
Gross profit margin %	49.0%	98.6%
Total	191,511	206,620
Gross profit margin	20.6%	20.0%

(i) Railway

For the Year, gross profit of RMB121.9 million was recognised from the railway sector, representing a decrease of RMB61.9 million compared to the previous year. The gross profit margin was 15.5%, representing a decrease of 2.7 percentage points compared to the previous year. Among them, the decrease in gross profit was due to the decrease in the revenue of the sector for the Year.

(ii) Electric power

For the Year, gross profit of RMB69.6 million was recognised from the electric power sector, representing an increase of RMB46.8 million compared to the previous year. The gross profit margin was 49.0%. The increase in gross profit was due to the significant increase in the revenue of the sector for the Year.

Management Discussion and Analysis



By Business Model

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Gross profit and the Gross Profit Margin by business model		
Products and specialised solutions	109,952	150,378
Gross profit margin %	14.2%	16.8%
Value-added operation and services	81,559	56,242
Gross profit margin %	52.2%	40.1%
Total	191,511	206,620
Gross profit margin	20.6%	20.0%

(i) Products and specialised solutions

For the Year, gross profit of RMB110.0 million was recognized from the products and specialised solutions business, representing a decrease of RMB40.4 million compared to the previous year. The gross profit margin was 14.2%, representing a decrease of 2.6 percentage points compared to the previous year. The decrease in gross profit was due to the decrease in revenue from the business in the Year.

(ii) Value-added operation and services

Gross profit recognized from the value-added operation and services business for the Year was RMB81.5 million, representing an increase of RMB25.3 million compared to the previous year. The gross profit margin was 52.2%, representing an increase of 12.1 percentage points compared to the previous year. The increase was mainly due to the production and operation of the Myanmar power generation business, which resulted in a significant increase in the revenue of the value-added operation and services of the electric power sector, and a relatively high gross profit margin in this sector, and further resulted in a significant increase in the gross profit and gross profit margin of the value-added operation and services business compared to the previous year.



Management Discussion and Analysis

Other Income and Gains

For the Year, other income and gains mainly include: (i) the rental income of the investment properties was approximately RMB8.5 million; (ii) the government grants income was approximately RMB4.0 million; (iii) the bad debt recovered was approximately RMB2.6 million; (iv) the financial assets dividend income was approximately RMB2.2 million.

Selling and Administration Expense and Impairment Losses

For the Year, selling and administration expense and impairment losses were approximately RMB329.5 million, representing an increase of RMB48.9 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 RMB154.4 million as compared to RMB160.9 million (restated) for the previous year. The expenses decreased by RMB6.5 million as compared to the previous year, which was mainly due to the cost savings of the Group's staff.

(ii) Impairment losses

The impairment losses for the Year were RMB175.1 million as compared to RMB119.7 million for the previous year. Such impairment loss was mainly due to the impairment of the goodwill relating to Aproud subgroup. The goodwill impairment was primarily due to the significant impact of COVID-19 pandemic and disposal of subsidiary by Aproud Technology, which did not constitute a notifiable transaction of the Company under the Listing Rules, during the Year, so the amount of cash flow projections decreased. Please refer to note 16 to the consolidated financial statements of the Company for the Year on pages 155 to 157 for details.

Finance Revenue and Finance Cost

Finance revenue mainly comprised of interest income and finance cost mainly comprised of interest expenses for interest-bearing bank loan. The net financial expenses represented the finance cost minus finance revenue. For the Year, the net financial expense was RMB22.7 million, which represented an increase of RMB15.3 million compared to the previous year. This was mainly due to the decrease of RMB14.5 million in interest income for the Year compared to the previous year.

Share of Loss of Joint Venture/Associates

For the Year, share of loss of investment entities was approximately RMB0.6 million, as compared to the profit of RMB0.7 million for the previous year.

Proceeds from Disposal of Long-term Equity Investment and Financial Asset

For the Year, the Group disposed a subsidiary and part of equity in an equity investment and obtained a profit of RMB10.6 million.

Management Discussion and Analysis



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 RMB1.0 million through fair value changes, as compared to the profit of RMB10.7 million for the previous year, representing a decrease of RMB9.7 million in profit compared to the previous year. Forever Opensource is primarily engaged in providing open source software technology services for enterprise customers and community, cloud platform, recruitment and crowdsourcing services and etc. for software developers; CNBA Technology is primarily engaged in value-added distribution of Huawei and other ICT products, sales of imported network products and sales of medical products; Shenzhen Hopeland is primarily engaged in RFID hardware and solution integrator business in Internet of Things industry. As of December 31, 2020, the Group held (i) 21.64% of the equity interest in Forever Opensource, (ii) 0.70% of the equity interest in CNBA Technology, and (iii) 10% of the equity interest in Shenzhen Hopeland. The gain/(loss) (including unrealized gain/(loss)) from the Group's investment in the shares of Forever Opensource, CNBA Technology and Shenzhen Hopeland for the Year was RMB24.7million, RMB2.0million and RMB(25.7)million, respectively. The Company makes strategic investments in companies in technology companies in related industries from time to time and would seek further cooperation opportunities as and when appropriate with these investee companies.

Income Tax Expenses

The total income tax expenses for the Year were RMB23.1 million, which were RMB8.4 million for the previous year.

Loss for the Year

For the Year, the loss attributable to owners of the parent of the Company amounted to RMB177.1 million as compared to the loss of RMB51.0 million (restated) for the previous year.

Inventory Turnover Days

The inventories of the Group mainly comprised of the products and spare parts related to railway communication. For the Year, the inventory turnover days were 100 days (the previous year: 31 days). The change was due to the delay in project delivery due to the impact of the COVID-19 pandemic in the Year.

Trade Receivables Turnover Days

For the Year, the trade receivables turnover days were 328 days (the previous year: 333 days).

Contract Assets/Contract Liabilities Turnover Days

For the Year, the contract assets/contract liabilities turnover days were 20 days (the previous year: 82 days).

Trade Payables Turnover Days

For the Year, the trade payables turnover days were 171 days (the previous year: 230 days).



Management Discussion and Analysis

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 2020, the Group's current ratio (current assets divided by current liabilities) was 1.5 (as of 31 December 2019: 1.6). The Group's financial position remains healthy.

As of 31 December 2020, the Group was in a net negative cash position⁽¹⁾ of RMB183.8 million (as at the end of the previous year: negative RMB269.7 million), increased by RMB85.9 million compared to the end of the previous year. As at 31 December 2020, the Group's gearing ratio⁽²⁾ was 8.0%, increased by 13.6 percentage points from -5.6% as at the end of the previous year.

Contingent Liabilities

As at 31 December 2020, the Group had no material contingent liability.

Charges on Group Assets

As at 31 December 2020, except for the pledged deposits of approximately RMB172.0 million (as at 31 December 2019: RMB319.6 million), the Group pledged a building with a net carrying amount of approximately RMB204.1 million, real estate with an appraised value of approximately RMB73.3 million, trade receivables with a carrying amount of RMB240.0 million, a subsidiary's property, 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 RMB208.5 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 31 December 2020, the Group had no other assets charged to financial institution.

Important Events Subsequent to the Period

There was no important event affecting the Company nor any of its subsidiaries from 31 December 2020 to the date of this report.

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

⁽²⁾ Gearing ratio refers to adjusted cash (interest-bearing bank borrowings plus due to related parties minus pledged deposits and cash and bank balances) divided by total equity.



The Board presents its report together with the audited consolidated results of the Group for the year ended December 31, 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is mainly a provider of products, specialised solutions and services related to infrastructure technology in the PRC and overseas. Details of the activities of the subsidiaries of the Company are set out in note 1 to the consolidated financial statements on pages 111 to 112.

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended December 31, 2020 are set out on page 103 of this annual report.

The Board recommended that no dividend will be declared for the year ended December 31, 2020.

BUSINESS REVIEW

The business review of the Group as at December 31, 2020 is set out under the section headed “Management Discussion and Analysis” of this annual report on pages 10 to 16.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to the fashion business and some are from external sources. The Group’s major risks are summarized as below:

Uncertainty in relation to public spending on transportation infrastructure

The Group’s business strategy depends on the PRC government’s public spending on transportation infrastructure. Our major customers include PRC public institutions, which are public services institutions set up by the government or other organizations using state-owned assets, and state-owned enterprises. The Group is therefore exposed to changes in public works budgets of the PRC government.

Risk of project delays

The Group faces risks associated with cost overrun for projects. A significant amount of the Group’s contracts require it to complete a project for a fixed price within a fixed period of time which exposes the Group to the risk of cost overrun.

Financial risks

The results of the Group are subject to various kinds of financial risks. Please refer to note 42 to the financial statements of the Company for the year ended and as at December 31, 2020 on pages 185 to 189 for the discussion of such risks.



Report of the Directors

KEY RELATIONSHIPS

Employees

Please refer to the section headed “Environmental, Social and Governance Report — 5 PEOPLE” on page 62 of this annual report for the discussion on the Group’s relationships with its employee.

Customers

The nature of the Group’s business requires a high level of collaboration with its customers for successful implementation of projects, therefore, it is essential for the Group to maintain a close relationship with each of its customers. The Group’s customers are primarily owners and/or operators of public transportation. During the year ended December 31, 2020, the Group has maintained good relationship and did not have any material dispute with its customers.

Suppliers

Our suppliers are mainly suppliers of equipment and electronic devices and components. We maintain stable and close relationships with our suppliers, which allows us to obtain the equipment, parts and materials we need for implementation of our clients’ projects in a timely and reliable manner. During the year ended December 31, 2020, the Group has maintained good relationship and did not have any material dispute with its suppliers.

ENVIRONMENTAL POLICIES

Please refer to the section headed “Environmental, Social and Governance Report — 7 SUSTAINABILITY” on page 79 of this annual report for the environmental policies of the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group’s operations are mainly carried out by the Company’s subsidiaries in the mainland China. Our establishment and operations shall comply with relevant laws and regulations in the mainland China. During the year ended December 31, 2020 and up to the date of this report, we have complied with all the relevant laws and regulations in the mainland China.

PROPERTY AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements on pages 151 to 152.

SHARE CAPITAL

Details of the movement in the Company’s share capital during the year ended December 31, 2020 are set out in note 30 to the consolidated financial statements on page 173.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group for the year ended December 31, 2020 are set out in note 31 to the consolidated financial statements on page 174. As at December 31, 2020, the Group’s distributable reserve is RMB1,027,350,000.



CHARITABLE DONATIONS

The Company made no charitable donations during the year ended December 31, 2020.

DIRECTORS

The Directors who held office as at December 31, 2020 and the date of this annual report are:

	Last Re-election Date
Executive Directors	
Mr. Liao Jie (<i>Chairman</i>)	June 16, 2020
Mr. Jiang Hailin (<i>Chief Executive Officer</i>)	June 16, 2020
Independent Non-executive Directors	
Mr. Ye Zhou	May 31, 2019
Mr. Wang Dong (<i>CICPA, CIMA, AAIA, CGMA</i>)	June 21, 2018
Mr. Zhou Jianmin	June 16, 2020

In accordance with Article 84 of the Articles of Association of the Company and the Listing Rules, Mr. Ye Zhou and Mr. Wang Dong shall retire by rotation, and being eligible, have offered themselves for re-election as Directors at the forthcoming annual general meeting.

Biographies of Directors and senior management of the Company are set out on pages 92 to 95 of this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Save for the information disclosed in the section headed “Directors and Senior Management — Board of Directors” of this annual report, there is no other information related to Directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and considers that all of the independent non-executive Directors are independent.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code as set out in Appendix 10 of the Listing Rules as the standards for the Directors' dealings in the securities of the Company on June 18, 2010. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the reporting period.



Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at December 31, 2020, none of the Directors and Chief Executive Officer had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director	Nature of interest	Securities ⁽³⁾	Approximate percentage of shareholdings as at December 31, 2020 ⁽³⁾
Mr. Liao Jie ⁽¹⁾	Beneficial owner/Interest of a controlled corporation	146,494,077 (L)	8.86% (L)
Mr. Jiang Hailin ⁽²⁾	Beneficial owner/Beneficiary of the Fino Trust	647,768,625 (L)	39.16% (L)

Notes:

- (1) 40,735,874 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Liao Jie on January 18, 2012 under the Share Option Scheme. Mr. Liao Jie is also deemed to be interested in the 105,758,203 Shares held by Joyful Business, which is wholly-owned by Mr. Liao Jie.
- (2) 1,855,848 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Jiang Hailin on January 18, 2012 under the Share Option Scheme. Mr. Jiang Hailin was also interested in all the Shares in which Fino Trust was interested as a beneficiary of Fino Trust. As the beneficial owner of Fino Investments Limited, Fino Trust is deemed to be interested in all the Shares in which Fino Investments Limited is interested. Mr. Jiang Hailin beneficially and directly owns 18,853,876 Shares, which are part of the 645,912,777 Shares in which Fino Trust is deemed to be interested.
- (3) (L) denotes long positions.



DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as otherwise disclosed in this annual report, at no time during the year ended December 31, 2020, was the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or the Chief Executive Officer or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors and Chief Executive Officer, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2020.

PERMITTED INDEMNITY PROVISIONS

The Articles of the Company provide that the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty. Such provisions were in force during the financial year ended December 31, 2020 and remained in force as of the date of this Annual Report. The Company has also arranged appropriate director and officer liability insurance in respect of legal action against Directors.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates (as defined in the Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

The determination of the remuneration of the Directors and senior management of the Company is based on the individual performance, the nature and responsibilities of the individual concerned and the performance of our Group and market conditions. Proposals for increase in remuneration, payment of discretionary bonus or adjustment to any benefits scheme will be approved by the Remuneration Committee.

The Company will also periodically review and assess its human resource requirements and the prevailing market trend and make appropriate adjustments. Details of the remuneration of the Directors are set out in note 9 to the consolidated financial statements on pages 145 to 146.



Report of the Directors

EMPLOYMENT AND EMOLUMENT POLICIES

As at December 31, 2020, the Group had 280 full-time employees. The emolument policy of the employees of the Group is set up by the Board on the basis of individual performance, the nature and responsibilities of the individual concerned 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.

RETIREMENT BENEFIT SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC municipal government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

PRE-IPO SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME

The terms of the Pre-IPO Share Incentive Scheme and the Share Option Scheme were disclosed in the section headed “Other information — Pre-IPO Share Incentive Scheme” and “Other information — Share Option Scheme” respectively, in Appendix VI to the prospectus of the Company dated June 30, 2010 (the “**Prospectus**”) and in the section headed “Report of the Directors” in the 2011 Annual Report of the Company dated March 28, 2012.

1. Pre-IPO Share Incentive Scheme

China ITS Co., Ltd. (“**Holdco**”, one of the controlling shareholders of the Company) adopted the Pre-IPO Share Incentive Scheme on December 28, 2008. The purpose of the Pre-IPO Share Incentive Scheme is to recognize and reward the contribution of certain eligible participants to the growth and development of the business(es) of the Group.

Options to subscribe for an aggregate of 116,653,105 Shares have been conditionally granted by Holdco under the Pre-IPO Share Incentive Scheme.

All of the options under the Pre-IPO Share Incentive Scheme were expired by June 30, 2018.



2. Share Option Scheme

The Company conditionally adopted the Share Option Scheme on June 18, 2010 and the Share Option Scheme became effective as at the date of listing of the Company on July 15, 2010 (the “**Listing Date**”). The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group.

The Board may, at its absolute discretion, offer an option to eligible participant to subscribe for the Shares at an exercise price and subject to the other terms of the Share Option Scheme.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The Share Option Scheme will remain in force for a period of 10 years from the Listing Date and ending on the ten anniversary of the Listing Date. Under the Share Option Scheme, each option has an exercise period not exceeding 10 years from the date of grant.

As at the Listing Date, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company (“**Share Option Scheme Limit**”) shall not in aggregate exceed 155,029,633 Shares being 10% of the total number of Shares in issue immediately prior to the date on which dealings in the Shares commenced on the Stock Exchange.

On January 18, 2012, the Board resolved to grant share options under the Share Option Scheme to 191 grantees, which includes certain Directors, chief executive, substantial Shareholders and employees of the Company to subscribe for an aggregate of 155,000,000 Shares. For further details of the abovementioned grant of share options, please refer to the announcement of the Company on January 18, 2012.

Following the grant of share options on January 18, 2012, the remaining mandate not utilized under the above Share Option Scheme Limit is 29,633 Shares. On February 29, 2012, Shareholders approved the refreshment of the Share Option Scheme Limit for the purpose of future grants of share options to the eligible participants under the Share Option Scheme. Under the refreshed Share Option Scheme Limit, the total number of Shares which may be issued upon exercise of options which may be granted under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 10% of the total number of Shares in issue at the date of passing the relevant resolutions on refreshment of the Share Option Scheme Limit, i.e. 161,281,776 Shares. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or exercised options and those options granted on January 18, 2012) will not be counted for the purpose of calculating the 10% refreshed Share Option Scheme Limit.

Report of the Directors

Movement of the options granted under the Share Option Scheme during the year ended December 31, 2020 is as follows:

Grantee	Grant date ⁽¹⁾	Vesting start date	Expiry date	Outstanding as at January 1, 2020	Exercised during the year ended December 31, 2020	Lapsed or cancelled during the year ended December 31, 2020	Outstanding as at December 31, 2020	Exercise price per share (HK\$)
Mr. Jiang Hailin (Executive Director, Chief Executive Officer)	18/01/2012	April 19, 2012	Note (2)	77,203	-	-	77,203	1.05
	18/01/2012	July 19, 2012	Note (2)	77,203	-	-	77,203	1.05
	18/01/2012	October 19, 2012	Note (2)	77,203	-	-	77,203	1.05
	18/01/2012	January 19, 2013	Note (2)	77,203	-	-	77,203	1.05
	18/01/2012	April 19, 2013	Note (2)	154,592	-	-	154,592	1.05
	18/01/2012	July 19, 2013	Note (2)	154,592	-	-	154,592	1.05
	18/01/2012	October 19, 2013	Note (2)	154,592	-	-	154,592	1.05
	18/01/2012	January 19, 2014	Note (2)	154,592	-	-	154,592	1.05
	18/01/2012	April 19, 2014	Note (2)	231,981	-	-	231,981	1.05
	18/01/2012	July 19, 2014	Note (2)	231,981	-	-	231,981	1.05
	18/01/2012	October 19, 2014	Note (2)	231,981	-	-	231,981	1.05
	18/01/2012	January 19, 2015	Note (2)	232,725	-	-	232,725	1.05
	Sub-total				1,855,848	-	-	1,855,848
Mr. Liao Jie ⁽²⁾ (Executive Director, Chairman)	18/01/2012	April 19, 2012	Note (2)	1,694,612	-	-	1,694,612	1.05
	18/01/2012	July 19, 2012	Note (2)	1,694,612	-	-	1,694,612	1.05
	18/01/2012	October 19, 2012	Note (2)	1,694,612	-	-	1,694,612	1.05
	18/01/2012	January 19, 2013	Note (2)	1,694,612	-	-	1,694,612	1.05
	18/01/2012	April 19, 2013	Note (2)	3,393,298	-	-	3,393,298	1.05
	18/01/2012	July 19, 2013	Note (2)	3,393,298	-	-	3,393,298	1.05
	18/01/2012	October 19, 2013	Note (2)	3,393,298	-	-	3,393,298	1.05
	18/01/2012	January 19, 2014	Note (2)	3,393,298	-	-	3,393,298	1.05
	18/01/2012	April 19, 2014	Note (2)	5,091,984	-	-	5,091,984	1.05
	18/01/2012	July 19, 2014	Note (2)	5,091,984	-	-	5,091,984	1.05
	18/01/2012	October 19, 2014	Note (2)	5,091,984	-	-	5,091,984	1.05
	18/01/2012	January 19, 2015	Note (2)	5,108,282	-	-	5,108,282	1.05
	Sub-total				40,735,874	-	-	40,735,874

Report of the Directors



Grantee	Grant date ⁽¹⁾	Vesting start date	Expiry date	Outstanding as at January 1, 2020	Exercised during the year ended December 31, 2020	Lapsed or cancelled during the year ended December 31, 2020	Outstanding as at December 31, 2020	Exercise price per share (HK\$)
Others	18/01/2012	April 19, 2012	Note (2)	1,042,925	–	40,194	1,002,731	1.05
	18/01/2012	July 19, 2012	Note (2)	1,042,925	–	40,194	1,002,731	1.05
	18/01/2012	October 19, 2012	Note (2)	1,042,925	–	40,194	1,002,731	1.05
	18/01/2012	January 19, 2013	Note (2)	1,042,925	–	40,194	1,002,731	1.05
	18/01/2012	April 19, 2013	Note (2)	1,534,348	–	40,194	1,494,154	1.05
	18/01/2012	July 19, 2013	Note (2)	1,534,348	–	40,194	1,494,154	1.05
	18/01/2012	October 19, 2013	Note (2)	1,534,348	–	40,194	1,494,154	1.05
	18/01/2012	January 19, 2014	Note (2)	1,534,348	–	40,194	1,494,154	1.05
	18/01/2012	April 19, 2014	Note (2)	2,025,760	–	40,194	1,985,566	1.05
	18/01/2012	July 19, 2014	Note (2)	2,025,760	–	40,194	1,985,566	1.05
	18/01/2012	October 19, 2014	Note (2)	2,025,760	–	40,194	1,985,566	1.05
	18/01/2012	January 19, 2015	Note (2)	2,032,911	–	40,387	1,992,524	1.05
	Sub-total				18,419,283	–	482,521	17,936,762
TOTAL:				61,011,005	–	482,521	60,528,484	

Notes:

- (1) The closing price of the Shares immediately before the grant date of share options was HK\$1.05.
- (2) Expiry date of these share options shall be the earlier of: (i) the date on which the share option lapses in accordance with the Share Option Scheme or (ii) the date falling ten (10) years from the date of acceptance by the grantee.
- (3) The total number of Shares to be issued upon exercise of the share options granted to Mr. Liao Jie would exceed 1% of the Shares in issue in the 12-month period up to and including the date of the grant. Such further grant of share options to Mr. Liao Jie was approved by Shareholders in an extraordinary general meeting on February 29, 2012.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the December 31, 2020, so far as is known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, the following persons had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the group.

Name	Capacity	Long position/ Short position	Number of Shares	Percentage to Company's issued share capital
Holdco ⁽¹⁾	Beneficiary owner	Long position	645,912,777	39.05%
Best Partners ⁽²⁾	Interest of controlled corporation	Long position	645,912,777	39.05%
Fino Investment Limited ⁽³⁾	Interest of controlled corporation	Long position	645,912,777	39.05%
Tesco Investments Limited ⁽⁴⁾	Interest of controlled corporation	Long position	645,912,777	39.05%
Credit Suisse Trust Limited ⁽³⁾⁽⁴⁾	Trustee	Long Position	645,912,777	39.05%
Central Huijin Investment Ltd.	Security interest	Long position	215,000,000	12.99%
China Construction Bank Corporation	Security interest	Long position	215,000,000	12.99%
Joyful Business Holdings Limited ⁽⁵⁾	Beneficiary owner	Long Position	105,758,203	6.39%
Penbay Investments Limited ⁽⁶⁾	Beneficial owner	Long position	98,613,367	5.96%
Chen Qi ⁽⁶⁾	Interest of controlled corporation	Long position	98,613,367	5.96%

Notes:

- (1) As disclosed in the prospectus of the Company dated June 30, 2010, to facilitate the management and operation of the Company, certain major shareholders of the Company have entered into voting agreements delegating their voting rights in the Company to Holdco prior to the listing of the Company, and Holdco has been a controlling shareholder (as defined under the Listing Rules) of the Company since the listing of the Company in 2010. In connection with this arrangement and as a result of previous restructuring exercises of the Group, as at the Latest Practicable Date, Holdco, Pride Spirit Company Limited, Sea Best Investments Limited, Joy Bright Success Limited, Gouver Investments Limited, Kang Yang Holdings Limited, Huaxin Investments Limited, Rockyjing Investment Limited, Key Trade Holdings Limited, Best Partners Development Limited, Joyful Business Holdings Limited, Mr. Liao Jie, Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Jiang Hailin, Mr. Wang Jing, Mr. Liang Shiping, Ms. Wu Chunhong, Mr. Zhao Lisen, Mr. Zhang Qian, Mr. Guan Xiong, Mr. Zheng Hui, Mr. Lv Xilin, Ms. Wang Li, Mr. Dang Kulun, Mr. Pan Jianguo and Mr. Jing Yang, were parties to a series of shareholders voting agreements (the "Shareholders Voting Agreements"), pursuant to which each of the parties (other than Holdco) to the Shareholder Voting Agreements has authorized Holdco to exercise their voting rights in the Company on their behalves.

As at December 31, 2020, Holdco is entitled to exercise or control the exercise of the voting rights of a total of 645,912,777 Shares, representing the aggregate number of Shares held by all of the parties to the Shareholder Voting Agreements.

Holdco is wholly-owned by Best Partners. Two of our Directors Mr. Jiang Hailin and Mr. Liao Jie are also directors of Holdco.

- (2) The issued share capital of Best Partners is held as to 91.2015% by Fino Investments Limited and as to 8.7985% by Tesco Investments Limited. By virtue of the Shareholder Voting Agreements, Best Partners is deemed to be controlled by Fino Investments Limited and Tesco Investments Limited. Our Director Mr. Liao Jie is director of Best Partners.

Report of the Directors



- (3) Fino Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Fino Trust, namely Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Liang Shiping, Mr. Jiang Hailin, Ms. Wu Chunhong. The Fino Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (4) Tesco Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Tesco Trust, namely Mr. Wang Jing, Mr. Zhang Qian, Mr. Guan Xiong, Mr. Zheng Hui and Ms. Wang Li. The Tesco Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (5) Joyful Business Holdings Limited is wholly-owned by Mr. Liao Jie. Mr. Liao Jie is the sole director of Joyful Business.
- (6) Penbay Investments Limited was controlled by Mr. Chen Qi and therefore Mr. Chen Qi was deemed to be interested in the 98,613,367 shares of the Company beneficially owned by Penbay Investments Limited.

Save as disclosed in the paragraphs headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” and “Substantial Shareholders’ and Other Persons’ Interests and Short Positions in Shares and Underlying Shares” above, no Director or proposed director is a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended December 31, 2020.

EVENTS AFTER THE REPORTING PERIOD

The Company was unaware of any significant event since the end of the financial year until the date of this report of the Directors that had a significant impact on the Group.



Report of the Directors

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES

Acquisition of 58% Equity Interest in Ceecglobal Limited

On 13 May, 2019, China ITS (Holdings) Co., Ltd., a wholly-owned subsidiary of the Company (the **"Purchaser"**), entered into a share purchase agreement with Totland International Limited, Goal High Global Limited (the **"Vendors"**), Mr. Hu Weimin and CEECGLOBAL LIMITED (the **"Target Company"**), pursuant to which the Purchaser acquired 58% equity interest in the Target Company at the consideration of RMB85,840,000. The Vendors warrant to the Purchaser that in respect of the two financial years ended 31 December 2019 and 31 December 2020 (the **"Profit Guarantee Period"**), the aggregate audited consolidated net profits after tax of the Target Company shall be no less than RMB62,000,000 (the **"Guaranteed Profit"**). If the Guaranteed Profit has not achieved, the Purchaser shall be entitled to request either Mr. Hu or Vendors to: (1) pay the Purchaser Compensation, or (2) repurchase certain shares of the Target Company held by the Purchaser. Please refer to the announcement published by the Company on 13 May 2019 for details. The Guaranteed Profit for the Profit Guarantee Period has been achieved so no compensation or repurchase term was triggered.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2020, the aggregate sales to the Group's five largest customers, in aggregate represented approximately 25.9% of the Group's total revenue and sales to the Group's largest customer amounted to approximately 8.3% of the Group's total revenue.

For the year ended December 31, 2020, the aggregate purchases attributable to the Group's five largest suppliers, in aggregate represented approximately 66.3% of the Group's total purchases and purchases attributable to the Group's largest supplier amounted to approximately 18.7% of the Group's total purchases.

For the year ended December 31, 2020, none of the Directors nor any of their associates or any Shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any interest in the five largest suppliers or customers.

BANKING FACILITIES AND OTHER BORROWINGS

Details of the bank facilities and other borrowings of the Group as at December 31, 2020 are set out in note 28 to the consolidated financial statements on page 171.

SUFFICIENCY OF PUBLIC FLOAT

According to information that is publicly available to the Company and within the knowledge of the Board, as at December 31, 2020, the Company has maintained sufficient public float as required under the Listing Rules.



CONTINUING CONNECTED TRANSACTIONS

RHY Lease

As disclosed in the announcement on July 31, 2018, Hongrui Dake, which is a subsidiary of the Company, entered into the RHY Lease with Beijing RHY pursuant which Hongrui Dake has agreed to let and Beijing RHY has agreed to rent the Hongrui Dake Properties for a term commencing on August 1, 2018 and expiring on December 31, 2020.

Beijing RHY is a connected person of the Company as aforementioned and therefore the transaction contemplated under the RHY Lease constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements, but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under the Listing Rules.

The approved annual cap for the RHY Lease for the year ended December 31, 2020 was RMB5,164,000. The rental income and property management fee from Beijing RHY to Hongrui Dake for the year ended December 31, 2020 was approximately RMB3,856,000.

Update on Delay in Settlement of the Outstanding Amounts

Reference is made to the announcements of the Company dated 9 April 2018, 3 May 2018 and 2 July 2018, the circular of the Company dated 6 September 2018 (the "**Circular**"), and the announcements of the Company dated 1 July 2019, 8 May 2020, 30 June 2020, 31 August 2020, 28 October 2020 and 31 December 2020 (the "**Announcements**"). Terms defined in the Circular and the Announcements shall have the same meanings when used in this section.

As disclosed in the Announcement, the Outstanding Amounts and the interest accrued thereon, which totaled approximately RMB340.8 million, have been fully settled on 31 December 2020.

Mazars CPA Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Mazars CPA Limited has issued the Independent Auditor's Assurance Report containing their findings and conclusions in respect of all the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. In respect of the Outstanding Amounts, Mazars CPA Limited has expressed a qualified conclusion as the delay in settlement of the Outstanding Amounts constituted transactions that (i) have not been approved by the Company's board of directors; and (ii) were not entered into the Supplemental Agreements. A copy of the auditor's report has been provided by the Company to the Stock Exchange.

The independent non-executive Directors have reviewed all the above-mentioned continuing connected transactions and confirmed that during the year ended December 31, 2020, these transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole, except that the terms of the Supplemental Agreements were not fully complied with due to the delay in the settlement of the Outstanding Amounts in the circumstances as disclosed in the Announcement.



Report of the Directors

RELATED PARTIES TRANSACTIONS

The Group was involved in a number of related party transactions during the year ended December 31, 2020, which have been disclosed in note 38 to the consolidated financial statements on pages 180 to 181.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries subsisted at December 31, 2020 or any time during the year ended December 31, 2020.

NON-COMPETITION DEED

As disclosed in the Prospectus, the independent non-executive Directors will review, on an annual basis, the compliance by the controlling Shareholders with the non-competition undertakings under the Non-competition Agreement (as defined in the Prospectus). The independent non-executive Directors have conducted such review for the year ended December 31, 2020 and found that the Non-competition Agreement has been fully complied with.

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 (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company has complied with the code provisions contained in the CG Code for the year ended December 31, 2020.

Detailed information on the corporate governance practice adopted by the Company is set out in the Corporate Governance Report on pages 31 to 41.

AUDIT COMMITTEE

The Group’s annual report for the year ended December 31, 2020 has been reviewed by the Audit Committee. Information on the work of the Audit Committee and its composition are set out in the Corporate Governance Report on pages 34 to 35.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2020 have been audited by Mazars CPA Limited.

On behalf of the Board of Directors
China ITS (Holdings) Co., Ltd.
Liao Jie
Chairman

Beijing, April 16, 2021

Corporate Governance Report



CORPORATE GOVERNANCE PRACTICES

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

The Company had adopted the code provisions contained in the code of corporate governance practices (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company has complied with the code provisions contained in the CG Code for the year ended December 31, 2020.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company for the year ended December 31, 2020.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the standards for the Directors’ dealings in the securities of the Company on June 18, 2010. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the reporting period.

THE BOARD

Board Responsibilities

The Board is collectively responsible for the overall management and implementing business plans of the Company, including establishing and monitoring the Company’s strategic directions and development, financial goals, and assumes the responsibilities of corporate governance of the Company. The senior management is responsible for supervising and executing the plans of the Group and the Directors review those arrangements on a periodic basis.

The Board may from time to time delegate all or any of its powers that it may think fit to a Director or member of senior management of the Company. To maximise the effectiveness of the Board and to encourage active participation and contribution from the Directors, the Board is supported by three committees, which are the Audit Committee, the Remuneration Committee, and the Nomination Committee. The terms of reference of each of the committees are reviewed and amended (if necessary) from time to time, including the committees’ structure, duties and memberships.

Board Members

The Board, as at the date of this report, consists of five Directors, including two executive Directors and three independent non-executive Directors. The composition of the Board is set out in the section headed “Report of the Directors — Directors” of this annual report.

Details of the Directors’ biographical information are contained in the section headed “Director and Senior Management” of this annual report.

There is no financial, business, family or other material/relevant relationships among the Directors.



Corporate Governance Report

Independent Non-executive Directors

Three members of the Board are independent non-executive Directors, which meets the minimum requirement under the Listing Rules. Mr. Wang Dong, an independent non-executive Director during the year ended December 31, 2020 up to the date of this report, has appropriate financial management expertise in compliance with Rule 3.10 of the Listing Rules.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has received an annual confirmation from each of the independent non-executive Directors on their respective independence pursuant to Rule 3.13 of the Listing Rules and considers that each of them to be independent.

Terms

Save as disclosed in this annual report, all of the executive Directors were appointed for a term of three years, which may be terminated according to the articles of association of the Company (the “**Articles**”) and any applicable laws. In accordance with the Articles, at each annual general meeting one-third of the Directors for the time being is required to retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Board Meetings

During the year ended December 31, 2020, there were four Board meetings held, at which the Directors approved, among other things, the audited consolidated results of the Group for the year ended December 31, 2019 and the unaudited consolidated results of the Group for the six months ended June 30, 2020.

Notices for regular Board meetings are given to each member of the Board at least 14 days prior to the meeting, whereby the Directors are given opportunities to include matters to be discussed in the agenda of the Board/committee meetings. The agenda and the relevant board papers are then circulated to the Directors 3 days before a scheduled Board meeting and apart from ensuring that the directors have received adequate, complete and reliable information in a timely manner to enable them to make informed decisions during the Board meeting, the chairman will also properly brief the directors present at the Board meeting on issues arising during the Board meeting.

Where the agenda of the Board meetings is in relation to a material matter in which a substantial Shareholder or a Director is deemed to have a conflict of interest, independent non-executive Directors who, and whose associates have no material interest in the transaction, would be invited to attend such Board meetings. Where Board meetings relate to financial and other information, the senior management would provide such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

After the meetings have been held, drafts of the Board minutes and Board committee meeting minutes are circulated to the Directors and the relevant Board committee members respectively for their review before finalization, and the final version of these minutes are kept by the company secretary of the Company (the “**Company Secretary**”) and are available for inspection by the Board and auditor of the Company.

Every Director is entitled to have access to Board papers and relevant materials and have unrestricted access to advice and services of the Company Secretary, and is able to seek independent professional advice as and when required at the Company's expense.

Corporate Governance Report



Attendance Record

Code Provision A1.1 of the Corporate Governance Code stipulates that the Board should meet regularly and meetings should be held at least four times a year at approximately quarterly intervals. During the year ended December 31, 2020, the Board convened a total of four Board meetings and there were three meetings for the Audit Committee, one meeting for the Remuneration Committee and one meeting for the Nomination Committee based on the need of the operation and business development of the Company. Details of attendance are as follows:

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	General meetings
Executive Directors					
Mr. Liao Jie (<i>Chairman</i>)	4/4	N/A	N/A	N/A	1/1
Mr. Jiang Hailin (<i>Chief Executive Officer</i>)	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Ye Zhou	4/4	3/3	1/1	1/1	1/1
Mr. Wang Dong (<i>CICPA, CIMA, AAIA, CGMA</i>)	4/4	3/3	1/1	1/1	1/1
Mr. Zhou Jianmin	4/4	3/3	1/1	1/1	1/1

The Chairman and the Chief Executive Officer

The Code Provision A2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Throughout the year ended December 31, 2020, Mr. Liao Jie has been the Chairman and Mr. Jiang Hailin has been the Chief Executive Officer. Accordingly, the Company complied with Code Provision A2.1 at all times during the year ended December 31, 2020.



Corporate Governance Report

BOARD COMMITTEES

Audit Committee

As at December 31, 2020 and the date of this report, the Audit Committee comprised three independent non-executive Directors, being Mr. Wang Dong, Mr. Zhou Jianmin and Mr. Ye Zhou, with Mr. Wang Dong being the chairman of the Audit Committee. The members of the Audit Committee confirm that they are not a former partner or affiliated to the Company's existing auditing firm nor do they have any financial interest in the Company's existing auditing firm.

The primary functions of the Audit Committee are to:

- (a) be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and regulations. The audit committee should discuss with the auditor, the nature and scope of the audit and reporting obligations before the audit commences;
- (c) develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (d) monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the committee should focus particularly, on any changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from audit, the ongoing concern assumptions and any qualifications, compliance with accounting standards and compliance with the Listing Rules and other legal requirements to financial reporting;
- (e) to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss the risk management and internal control systems with the management and to ensure that management has discharged its duty to have an effective systems;
- (h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

Corporate Governance Report



- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- (j) to review the Company's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters set out in the Code Provisions;
- (n) to consider other topics, as defined by the Board;
- (o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (p) to act as the key representative body for overseeing the issuer's relations with the external auditor.

To ensure that the Audit Committee is given the opportunity to discharge its functions effectively, the Audit Committee will be provided with sufficient resources including access to professional advice if considered necessary and members of the Audit Committee must liaise with the Board and senior management and the Audit committee must meet, at least once a year, with the Company's auditors.

During the year, the Audit Committee convened three meetings and drafts and final versions of the minutes of the Audit Committee have been sent to all members of the audit committee for their comment and records, respectively. All resolutions passed at the meetings were duly recorded and retained by a duly appointed secretary of the meeting or the Company Secretary.

A summary of the work performed by the Audit Committee during the year ended December 31, 2020 is set out as follows:

- reviewed the Company's interim report and annual report;
- reviewed accounting policies adopted by the Group and issues related to accounting practice;
- supervised internal auditing of the Group;
- assisted the Board to evaluate on the effectiveness of financial reporting procedure and internal control system;
- advised on material events and draw the attention of management on related risks;
- reviewed the external auditor's independence and approved the engagement of external auditor;
- recommended the Board on the re-appointment of external auditor; and
- noted the amendments to the standards and the development of corporate governance.



Corporate Governance Report

Remuneration Committee

As at December 31, 2020 and the date of this annual report, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Ye Zhou, Mr. Wang Dong and Mr. Zhou Jianmin, with Mr. Ye Zhou being the chairman of the Remuneration Committee.

The primary functions of the Remuneration Committee are to:

- (a) evaluate and make recommendations to the Board on the policy and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such policies;
- (b) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- (c) conduct reviews and approve performance-based remuneration by reference to corporate goals and objectives resolved by directors from time to time;
- (d) review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- (e) review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
- (f) ensure that no director or any of his or her associates is involved in deciding his own remuneration and advise shareholders on how to vote with respect to service contracts of directors that require shareholders' approval under rule 13.68 of the Listing Rules.

To ensure that the Remuneration Committee is given the opportunity to discharge its functions effectively, the Remuneration Committee will be given opportunities to consult the Chairman and/or Chief Executive Officer about its proposals relating to the remuneration of other executive Directors and be provided with sufficient resources including access to professional advice if considered necessary.

During the year, the Remuneration Committee convened one meeting and the draft and final version of the minutes of the Remuneration Committee have been sent to all members of the Remuneration Committee for their comment and records, respectively. All resolutions passed at the meetings were duly recorded and retained by a duly appointed secretary of the meeting or the Company Secretary.



A summary of the work performed by the Remuneration Committee during the year ended December 31, 2020 is set out as follows:

- reviewed the Directors' fees; and
- reviewed and made recommendations to the Board on the remuneration structure/package of executive Directors and senior management.

Nomination Committee

As at December 31, 2020 and the date of this annual report, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Zhou Jianmin, Mr. Ye Zhou and Mr. Wang Dong, with Mr. Zhou Jianmin being the chairman of the Nomination Committee.

The primary functions of the Nomination Committee are to:

- (a) review the structure, size and composition of the Board regularly and make recommendations to the Board regarding any proposed changes; and
- (b) identify, select or make recommendations to the Board on the selection of individuals nominated for directorships to fill vacancies in the Board.

During the year, the Nomination Committee convened one meeting and draft and final version of the minutes of the Nomination Committee have been sent to all members of the Nomination Committee for their comment and records, respectively. All resolutions passed at the meetings were duly recorded and retained by a duly appointed secretary of the meeting or the Company Secretary.

A summary of the work performed by the Nomination Committee during the year ended December 31, 2020 is set out as follows:

- reviewed and recommended the re-appointment of the retiring Directors for Shareholders' approval;
- discussed and reviewed the Board composition of the Company as well as other related matters; and
- recommended on the selection of individuals nominated for directorships.



Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CONTINUOUS PROFESSIONAL DEVELOPMENT

According to the CG Code A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of the directors.

All Directors have participated in appropriate continuous professional development and refreshed their knowledge and skills during the year. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development for the year ended December 31, 2020:

Name of Director	Attend training sessions organized by professional firms	Attend training sessions required by the relevant professional bodies of which they are members	Read articles and journals on the economy, general business and regulatory matters
Executive Directors			
Mr. Liao Jie	✓	✓	✓
Mr. Jiang Hailin	✓	✓	✓
Independent Non-executive Directors			
Mr. Ye Zhou	✓	✓	✓
Mr. Wang Dong	✓	✓	✓
Mr. Zhou Jianmin	✓	✓	✓



ACCOUNTABILITY AND AUDIT

Auditor's Remuneration

The Auditor's remuneration amounted to RMB2,162,000 was incurred for the audit of the Group's consolidated financial statement for the year.

During the year, service fee for interim report of RMB362,000 were paid as professional fee to Mazars CPA Limited and its member firm for the provision of non-audit related services to the Group.

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company and for ensuring that the financial statements are balanced and clear and prepared in accordance with applicable statutory requirements and accounting standards.

Auditor's Statement

The statement of the Company's auditor, Mazars CPA Limited, on its reporting responsibilities in respect of the consolidated financial statements of the Group for the year ended December 31, 2020 is set out on pages 100 to 102.

Internal Control and Risk Management

The Board acknowledges that it is responsible for maintaining a sound system of internal controls to safeguard the Shareholders' interest and reviewing the effectiveness of the system of internal control of the Group.

In reviewing the effectiveness of the system of internal control of the Group, the Board will also consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and the training programmes and budget allocated.

The Group's internal control system has been designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably reduced, proper accounting records and financial information are maintained, and, where appropriate, relevant legislation, regulation and best practices are complied with.

The Board has delegated to the Audit Committee responsibility for reviewing the effectiveness of the Group's internal control system and the Audit Committee will report its findings to the Board for discussion. The Audit Committee works with the Group's internal audit department (the "**Internal Audit Department**") to carry out internal audit works based on an internal audit plan which is reviewed and approved by the Audit Committee. The Internal Audit Department, reports its findings and recommendations for any corrective action required to the Audit Committee. The Audit Committee reviews the reports submitted by the Internal Audit Department and the issues on the internal control system of the Group are then discussed and evaluated by the Board every year.

The Internal Audit Department conducted an examination on various material control aspects during the year including financial, operational and compliance controls with the aim of mitigating the overall business and operational risk of the Group. Internal control reports were submitted to the Audit Committee for review and the findings and recommendations were discussed at the committee meetings. The significant findings have been remediated by the management of the Company.



Corporate Governance Report

COMPANY SECRETARY

Mr. Leung Ming Shu, the Company Secretary, is an employee of the Group. During the year ended December 31, 2020, Mr. Leung has complied with Rule 3.29 of the Listing Rules in relation to taking of relevant professional training.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board adopted a board diversity policy (the “**Board Diversity Policy**”) on August 27, 2013. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company’s business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

SHAREHOLDER RIGHTS

Constitutional Documents

There has been no significant change in the Company’s constitutional documents during the year ended December 31, 2020.

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Article 58 of the Articles of Associations of the Company, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for proposing a person for Election as a Director

Pursuant to the Article 85 of the Articles of Associations of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice (as defined therein) signed by a Member (as defined therein) (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Corporate Governance Report



Communications with Shareholders and Investors

The Board values the importance of communications with the Shareholders. The general meetings of the Company provide a forum for communication between the Board and the Shareholders and at such general meetings, the chairman will ensure that an explanation is provided of the detailed procedures for conducting a poll and ensure that resolutions are proposed separately. The Chairman as well as chairman of the Remuneration Committee, the Nomination Committee and the Audit Committee and, in their absence, other members of the respective committees will also be available to answer questions at Shareholders' meetings.

The notice of the 2020 annual general meeting of the Company (the "**AGM**") will be sent to Shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.its.cn, where extensive information and updates on the Company's financial information, corporate governance practices and other information are posted and available for public access.

April 16, 2021



Environmental, Social and Governance Report

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Environmental, Social and Governance Report



ABOUT THIS REPORT

This is the fifth Environmental, Social and Governance Report (“ESG”) issued by China ITS (Holdings) Co., Ltd. (“company”, “the Company” or “CIC” or “We”). This report mainly introduces the Company’s policies regarding environmental, social and governance issues and detailed measures adopted during the reporting period, which is meant to strengthen communication and engagement with internal and external stakeholders.

Scope of Coverage

The following table illustrates that the scope of coverage of this report comprises China ITS (Holdings) Co., Ltd. and its main domestic and overseas subsidiaries and offices. It added the Myanmar Ahlone Power Plant Company Limited which is invested to be constructed and operated by the Company in Myanmar and Beijing Zhongzhi Runbang Intelligent Railway Transportation Technology Co., Ltd. (北京中智潤邦智慧軌道交通技術有限公司) operated in domestic this year compared with the previous reporting year.

No.	Company
1	Beijing Aproud Technology Co., Ltd. (北京亞邦偉業技術有限公司)
2	Beijing Zhixun Tiancheng Technology Co., Ltd. (北京智訊天成技術有限公司)
3	Zhongtian Runbang Information Technology Co., Ltd. (中天潤邦信息技術有限公司)
4	Chengdu Zhongzhi Runbang Transportation Technology Co., Ltd. (成都中智潤邦交通技術有限公司)
5	Beijing Hongrui Dake Technology Co., Ltd. (北京宏瑞達科技術有限公司)
6	Jiangsu Zhixun Tiancheng Technology Co., Ltd. (江蘇智訊天成技術有限公司)
7	Beijing Zhixun Cloud Technology Co., Ltd. (北京智訊雲技術有限公司)
8	Jiangsu Zhongzhi Transportation Technology Co., Ltd. (江蘇中智交通技術有限公司)
9	Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd. (江蘇中智瑞信物聯技術有限公司)
10	Tibet Intelligent Aviation Transportation Technology Co., Ltd. (西藏智航交通技術有限公司)
11	Beijing Haotian Jijie Technology Co., Ltd. (北京昊天佳捷技術有限公司)
12	British Cayman Islands China ITS (Holdings) Co., Ltd., Beijing Representative Office (英屬開曼群島中國智能交通系統(控股)有限公司北京代表處)
13	CIC Infrastructure Industry Investment Limited (中智基礎產業投資有限公司)
14	Myanmar Ahlone Power Plant Company Limited (New reporting scope added in 2020)
15	Beijing Zhongzhi Runbang Intelligent Railway Transportation Technology Co., Ltd. (北京中智潤邦智慧軌道交通技術有限公司) (New reporting scope added in 2020)

Time Range

The Company’s ESG report is an annual report and this report is for the period from January 1, 2020 to December 31, 2020.

Basis of Preparation

This report is prepared in accordance with the requirements of the Hong Kong Exchanges and Clearing Limited (“HKEX”) Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”).



Environmental, Social and Governance Report

1 Strengthening ESG Responsibility Management

1.1 Vision of ESG Management

China ITS (Holdings) Co., Ltd. is mainly a provider of products, specialised solutions and services related to infrastructure technology in the PRC and overseas. Focusing on the businesses of Products and Specialised Solutions ("PSS") and Value-Added Operation and Services ("VAOS"), it provides customers with services that give the maximum comprehensive value and meet their multifaceted requirements in terms of safety, reliability, efficiency, environmental friendliness and ROI.

Since its establishment, CIC has been committed to common development of economy, society and the environment, promoting sustainable business practices. Besides, CIC performs its corporate social responsibilities in order to better capture the opportunities from the development of the industry.

Corporate Vision

Deliver solutions which enhance safety, efficiency, convenience and sustainability for the transportation industry.

Corporate Value

Integrity, Professionalism, Innovation and People



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1.2 ESG Governance

To effectively implement the ESG governance of the Company, we have established a defined structure for sustainable development governance, which consists of the Board, ESG Task Group, as well as the Company's various functional departments, subsidiaries, to promote the orderly progress of ESG governance of the Company.

Representation of the Board

2020 was the final year for completing Building a Moderately Prosperous Society in all Respects and the 13th Five-Year Plan. We were deeply involved in the national "The Belt and Road" cooperation Initiative to steadily promote high-quality development of "The Belt and Road". We are customer-oriented and we provide customers with services that give the maximum comprehensive value, continue to promote sustainable business practices and perform our corporate social responsibilities in order to better capture the opportunities brought by the development of the industry and create integrated value for stakeholders.

Improving the ESG Governance. We established an ESG management organization system, which consists of the Board, ESG Task Group, as well as the Company's various functional departments, subsidiaries, and specified the assignment of responsibilities at all levels to promote the implementation of ESG work within the Company. Among them, the Board of Directors is the highest decision-making organization of ESG management, which guides the direction of our sustainable development, formulates the Company's overall vision, goals and management strategies, and reviews the Company's annual ESG report.

Providing High-quality Services. The Company always focuses on customer needs and provides products, specialised solutions and services related to infrastructure technology, focusing on the businesses of Products and Specialised Solutions (PSS) and Value-Added Operation and Services (VAOS). No complaint is filed directly through 400-hotline in 2020.

Contributing to Ecological and Environmental Protection. We fully practice the concept of green development, improve the environmental management system, enhance the efficiency of water resources and energy use, reduce waste emissions and the environmental impact of operations, and protect our beautiful homeland. In 2020, we made best efforts to implement garbage classification in responding to the requirements and call of the government positively.

Achieving Mutual Benefit and Win-win. Adhering to the principles of mutual benefit and win-win cooperation, we actively integrate and share the industry's advantageous resources, form a community with various stakeholders, make profits for the shareholders, bring benefit to the customers, and allow employees to share the results of corporate development. In 2020, the total training hours for employees were 18432.33 hours, with a total training coverage rate of 93.71%.

In addition, we were well aware of the opportunities and challenges brought to the Company's operations by customers' upgrade consumption needs and the industry's green, safe and sustainable development trends. In the future, we will continue to adjust the sustainable development management strategy and promotion methods according to the expectations of stakeholders and the actual operation of the Company to improve the Company's sustainable development level.



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We assume full responsibility for the Company's ESG strategy and ESG reporting and are responsible for assessing and determining the Company's ESG risks and ensuring that the Company has an appropriate and effective ESG risk management and internal control system in place. The Board of Directors and its individual members affirm that this report contains no false or misleading statements or material omissions and that they are jointly and severally responsible for the truthfulness, accuracy, and integrity of its content.

Summary of ESG Governance Structure

The Board of Directors, as the highest decision-making organization of the Company, guides the direction of our sustainable development, and assumes full responsibility of the Company's ESG issues. The Board adopted a board diversity policy which helps to review and provide independent advices in reviewing the ESG report. In the future, the Board will step up efforts to ESG risk management, and assume responsibility of the internal control for ESG risk to ensure the long-term benefits to corporate development and stakeholders.

Meanwhile, the ESG Task Group is responsible for supervision and coordination, implementing decisions of the decision-making organization, communicating and coordinating ESG related affairs, organizing the preparation of ESG reports and reporting to the Board on the implementation of relevant work on an annual basis.

In addition, as executive organizations for specific works, the Company's various functional departments and subsidiaries implement the ESG plan formulated by the Task Group, effectively record and report ESG related information, and fully put the ESG related management work into practice.

ESG Governance Structure of the Company

Decision-making organization The Board	<ul style="list-style-type: none">➤ Responsible for overall ESG governance➤ Supervising and reviewing ESG performance
Coordination organization ESG Task Group	<ul style="list-style-type: none">➤ Implementing decisions of the decision-making organization➤ Communicating and coordinating on ESG related issues➤ Organizing the preparation of ESG report
Executive organization Various functional departments, subsidiaries	<ul style="list-style-type: none">➤ Executing ESG work plans➤ Collecting and reporting ESG related information➤ Performing ESG management work

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1.3 Assessment of the Importance of Issues

Based on the requirements of the HKEX ESG Reporting Guide and by reference to procedures for the substantive analysis of the Global Reporting Initiative (“GRI”), the Company gathered issues concerned by major stakeholders by questionnaires and interviews, analyzed and prioritized these issues so as to determine important corporate issues regarding environment, society, and governance and disclose them in the report.

Process of Importance Assessment

1. Identify ESG issues related to the Company by analyzing the HKEX ESG Reporting Guide and the issues disclosed by peers;
2. Invite important stakeholders to assess the importance of the identified issues, among which the internal stakeholders assess such issues mainly from the perspectives of the Company’s long-term development strategy, management upgrading, investment priority, and competitive advantages, while external stakeholders assess them from the perspectives of impact on the Company’s evaluation and decision-making, as well as on the interests of themselves to produce the first draft of the importance matrix by integrating the assessment of both internal and external stakeholders;
3. Prioritize issues to be reviewed by the management;
4. Solicit feedbacks on the report for the period from internal and external stakeholders after the reporting period to prepare for the next report.

The Information of Stakeholders and Communicating

The Company fully considers and effectively responds to the expectations and appeals of stakeholders, in an effort to advance the social development while sharing development results with them.

Stakeholders	Expectations of Stakeholders	Mechanisms of Communication and Participation	Responses from the Company
Investors	<ul style="list-style-type: none"> • Increase of the Company’s market value and profitability • Continuously improve the Company’s environmental and social responsibility performance 	General meetings, information disclosure, company website.	<ul style="list-style-type: none"> • Issue reports regularly, disclosing information truthfully and thoroughly, invest effort in making achievements and creating profits • Improve corporate governance and risk management level, convene general meetings, enhance investor relations management and strive to improve environmental and social responsibility management
Customers	<ul style="list-style-type: none"> • high-quality products • Safeguard customer’s legitimate interests 	Sign contracts and agreements, customer’s satisfaction survey	<ul style="list-style-type: none"> • Provide high-quality products and services • Establish a sound customer service system and customer opinion feedback and complaints mechanism



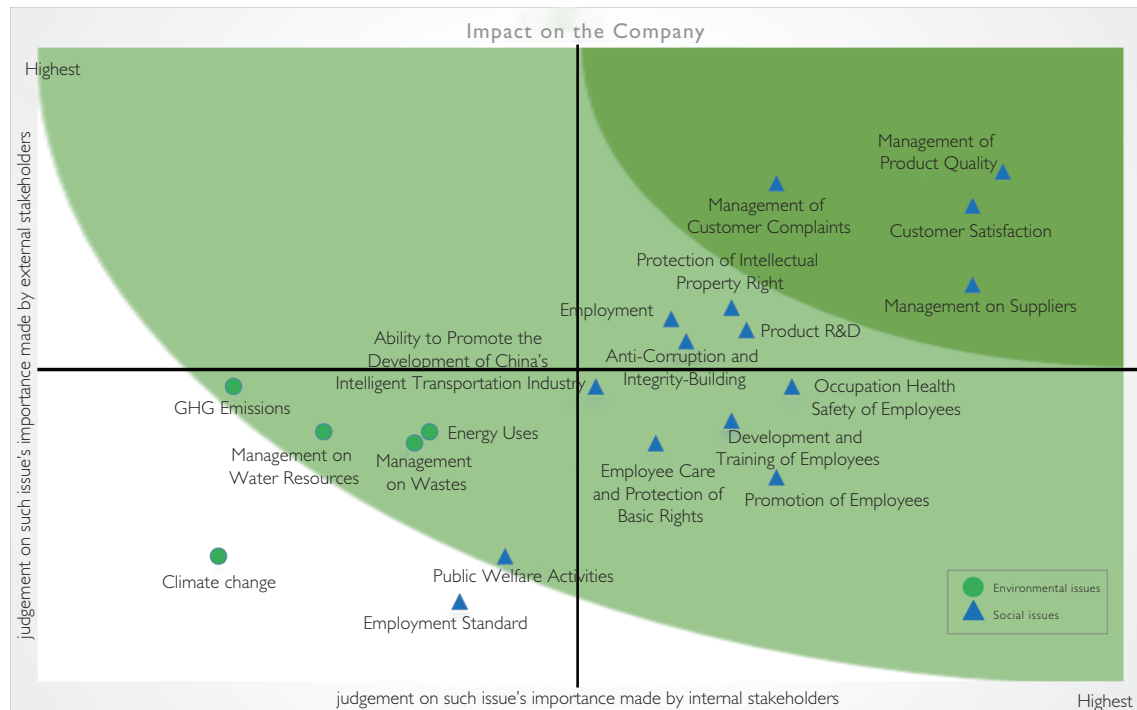
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Stakeholders	Expectations of Stakeholders	Mechanisms of Communication and Participation	Responses from the Company
Employees	<ul style="list-style-type: none"> Uphold employees' remuneration and benefits Care for safety and health of employees Offer equal promotion and development opportunities improve the Communication mechanism; engage in company management 	Employment contracts, employee's satisfaction survey	<ul style="list-style-type: none"> Strictly observe provisions within employment contracts, improve the remuneration and benefits system Offer safe and healthy working environment Offer development paths for employees, and organise staff training Offer equal communication channel
Governments	<ul style="list-style-type: none"> Observe the law, operate in compliance with the regulations, and in line with national policies 	Engage in relevant governmental meetings	<ul style="list-style-type: none"> Strictly observe relevant laws and regulations, continuously enhance corporate compliance management, and give respond to national policies
Suppliers	<ul style="list-style-type: none"> Honest, fair and just cooperation, mutual benefits and win-win scenarios to promote industry development 	Sign contracts and agreements, and hold tender and bidding, and supplier meetings regularly	<ul style="list-style-type: none"> Actively perform the contracts and agreements by adhering to open and transparent business principles, adopt open and transparent procurement model, and develop an accountable supply chain
Peers	<ul style="list-style-type: none"> Fair competition, cooperation with integrity, transparent and open information Comply with industry standards, and advancement of industry innovation 	Exchanges with relevant research institutes, associations, mainstream media related to the industry	<ul style="list-style-type: none"> strengthen communication and cooperation with peers; jointly create a healthy and orderly competitive environment Participate in industry innovations and researches and appraisal of outstanding enterprises, achieve mutual benefits, win-win and mutual improvement, and put forward proposals for industry standards

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Priority Matrix of Issues



2 Topic: Responding to the Call of “The Belt and Road”, Exploring the Overseas Infrastructure Construction Market

In 2020, CIC carried out the construction of AHLONE power plant in Yangon, Myanmar. Myanmar is one of the countries along the route of China’s “The Belt and Road” Regional Cooperation Initiative, the construction of the AHLONE modern power plant project has eased the shortage of power supply caused by the rapid development of the local economy, guaranteed the sufficient power supply during the peak period of local power consumption, and it is also an attempt by CIC to explore the overseas infrastructure construction market.

Emissions Management

During the construction phase of the AHLONE power plant project, the waste discharged includes construction waste and waste oil. We strictly comply with local laws and regulations, and signed an agreement with the environmental protection authority of Yangon municipal government of Myanmar, which stipulates that the environmental protection authority is responsible for the regular removal and treatment of the emissions.



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For the control and management of the emissions during the operation phase of the AHLONE project, the core of management lies in the adoption of advanced technology level, equipment level and design parameters to ensure the management of long-term safety, stability and compliance of the emissions. The strict inspection of various parameters by the operators could make the equipment and units operate under the design parameters, ensure the consistency between the emissions and designed emissions, so as to meet the requirements and achieve standard discharge of emissions.

- For waste gas, the main emissions include NO_x, SO_x and CO₂. AHLONE power plant project adopted the modern GE gas turbine, which reduced the emissions by taking effective technical means. Thereinto, the greenhouse gas CO₂ is the inevitable emissions for power plants. Given the small number of power plants in Myanmar and the shortage of electric power supply there, the CO₂ emissions generated by power plants within the scope of Myanmar's commitment are deemed as reasonable emission and do not violate the Paris Agreement. In 2020, GHG emissions by the AHLONE power plant were 732,000 tonnes of Carbon Dioxide Equivalent. The AHLONE power plant operates and conducts supervision under the GE requirements, which ensures the effective management of waste gas emissions and avoids the environmental risks to the surrounding environment of the construction project and risk of global climate change.
- For noise pollution, the noise level of GE units adopted by the power plant is controlled below 50dB, which is in full compliance with international standards and has no negative impact on the environment and human health. In addition, the power plant is strictly inspected during its internal operations, and the units are regularly repaired and maintained according to regulations to ensure that the units maintain stable and good operation.
- For the sewage generated during operations, AHLONE power plant is equipped with a dedicated sewage treatment pool to treat the sewage and put the effluent water into recycling use. The operation of the power plant strictly abides by the environmental protection preparation conditions, follows the basic environmental protection requirements for power plant construction, and achieves zero pollution discharge of water from the power plant through advanced and high-level equipment and design. Sodium chloride, sodium sulfate and other miscellaneous salt are properly treated by sewage treatment pools, dry mud machines and other equipment, and other wastes are treated regularly by the Yangon Municipal Environmental Protection Department.
- For waste, it mainly includes ink cartridges, toner cartridges, fluorescent tubes, batteries, paper and domestic waste. In 2020, 10,000 kg of domestic waste was discharged from AHLONE Power Plant, which was treated regularly by the Yangon Municipal Environmental Protection Department. The remaining waste emissions are set out in the section of "Controlling Emissions, Reducing Pollution".

As there are few modern power plants in Myanmar and there are no supporting laws and regulations for emissions, the construction and operation process is controlled in accordance with the standards of the Paris Agreement and the Chinese government, which is in conformity with requirements of the Myanmar government. In 2020, the Company neither received any government penalties or lawsuits due to environmental protection problems, nor did any environmental protection incidents occur. In the future, the Company will also continue to pay attention to environmental protection and continue to fulfill its social responsibilities in terms of the environment.

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Use of Energy and Resources

Use of energy

The natural gas fuel of the AHLONE power plant is connected through the main natural gas pipeline in Myanmar. In the combustion process of natural gas, 50% of the combustion heat requires to be removed by the condenser through evaporation. The cooling water of AHLONE power plant comes from the water furnace, and the main part of the water consumption is the mechanical cooler. Since the cooling water is lost when it evaporates and enters the atmosphere, the water needs to be supplemented by pumping water from the river. Due to the poor quality of river water near the power plant, it needs to be filtered before use.

The power plant formulates an operation management system, a reward and punishment system and conducts assessment according to rules to maintain water system and ensure that it can operate within the range of design parameters. The lubricating oil used by the unit is added at the time of installation, and it does not need to be replaced or will not leak within ten years of operation, which can effectively control environmental risks.

Energy and resource consumption of AHLONE power plant in 2020

Energy type	Consumption	Unit
Gasoline	3	tonne
Natural gas	27,049,800	Standard cubic
Electricity	6,000	KWh
Integrated energy consumption	292,769,614.32	KWh
Water consumption in total	1,800,000	Cubic metre

Energy- conservation control

The core of AHLONE power plant's energy-conservation control is to select world-class modern unit technology while ensuring that it operates in accordance with regulations during the operation stage. The generation unit adopts the modern unit of GE Company, and maintains the power generation efficiency to be at the best level by controlling the power plant to generate electricity under the rated state. This goal was basically achieved in 2020. In strict accordance with the operation requirements of GE Company, the power plant regularly repairs and maintains the units to ensure that the units are maintained in good working conditions, so as to achieve the medium and long-term energy-conservation goals. In addition, equipment, lighting and other electrical facilities of the plant are controlled by quotas to ensure that electricity is saved during the work process.

Employment and Operations

Staff training and development

In 2020, we carried out multi-level training for staff at different levels to help staff improve their performance, realize scientific and environmentally friendly operation of power plants, further ensure high power generation efficiency and low failure rate, and meet the growing demand for electricity in Myanmar. The scope of training covers all staff, and senior engineers and commanders are responsible for lesson preparation and lectures giving. The specific forms of training are diversified: including topic seminars for junior staff to improve their technical level, repair and maintenance level and operation level; interactive discussion-style teaching, through which staff can analyze and discuss according to the actual situation, and troubleshoot specific problems. The training has achieved remarkable results. The power plant has been in operation for half a year without any malfunction, and has successfully achieved stable operation and met the local power supply needs.



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Production safety and occupational health

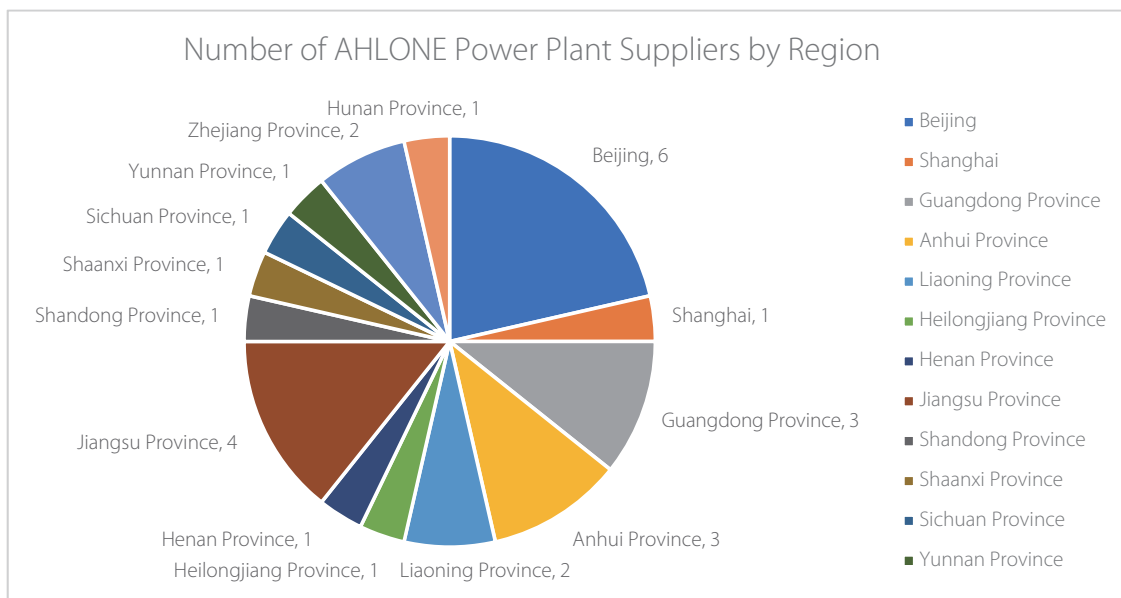
By reference to the operating rules of power plants in China, in accordance with the *Environmental Protection Law of the People's Republic of China*, the *Contract Law of People's Republic of China*, the *Labour Law of the People's Republic of China*, the *Production Safety Law of the People's Republic of China* and the *Emergency Response Law of the People's Republic of China* and other legal documents, AHLONE power plant formulated an occupational health and safety system in terms of three aspects, including occupational safety and health management, labour protection products distribution, use and management, and occupational hazard notification and warnings. The Company strictly implements the occupational health and safety system, and is committed to protecting the occupational health of staff and ensuring production safety. There were no safety incidents in the AHLONE power plant in 2020.

Innovative management during the pandemic

During the construction period, the COVID-19 pandemic in Myanmar hindered the progress of construction. Based on the basic construction of electric power construction procedures of China, we made full use of video office tools to improve the work process during the pandemic. We adopted a three-level review system to ensure full communication between multiple parties, sped up the work progress and improved efficiency based on the procedures, reduced the approval process that originally had took one to two months to one day, and ensured the smooth progress of the work and achieved successful outcome.

Supplier management

In the process of selecting suppliers, AHLONE power plant fully takes the ESG performance of the suppliers into consideration. For example, in order to avoid serious negative impacts on the environment and production caused by transformer oil leakage accidents, in the procurement process, AHLONE power plant cooperated with companies with good ESG assessment results when selecting suppliers. For example, in the process of selecting transformer suppliers, we selected a large-scale transformer supplier with good ESG assessment results. In practice, the transformer performed well, which fully avoided negative environmental and social impacts, and ensured the safe and stable operation of the AHLONE power plant. The suppliers of AHLONE power plants are mainly from China, and the number of suppliers divided by region is set out in the figure below:



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Anti-Corruption

The power plant established a systematic system to supervise and promote anti-corruption work. Through the transparentizing of financial reimbursement and the disclosure of internal process network, corruption is fundamentally eliminated, and the leadership is involved in anti-corruption work to supervise all levels. The principal business of the Company is to collect electricity charges and pay a variety of contract payments for contracting and operating companies, so as to ensure the single and transparent business. The Company receives report information via telephone and email. Once the suspicion of corruption is found, it will be reported to the financial audit department of the Company, and a meeting will be held within the Company to be studied and dealt with the opinions by the board of directors in a timely manner.

Community participation during the pandemic

Creating local employment opportunities

While advancing infrastructure construction and meeting electricity demand, we also pay close attention to the interests and needs of local communities in Myanmar. During the construction of the AHLONE power plant project, hundreds of jobs were created for local communities. During the worst period of the pandemic in Myanmar, we adhered to the principle of People Oriented (以人為本) and spared no effort to safeguard the safety of employees' lives. In order to prevent the spread of the pandemic and ensure the safety and health of employees, the power plant implemented closed management during the COVID-19 pandemic. At the same time, it built accommodations and opened canteens for hundreds of Burmese employees, and provided free food and accommodation for employees to ensure the convenience of their lives in the plant and avoid the impact of the pandemic.

Actively respond to community needs

During the pandemic, the local community was also severely affected by the COVID-19 pandemic. The Company actively responds to the needs of the community and donates daily necessities such as rice and oil to local residents in difficulties to help them overcome the difficulties. In 2020, the Company invested MMK 2 million (approximately RMB10,000) in Myanmar's local charity.



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3 PROFESSIONALISM

3.1 Strictly Guaranteeing Product Quality

Product quality management:

Strictly complying with the *Product Quality Law of the People's Republic of China* and in adherence to its corporate mission of “making railway communication safer, more efficient, and more convenient with quality service and professional solutions”, CIC implements the quality plan and management policy of “Strengthening Management, Ensuring Quality, Dedicated Service and Customer Satisfaction”, promotes an institutionalized, systematic, and IT-based quality control and management system and implements project-cycle safety management to cultivate the quality awareness of engineers and service personnel and build high-quality, efficient, and safe intelligent transportation solutions, and it has provided technical support for system upgrade and maintenance during system operation and management to ensure safe transportation for society, partners, and customers.

In terms of software product quality, the Company continues to improve its software product quality management system from the four aspects of system, audit, personnel and information system to ensure that the products meet quality measurement requirements and customer needs to continuously improve customer satisfaction.

- The Company has formulated various quality standards such as *Data Network Product Software Quality Management Specification*, *Optical Network Product Software Quality Management Specification*, *Access Network Product Software Quality Management Specification*, and *GSM-R Network Product Software Quality Management Specification*, which require product quality management regulations in all major links from product R&D to delivery.
- In the evaluation process of each stage of product development, in addition to following the ISO quality management system standards ISO9001, ISO14001, OHSAS18001, ISO20000, ISO27001, the Company also follows the overall product R&D evaluation standards, technical evaluation standards, market evaluation standards and input-output evaluations as well as the internal requirements of the Company such as risk factors evaluation standards and controllability evaluation standards.
- The Company has established a full-time quality management team, including technical experts and business experts, and set up quality assurance personnel to monitor the entire product life circle. They would match the evaluation results with target management, performance output, and track feedback and improvement, to promote the product quality effectively by the evaluation process and evaluation results. During the year, the Company has increased participation in peer review between project teams and departments, which has further ensured the quality and enforceability of key review nodes.
- The Company has developed a quality assurance process management information system that meets the actual requirements of the Company, and timely discovered quality risks, summarized the quality assurance results and problems, and formed a closed-loop quality management system that can be continuously improved. During the year, the assurance of quality traceability has been strengthened, and traceable signs have been added by the Company in key quality links, so that products can be quickly located and traced back when re-listing; in terms of R&D specifications, the coding specifications, release specifications and test specifications have been further improved by the Company in accordance with the technical development and the technical ability of R&D personnel.

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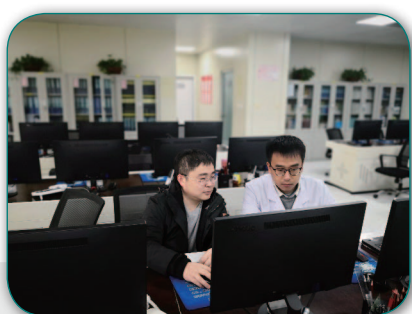
In terms of the service quality management in construction projects, in accordance with the requirements of GB/T19001-2016/ISO9001:2015 *Quality Management Systems Requirements*, GB/T24001-2016/ISO14001:2015 *Environmental Management System Requirements and Use Guide*, GB/T28001-2011/OHSAS18001:2007 *Occupational Health and Safety Management System Requirements*, and TB10205-99 *Codes for Construction of Railway Communication*, etc., the Company strictly abides by relevant industry standards, and the Company has developed the *General Hardware Quality Management Specification* by its actual service products. On that basis, meanwhile, the Company has set up the quality management goal of project delivery quality with a passing score of 90 and a full score of 100. It has established the Technical and Quality Department to carry out inspections and spot checks on various regional projects.

During the year, the Company continued to improve and upgrade the quality management system for construction project services, including:

- Development of the following quality management systems:
 - The delivered project is required to be 100% self-inspected. The project self-inspection report shall be submitted by the person in charge of project quality (engineering supervision) within one week after 80% of the project is completed, including hardware & software quality inspection reports, site photos of hardware quality, project memo, data script, etc..
 - Special quality managers are appointed to carry out random inspections on completed projects in various regions. The sampling rate of key projects shall not be less than 50%, and the sampling rate of general projects shall not be less than 20%. The passing score for quality inspection is 90 out of 100, and any problems affecting safe operation of equipment during the hardware inspection must be rectified.
 - Establish a database of legacy issues for each project, and track, record, and close-loop management of all project legacy issues.
 - The three authorization systems for high-risk operations (customer authorization, technology authorization, management authorization) must be strictly implemented, and technical solutions that affect the operation of all existing network equipment must be sent to the person in charge of the corresponding product line for review in advance. The technical solutions for major operations are sent advanced by one week in advance, while the general operations are 3 days in advance.
 - Strictly follow the accident reporting system. In case of communication interruption, relevant persons in charge of project and market are required to be notified within 30 minutes, and relevant personnel in the corresponding Huawei office should also be notified.

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- Establish a project quality group, formulate technical disclosure procedures, quality control procedures and technical management pre-control, establish a construction quality control system, determine various quality detection methods, determine quality assurance measures during the construction process, and strictly follow technical assurance measures.
- In the face of the sudden outbreak of the COVID-19 pandemic this year, the Company has strengthened the on-duty work of customer networks during the pandemic, ensuring the safe and stable operation of customer networks, which has been recognized by customers.



A group photo of staff on duty with customers during the pandemic

Future plans and goals:

- The Company will further improve the management and connection of product version management, version release and product after-sales;
- The Company will continue to strictly improve its service quality in accordance with the established project quality standards and systems, and ensure that the pass rate of all projects reaches 100%;
- The Company will adopt effective quality assurance measures to ensure that products meet quality measurement requirements and customer needs, and continuously improve customer satisfaction;

During the year, the Company had no incident of non-compliance that significantly affected the product and service liability to the Group, nor did it have any sold or delivered products recalled for safety and health reasons. The Company's business did not involve advertisements, labels, etc..

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3.2 Customer Relationship Building

With a steadfast commitment to “focus on customer concern”, CIC has a market-and-customer-oriented management system and continuously improves relevant mechanisms and business processes in the light of its business development and changes in internal and external environments, striving to improve service quality and customer's satisfaction and build a good long term customer relationship.

Management of Customer Satisfaction

The Company serves customers exclusively in the railway industry. The Company has set up the goal of 95% customer satisfaction and has established a customer satisfaction evaluation system for it, coupled with diversified surveys in that regard:

1. Written survey: A written survey on customer is conducted every semi-annually to solicit customers' opinions and suggestions, by means of the Customer Satisfaction Survey Form, which is distributed to and then re-collected from customers by the Engineering Department based on its list of customers to be surveyed. The Engineering Department collates and classifies opinions and suggestions received from customers, before forwarding related matters to various departments for feedback;
2. Telephone interview: It is conducted once a month and the Customer Satisfaction Survey Form is completed, covering customers' suggestions for and complaints about our service quality, among others;
3. E-mail survey: It is conducted every quarter. Customers complete the Customer Satisfaction Survey Form and the Engineering Department collects and classifies such forms.

During the year, the Company conducted a total of 28 customer satisfaction surveys on 19 major projects, indicating 100% customer satisfaction. Many projects have been praised by customers and received written letters of praise from customers.

In the future, the Company will be committed to optimizing the return visit process, focusing on customer satisfaction at all levels, achieving “control before, during and after the event, self-inspection and random inspection combined”. Combined with the analysis of project satisfaction, the Company continues to provide customers with high-quality services to enhance the core competitiveness of the Company.

Management of customer complaints

Based on the Customer Complaint Management System, the Company has established a variety of complaint mechanisms and methods, such as on-site complaints and 400-hotline.

On-site complaints take the form of guiding customers to complain level by level: “Project Manager — Regional Supervisor — Complaints Commissioner of the Company”. The form of gradual complaints simplifies the Company's communication with customers and improves the speed of the Company's response to customer complaints.



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The procedures for handling 400-hotline complaints are:

1. Listen to customer's opinions: Listen fully and patiently to customers comments and suggestions, and carefully record complaints;
2. Analyze causes of complaints: Understand the causes of customers complaints and conduct comprehensive analysis of complaints to determine whether customer complaints are established;
3. Offer a solution: If it is verified that customer complaints are caused by our products, we will offer a feasible and satisfied solution within 3 days based on specific complaints;
4. Track compliant feedback: After resolving complaints, we will provide tracking service to know whether customers are satisfied with the solution. Continuous improvement and solution are required if customers still have dissatisfaction.

No complaint is filed directly through 400-hotline this year.

Management of customer privacy

In order to protect customer privacy, the confidential system developed by the Company for relevant customer information is led by the Company's technology and quality and safety department. The department arranges special personnel to authorize customer management authority, updates customer related information and is responsible for conducting random checks on customer information usage so as to protect the rights and interests of customers. The Company properly keeps customer information. It is strictly forbidden to provide customer network information and data to the outside without the customer's permission, to copy the customer's existing information, and to operate the customer's existing network. Customer communication is based on the project name and does not reveal the customer's name.

3.3 Actively Protecting Intellectual Property Rights

The Company attaches great importance to the protection of intellectual property rights, strictly abides by the relevant laws and regulations such as the *Patent Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China*, and the *Trademark Law of the People's Republic of China* and establishes intellectual property management system. While continuously improving the Company's level of independent innovation, it prevents all acts that infringe or endanger the legal rights and interests of the Company's intellectual property. The Company establishes intellectual property rights management systems based on the position of the enterprise intellectual property and the Company's development. Considering the medium and long-term development strategies of the Company, the management concept, management organization, management mode, management personnel and other aspects as a whole, we can ensure that the system is practicable.

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Innovation is an important guarantee for improving the Company's core competitiveness. Therefore, the Company will upgrade intellectual property management to the level of corporate development strategy and regard it as an important part of the Company's medium and long-term strategy. Intellectual property management positions are set up under the Company's administrative department, and intellectual property management is integrated into the Company's R&D, marketing, production, personnel administration, brand building and other aspects. At the end of each year, the Company formulates the next year's intellectual property management work plan, and breaks down the plan into departments such as R&D, marketing, production, personnel administration and brand building, and integrates intellectual property management into daily work evaluation.

The Company attaches importance to the protection of independent intellectual property rights, establishes a complete IT management system, adopts professional encryption software to ensure the security of the Company's intranet, achieves effective control and complete protection of R&D materials, products and data, and prevents the confidential information and data of enterprises from the source. The Company requires that software copyrights and related patent certificates be applied to protect intellectual property rights, and a special qualification commissioner is required to keep the relevant patent certificates.

In addition, in order to encourage and promote the smooth development of intellectual property work, the Company occasionally conducts publicity and training of intellectual property protection to employees, and spreads the importance and significance of intellectual property protection to each employee.

At present, the Company has 8 patents, 50 copyrights, including 6 additional copyrights this year.

4 INNOVATION

4.1 Continuously Strengthening Product R&D

In terms of product R&D, CIC has been driven by users' demand and oriented by market to encourage innovation. Through the whole-process development and management, CIC meets the requirements of rapid product development, accurate positioning and low costs, thus enabling the commercial applications of its products.

The Company's product management is mainly consisted of four stages of concept design, planning, development and commercial application:

- At the stage of concept design: We conduct a quick assessment of the product opportunity appeal and the overall strategy, and determine the overall product demand range and alternatives;
- At the planning stage: We define products, formulate project and implement plan;
- At the development stage: We complete the design and development of the product, and produce a product which meets the related specifications;
- At the stage of commercial application: We conduct product management from the start of steady production to end of product life.



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In order to improve the Company's R&D standards and ensure its leading position in the industry, the Company has adopted a series of measures:

- We regularly organize exchange sessions and study tours for our R&D staff with their counterparts in the industry or in other industries, together with periodic market research and surveys. We also invite industry and technical experts to provide training and guidance at the Company, in addition to in-house R&D training and learning share;
- We investigate the technical capability advantages of new employees during recruitment so as to continuously improve the Company's technical level and ensure the industry advantage of R & D standards;
- We actively participate in communication activities organized by associations or organizations in the transportation industry, security industry and big data industry, etc.. We also actively participate in the early formulation of standards and the opinions and suggestions of the later stages, and improve the Company's popularity in the industry and build product brands;
- We increase investment in scientific research projects, and actively cooperate with scientific research projects of the Academy of Railway Sciences, Road Bureau and other units to maintain a leading position in the industry.

In 2020, the Company continued to increase R & D investment, and R & D was mainly focused on two aspects:

- Refactoring basic structure: unscramble product technology structure and formulate basic structure of the Company, including C++ fundamental component, qt fundamental component, algorithm and services, java fundamental component, etc., and achieve the ability of product mix to meet the rapid iteration and release of products and enhance development efficiency;
- Improving code and version specification: issue new code and version specification which makes the code more readable and easy to maintain according to the current state of research and development, and shorten the iteration release cycle of the version to meet the demand of products and on-site customers.

In the future, the Company focuses on making further breakthroughs in IoT, unified communication, computer vision algorithms. Particularly, the Company will combine the existing micro-service architecture and IoT collect adapter in IoT application, which can access swiftly to other IoT devices and applications to satisfy the planning and implementation of relevant new products.

The Company's innovative products in the field of intelligent transportation at present include:

Integrated video surveillance system (IVSS)

The IVSS is powered by the all-digital network video technology, with the related networking based on the MSTP transmission system and the IP data communication system. The IVSS consists of video region nodes, video access nodes, video collection points and equipment transmission channels. IVSS sets up the access nodes of the video surveillance system at each station along railway lines, and carries out video surveillance at the communication, signal room, GSM-R base station, interval repeater station and other places along railway lines, supporting automatic monitoring and manual monitoring modes. The IVSS provides unified video monitoring services for the duty officers, public security, communication segments and other business departments of each station along railway lines, and realizes the video resource sharing of each business department through the unified management and deployment of system resources.

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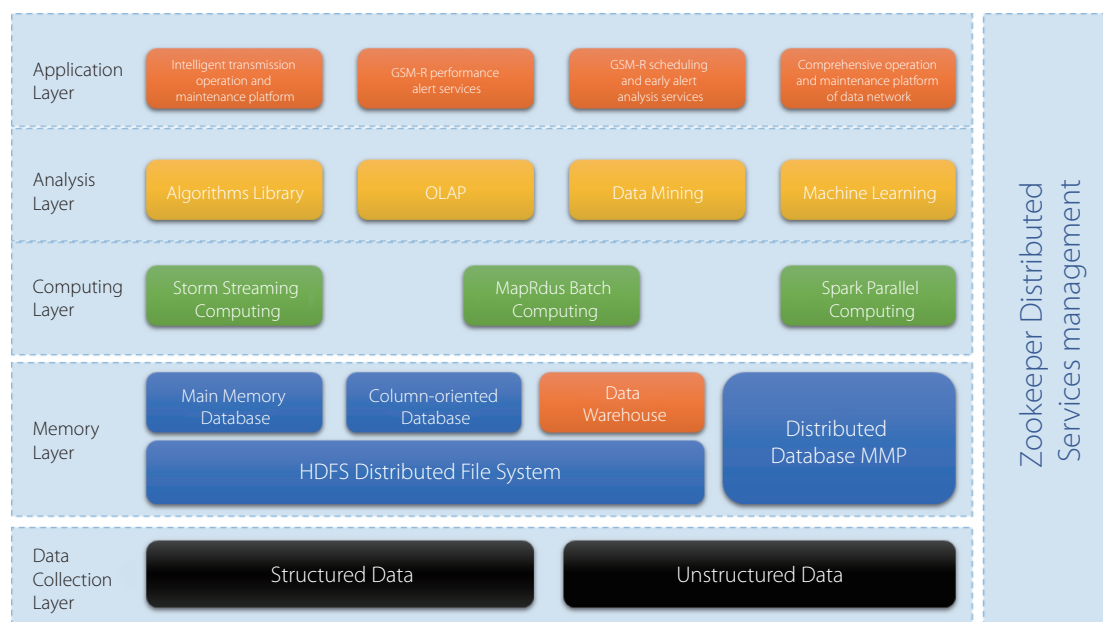


The application of the system in various road bureaus has greatly improved the safety of railways and nodes, and effectively guaranteed traffic safety. In 2020, in order to better meet the customers' multi-scene application, the system realized the support of the national standard 28181 interface development, support all kinds of equipment accessing the system to monitor the running state of each device through the SNMP protocol, make intelligent diagnosis for video image quality state, support cloud storage and video file encryption storage and other function expansion. In the future, the Company will continue to update and optimize the business demand and advance technology expansion and develop new business function according to each actual application scenario of railway. Integrating with the current cloud technology and big data technology, the Company will improve its ability of big data processing of products and business intuitive display.

Zhixun cloud

The Company developed functional modules for transmission systems, GSM-R trains, GSM-R networks and data networks. By conducting intelligent inspection and analysis of big data on key parameters or configurations of communication networks such as GSM-R, the Company can discover the hidden network hazards in advance and prevent them, meanwhile, locate the real-time location of trains, eliminate business hazards that affect traffic and other services, ensure the normal operation of trains and passenger travel safety, improve network security and operation and maintenance efficiency, and reduce maintenance costs.

In 2020, in order meet the customer demand, on the hand, the Company expanded and optimized the existing transmission section and achieved business segments management, OTN link signal flow analysis, OTN performance analysis alert and multiple network devices adaptation, the newly developed data network section is added with convenient maintenance functions to improve the efficiency of customer network maintenance and reduce the labour cost of railway communication network operation and maintenance on the other hand. In the future, the Company will deepen and broaden products and services through the mining and analysis of continuous collected data for enhancing efficiency on the existing sections, and constantly expand new areas to meet customers' business-side demands, open data platform interface to achieve data sharing to continually create value for customers.



Technology Structure



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4.2 Leading Industry, Promoting Development

CIC aims to become a leader in the railway industry focusing on the field of communications and information, focuses on railway communications through high-quality services and professional solutions, and grasps the rapidly growing market opportunities and development rhythm through strategic layouts. The Company promotes the corporate value of “integrity, professionalism, innovation, and people”, helps railway communication information management more safe, efficient and convenient. Under the background of strong demand for video high-definition, intelligent and resource integration for railway security, the Company, together with CARS Signal & Communication Research Institute and Huawei, Haikang, Dahua participated in drafting the standard document Q/CR 575-2017 to continually promote the orderly development of China’s intelligent transportation industry.

At present, the Company has formed a software product system based on multiple systems such as the safety production dispatching command system and the railway field intelligent operation system in the field of information technology. It is widely used in the railway industry. The application systems, with rich modules and multiple functions, developed by the Company has been deployed in several networks of road bureaus, which has improved network security and maintenance efficiency, good functional application feedback, and facilitated cooperative development with several road bureau customers. In addition, our products passed the test and obtained the CRCC standard certification.

In the future, the Company will continue to invest in technology R&D and deeply explore railway business while maintaining market share in traditional transmission wireless and data networks. In addition, the Company will combine with new technologies such as cloud computing and big data to continuously expand new fields while consistently optimizing the existing module functions. Accordingly, the Company will provide customers with more comprehensive services and ensure the safety of railway communication networks. At the same time, the Company will open the data platform access and share data to continuously create value for the platform and customers. The Company will continue to improve its own strength. Meanwhile, the Company will continue to promote the development of the intelligent transportation industry in China and gradually establish its leading position in the industry by virtue of its achievements and reputation in the intelligent transportation industry.

5 PEOPLE

Talent is the core competitiveness for sustainable development of the enterprise. Based on this, the Company will further advance the implementation of the “people-oriented” talent management concept, improve the employment and compensation system, respect and protect the rights and interests of employees, and provide employees with learning opportunities, provide fair and reasonable career development channels, pay attention to the physical and mental health of employees, affirm the value of employees, and strive to create a relaxed, harmonious and free working atmosphere. The Company works with its employees to strive and grow together, and makes unremitting efforts to attract talents in various fields and establish long-term and stable employment relationships.

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5.1 Employment and Rights

The Company strives to protect the rights and obligations of employees, continues to improve human resources management systems and procedures.

The Company has compiled and improved the Employee Handbook in strict accordance with relevant laws and regulations, including the *Labour Law of the People's Republic of China* and the *Labour Contract Law of the People's Republic of China*. The Employee Handbook contains the employee's code of conduct, hiring and dismissal, compensations and benefits, training and performance management and employee communication and grievance, so that human resources management can be based on evidence. Employees are tracked and coached by professionals at every link and node from entry to resignation, so that they can quickly adapt to the Company's culture and help personal growth. The Company set up face-to-face resignation interviews for resigned employees, understands the reasons for their resignation, and listens to employees' opinions and suggestions on the Company so as to achieve continuous improvement and optimization.

Employment standards: The Company upholds the concept of long-term employment and abides by relevant labour and human rights regulations, signing labour contracts timely with employees. We insist on equal pay for equal work and equality between men and women, and prohibit the use of child labour and forced labour. And we ensure equal employment opportunities and labour security for employees of different nationalities, races, genders, religious beliefs and cultural backgrounds.

As of December 31, 2020, the Company had a total of 286 employees, of whom 280 were full-time employees and 6 were part-time employees. Employee-related indicators of the Company for 2020 are shown as follows:

Indicator	As at the end of 2020 (persons)	Percentage of the year-end total
Male employees	205	71.68%
Female employees	81	28.32%
Beijing-based employees	207	72.38%
Non-local employees	79	27.62%
Employees at or under 25 years of age	16	5.59%
Employees at 25-30 years of age	43	15.03%
Employees at 30-35 years of age	83	29.02%
Employees at 35-40 years of age	89	31.12%
Employees at or over 40 years of age	55	19.23%
Employees with postgraduate diplomas	20	6.99%
Employees with undergraduate diplomas	173	60.49%
Employees with junior college degrees or below	93	32.52%
Grassroots employees	220	76.92%
Mid-level managers	52	18.18%
Senior managers	14	4.90%



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Indicator	As at the end of 2020 (persons)	Percentage of the year-end corresponding
Resigned male employees	62	30.24%
Resigned female employees	20	24.69%
Resigned Beijing-based employees	72	34.78%
Resigned non-local employees	10	12.66%
Resigned employees at or under 25 years of age	14	87.50%
Resigned employees at 25-30 years of age	17	39.53%
Resigned employees at 30-35 years of age	25	30.12%
Resigned employees at 35-40 years of age	14	15.73%
Resigned employees at or over 40 years of age	12	21.82%

Based on the current business strategic direction and business volume, the Company will streamline and optimize its organizational structure and manpower deployment to refine the work team and maintain employees' enthusiasm for work in the future.

Remuneration and benefits system

The Company strictly abides by relevant laws and regulations such as the *Labour Contract Law* and the *Labour Law*, and follows the principles of external competition and internal fairness to provide employees with competitive compensation and benefits. Meanwhile, the Company adjusts employees' salaries dynamically according to their performance and skills in light of the general compensation level in the industry.

The Company actively provides all-round benefits to employees, pays all statutory social security contributions for employees in full and on time, and provides employees with commercial insurance to provide additional protection. The Company implements the paid annual leave system. On the basis of protecting employees' statutory holiday leave in accordance with the law, we provide welfare holidays including one day of full-pay sick leave in each quarter, extra Spring Festival holiday, etc.. In addition, the Company actively provides employees with all-round benefits such as holiday gifts, birthday gifts, lunch subsidies, transportation subsidies, remote mountainous areas subsidies, marriage and childcare gifts, and funeral benefits.

The Company is committed to providing employees with more attractive compensation and benefits guarantees, guiding employees to pursue a happy life, enhancing employees' sense of belonging and happiness, while continuously improving the cohesion within the Company.

Channels of communication

The Company has especially set up public platforms such as OA system, the corporate WeChat and WeChat public account to facilitate timely communication with employees and various departments to understand related demands. The public platform provides an effective channel for communication between employees and the Company. All rules and regulations of the Company are formulated through democratic procedures prescribed by law and implemented after being publicized to employees through the public platform. Employees can also appeal and receive feedback through the platform.

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In addition, the management of the Company convenes special meetings from time to time to communicate on various matters, so as to ensure the effectiveness of internal communication, which can promote the exchange of information, enhancement understanding and coordination of actions among various functional departments and levels within the Company.

In 2020, the Company had no labour disputes caused by violations of laws and regulations, child labour or forced labour, or any social insurance violations or defaults.

5.2 Training and Development

The Company adheres to the “people-oriented” philosophy and believes that employees with sufficient skills and experience are the Company’s most valuable wealth. Under the guidance of an open, unified, innovative, and shared corporate culture, we continuously improve and deepen talent training, and take learning as the important part of core competitiveness and corporate culture of the Company. The Company continues to integrate internal and external training resources, guided by the professional development needs of employees, gradually builds a three-dimensional and multi-level training system covering all employees, and comprehensively improves employees’ professional capabilities to ensure the sustainable and healthy development of the Company.

In 2020, the Company uses various internal and external resources to continuously improve and optimize the curriculum system at all lines and levels. During the pandemic, the Company continues to organize and optimize its internal training projects through online training, such as practice in adversity, Tiancheng College and department-specific training to ensure the benign inheritance of the Company’s knowledge and the in-depth training of talents. In addition, the Company provides employees with a wealth of external training options, such as school-enterprise cooperation, Huawei partner universities, well-known forum cooperation, and external talent exchange. In 2020, the Company provided a total of 18,432.33 hours of training for employees, with a training coverage rate of 93.71%.

5.2.1 Internal training

The Company’s internal training projects include helping new business training, Tiancheng College and department-specific training:

Practice in adversity: In 2020, Beijing Municipal Human Resources and Social Security Bureau (Human Resources and Social Security Bureau) issued the Documents No. 47 and No. 48 to help the small and medium-sized enterprises overcome the difficulties of the pandemic via stabilizing employment by skill trainings. Adhering to the spirit of the Documents No. 47 and No. 48, the Company launched an online learning program called “Inviting You to Learn Together”.

The learning program takes online form and is carried out for all employees. The training covers logical thinking, communication skills, individual management and utilities commonly used in work. During the one-and-a-half month learning program, the Company’s employees focused on learning a lot of knowledge and skills, thereby improving their skill level and helping the Company and employees get through the tough times during the pandemic together steadily.



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Tiancheng College: It is a brick-and-mortar organization for the cadre management of Tiancheng Group. Tiancheng College advocates the learning culture of “reading after practicing”. The College adopts the motto of “greatness in simplicity, realization at Tiancheng; knowledge as action, live and learn”. It strengthens strategic recognition and cultural identity, and trains, selects and generates cadres. It teaches the methodologies required for the Company’s management personnel to work with, so as to realize the strategic goal of developing talents. The president and other leaders of the Company attach great importance to and participate in such trainings in succession in order to be better equipped for future work.

Due to the impact of the pandemic, in 2020, Tiancheng College adopted the online format and launched a 14-day online learning session covering 70 employees, helping mid-to-high level cadres to consolidate their management foundations and fully raise their management capabilities.

Department-specific training: According to the training needs of business departments, we seek external resources to satisfy internal training needs of departments. The participants are mostly from the same department and are expected to sharpen their department-specific business skills.

During the year, the Company’s department-specific training adopts online courses, including the online courses for product managers of pre-intermediate and intermediate class, the online courses for product managers and micro-service architecture of msup company, which help the Company’s product managers clarify the work logic and emphasis, facilitate the Company’s engineering team to understand the design and application ideas of micro-service architecture and provide effective assistance for the in-depth development of the two positions businesses.

5.2.2 External Exchange

External talent exchange projects:

Cooperation between Colleges and Enterprises: The Company works with top-notch Chinese colleges and universities in training high-end management personnel. For example, the Company has signed the “Framework Agreement on Strategic Cooperation” with Renmin University of China. Last year, the trainees were unable to graduate in time due to the pandemic. Therefore, the Company did not send new trainees to participate in the training of Business School of Renmin University of China, and the original trainees will continue to study until graduation.

At the same time, the Company designated senior executives of the financial department to participate in the special course “Enterprise Tax Planning and Recent Tax Policy Interpretation and Reform Trends” held by Renmin University of China, to help trainees understand the latest tax trends, help enterprises improve the efficiency of finance and tax management, prevent tax risks, and create healthy and safe profits.

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Huawei Partner University: The Company cooperates closely with Huawei. Combining with existing training needs and introducing Huawei's advanced technology, the two parties have jointly conducted business-related communication and training courses, such as *Training on the 5G Principles and 5G Drivers and Industry Trend & Big Data Commercial Application and Development Trend*.

The study of *Training on 5G Principles* was carried out from November 5, 2020 to November 8, 2020 for a period of 4 days, covering 23 employees in the Company's solutions division. The study helped colleagues in the solutions division learn the latest 5G principles, understand lots of Huawei's 5G products, and also recognize some obstacles that may exist in the current application of 5G in railway, so as to reserve knowledge in advance for the Company to promote 5G in railway in the future.

The study of *5G Drivers and Industry Trend & Big Data Commercial Application and Development Trend* was carried out on October 31, 2020 for a period of 1 day, covering 35 mid-level and senior managers in the Company's market line. The study helped mid-level and senior managers in the market line learn the latest knowledge about 5G and big data and understand the application of 5G and big data.

Cooperation with renowned forums: The Company cooperates with renowned forums such as China Stone and Business School of Renmin University of China, providing mid-level and senior managers with opportunities to participate in such activities as annual summits of China Stone and annual forum of Business School of Renmin University of China. The Company's employees participated in the 2020 Human Resources Annual Summit organized by the School of Labour and Human Resources of Renmin University of China through online participation, and understood the latest development trend of the current domestic human resources, which is conducive to the follow-up talent development and organizational development of the Company.

In 2020, the Company provided training for a total of 268 employees, with a training coverage rate of 93.71% and a per capital training time of 68.78 hours. The proportion of training time by gender and level is shown in the figure below:

Indicator	End of 2020 (Persons)	Percentage of the corresponding number at the end of the period	Average training time (hours)
Male employees under training	195	95.12%	68.24
Female employees under training	73	90.12%	70.22
Grassroots employees under training	209	95.00%	72.00
Mid-level managers under training	51	98.08%	56.00
Senior managers under training	8	57.14%	65.99

In 2021, CIC will build a three-dimensional online and offline training system, introduce more excellent courses, train more lecturers, and carry out more long-term talent development projects. At the same time, CIC keeps close to the Company's business, popularizes basic product knowledge, consolidates basic capabilities, and cements a solid foundation for business development.



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5.2.3 Promotion of Employees

The Company values the career development of each employee, encourages employees to formulate their personal career development plans under the guidance and help of the Company, and provides employees with multi-channel development space, including professional channels, technical channels and management channels, to stimulate personal advantages and guide them to exert the most value in the areas where they excel.

The Company constantly improves and optimizes the assessment and incentive mechanism, adheres to the principle of “striver-oriented”, takes the contribution and value created by the employees as an important basis for examining the personal work effectiveness, promotion and appointment, and tests the working level of the employees through the work results. The Company grants honor to the employees at different positions and levels who are constantly striving and making contributions. Meanwhile, it also opens up the promotion channel and provides material incentives, to formulate a positive incentive and establish a system of rewarding the diligent and punishing the slothful, rewarding the good and punishing the bad, an incentive culture of unifying enterprise service and realizing personal value is shaped thereon.

The Company has established an inventory system for qualifications. According to the post qualification model, the Company makes an inventory of the existing staff every year, evaluates the staff's ability through evaluation, examination, defense and other links, combines with the annual performance assessment, and finally evaluates whether the employee meets the post requirements. In addition, the Company provides employees with promotion opportunities based on the assessment results and job requirements.

In 2020, the Company continues to optimize and improve employee promotion mechanisms and promotion channels, empowers employees at all levels in all business lines, and helps employees achieve their career change and promotion. The Company improves the *Management Measures for Reserve Cadres*, promotes the construction of the Company's reserve cadre team, realizes the standardization and institutionalization of reserve cadre selection, training and management, ensures that outstanding employees with responsibility, professionalism and dedication, loyalty to the Company and outstanding contributions will be selected to the Company's cadre reserve pool, and adopts various ways to carry out management activities of purposeful, planned cultivation and training for employees. For reserve cadres, the Company has carried out the training project of reserve personnel, which is taught through online learning + theme summary + achievement exhibition and other forms. The courses include six big categories and 180 class hours in total, improve the interest in teaching, and carry out the training from multiple dimensions, such as self-management practice, cross-team cooperation, thinking and decision-making. The Company empowers reserve cadres to make them can reserve more skills in advance, broaden working ideas and create more value when facing future challenges and development.

5.3 Health and Safety

In order to enhance employees' health and safety and ensure the Company's smooth operation, the Company attaches great importance to the employee welfare and pays close attention to each employee's safety and health. On the basis of strictly abiding by the relevant laws and regulations such as the *Law of the People's Republic of China on work safety*, the *Law of the People's Republic of China on Fire Prevention* and the *Law of the People's Republic of China on Occupational Disease Prevention and Control*, the Company took a series of measures to fully protect the health and safety of employees.

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Physical examinations: The Company organizes physical examinations for its employees every year and designs targeted physical examination projects by gender and age. After the annual physical examination, the Company communicates with the employees for their experience and suggestions on physical examination, and adjusts projects in time according to their needs.

Buying insurance: The Company proactively purchases personal accident insurance and major illness insurance for its employees, and at the same time insures employees for supplementary medical insurance as a supplement to social insurance. For the employees who suffer accident, the Company gives active support and rescue.

Precautionary exercise: In October 2020, the property department organized a fire drill for all employees in the Company's building, which enhanced employees' safety awareness.



The Fire Training Site

Health promotion: The Company regularly organizes health consultation, publicizes first aid knowledge, and helps employees improve their own health awareness and investigate potential health hazards. During the period of COVID-19, the Company issued the measures to prevent the pandemic through its official account to help employees better cope with the risk of the pandemic.

Pandemic protection: During the period of COVID-19, the Company sets up a special pandemic prevention and control team for the first time, with senior executives serving as the team leader and deputy team leader, and attaches great importance to the health and safety of employees during the pandemic. The Company also daily monitors the temperature and health of all staff, timely distributes pandemic prevention and control materials, such as masks for staff and their families, and provides a high level of protection for the staff on duty in the unit. During the pandemic, in order to protect the health and safety of employees, the Company adopts a flexible working mechanism and gradually returns to work in the form of home office and job rotation. After the resumption of work, the public areas are disinfected regularly, pandemic prevention masks, waterless sanitizer and disposable gloves are distributed daily, and lunch is provided to ensure the safety of employees.



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Occupational health

The Company is committed to building a safety culture, creating a healthy and safe working environment for employees, and preventing the safety risks to employees' occupational health, such as improving office facilities in the office, purchasing office supplies from regular manufacturers, and ensuring product quality and environmental protection.

The Company has taken the following measures to promote employees' occupational health:

- **Family-friendly measures:** Give flexible working hours to pregnant and lactating employees, provide employees with maternity and paternity leave higher than required by law.
- **Safety and health training and advocacy:** All employee induction training content covers occupational safety and health; headquarters and its subsidiaries hold safety production activities and training from time to time; the theme of employee activities is centered around sports and healthy life.
- **Safety risk assessment in the workplace:** Check the safety measures of the office building and the project sites on a regular basis, especially assess the safety risk of the water and electricity facilities, and carry out inspections to prevent fire, theft and others.



Staying Alert While Returning to Work Prevention and Control Comes First in Combating COVID-19

- ✓ Wear a mask correctly
- ✓ Convenient travel priority is given to walking, cycling, or taking a private car or shuttle bus
- ✓ Wear a mask all the way on public transportation, and try to minimize contact with items on the public transportation
- ✓ Keep a distance of more than one meter between people
- ✓ Please wear a mask while in office
- ✓ Wash your hands frequently, drink plenty of water, and ventilate every day
- ✓ Reduce meetings and control time
- ✓ Stagger morning and evening rush hours as early as possible
- ✓ Wash your hands and disinfect when you get home
- ✓ Wipe mobile phones and keys with disinfectant wipes or 75% alcohol

Slogans for Pandemic Prevention and Control

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The safety management of workers in on-site engineering

➤ **Establish a safety management organization and allocate full-time safety management personnel:**

Establish a project safety leadership group with project managers as the chief safety officer, on-site safety officers, project technical leaders and project team leaders as its members, responsible for from start to completion of the whole process of safe production.

- The allocation of full-time safety management personnel must comply with the provisions of the *Measures for the Establishment of Safety Production Management Institutions and the Distribution of Full-time Safety Production Management Staff in Construction Enterprises* and have three requirements: First is that they must have certain professional knowledge and safety management skills to be able to discover hidden safety hazards, know how to deal with hidden dangers, and at the same time be able to organize relevant personnel to carry out related safety production activities; the second is to have a rigorous work style, namely, “diligent and meticulous”, a strong sense of responsibility; the third is to have a service mentality and modesty.

➤ **Establish, improve and strictly implement the safety production responsibility system and various management systems:** The safety production responsibility system is an important organizational measure to do a good job of safety, and is the core and central link of safety production management.

- Make clear stipulations on the responsibilities, rights and benefits of the responsible persons at all levels, functional departments and various types of construction personnel in the process of construction;
- The *Safety Production Responsibility Letter* is stipulated in accordance with the job responsibility system of management personnel and implemented and signed level by level, so as to meet the requirement of “Supervisor is responsible; Person who is on duty is responsible”, and investigate related responsibilities as required.

➤ **Define safety production goals and formulate safe construction organization design:** According to the project situation, the Company formulates practicable safety production goals, and clarifies the standards to be achieved for on-site safety management, such as safety investment, civilized construction goals, so that safety management has a clear direction. Meanwhile, the person in charge of the project technology must compile relevant and targeted safe construction organization designs and plans to play a guiding role in on-site safe construction.

➤ **Strengthen education and training, and do a good job in safety technology disclosure and team safety activities:** “Accept training first before on duty”. To ensure safety, training must come first. Adhere to the principle of training before on duty, and the principle of no entry without passing the exam.

- Value and strictly implement safety education and training for new workers and migrant workers entering the field;
- Safety education must be combined with the actual situation of the project, and resolutely put an end to “the fake, the exaggerated, the impractical” and other articles.



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- **Carry out safety inspections, flexibly apply normative standards and immediately rectify any hidden dangers.** Relevant personnel carry out a detailed inspection to the field every day. The inspection standards must be “strict” and “accurate”. When any hidden danger is discovered, rectification should be proposed “as required”, and the rectification requirements should be agreed in accordance with the relevant norms and standards and the actual situation of the field.

In 2020, the Company did not violate any relevant laws and regulations that have a significant impact on the Company. The number and rate of work-related deaths in the Company from 2018 to 2020 are shown in the table below.

	2020	2019	2018
The number of work-related death (Persons)	0	1	0
Work-related death rate	0	0.31%	0
The number of working days lost by employees due to work-related injuries (days)	0	0	0

5.4 Care and Cohesion

5.4.1 Employee Care

In order to enhance employees’ sense of belonging, the Company organizes a variety of activities relating to employee care, providing employees with a platform to show their talents and to communicate with each other. Such initiatives not only satisfy employees’ psychological needs but also enhance their happiness.

- **Employee birthday party:** The Company organizes birthday parties for its employees on a regular basis and mobilizes the work enthusiasm of the employees as well as creates an atmosphere of unity, mutual assistance and fraternity.
- **Sweet pantry and employee dormitory:** The Company has considerably established a pantry and coffee house where are equipped with direct drinking water equipment and also provided employee dormitories for colleagues who work overtime. Employees can take a break from work, which improves the comfort and happiness level of employees.

Employee care plan: Make a year-round family condolences plan and implement condolences in accordance with the plan (mainly for frontline employees and employees who travel frequently); Increase team building activities before the holidays (Such as New Year’s Day, Spring Festival, Lantern Festival and Dragon Boat Festival). Motivate employees to participate in team building activities, create an atmosphere of corporate culture and enhance employees’ sense of belonging; Establish standards for employees’ family members’ condolence money (newborn baby condolence, immediate family members’ death condolence money) based on job rank.

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Employee benefits for the Dragon Boat Festival

The Company respects traditional culture and cares for employees. During the traditional Chinese Dragon Boat Festival and Mid-Autumn Festival, the Company issues holiday benefits and condolences gifts to employees, and sends its care and holiday wishes to them.

Children are the root of happiness in every family and the foundation of stability behind the enterprise. The Company presents gifts to employees' children on Children's Day under the principles of exquisiteness, generosity and meeting the needs of children, and shares the joy with employees' children. The above reflects the Company's humanistic feelings and the service consciousness of caring for employees' children with practical actions, and builds harmonious and active corporate atmosphere.

5.4.2 Cohesion against Pandemic

Ensuring the needs for pandemic prevention

In the face of the sudden outbreak of COVID-19 in 2020, the Company, on the basis of attaching importance to scientific protection and ensuring the safety protection of employees, solved the actual needs of employees and continued to take care of their physical and mental health.

In the early stage of the pandemic, the Company set up a targeted prevention and control team for the employees who were in Wuhan or had been on business in Wuhan to track the health status of the employees in real time. For employees who were unwell, the administrative department was responsible for regular communication and attention to assist them in coping smoothly. During the period when the pandemic was most intense and the country was in short supply of pandemic prevention materials, the Company overcame difficulties to purchase a large amount of pandemic prevention materials, and timely mailed and distributed pandemic prevention masks to employees to ensure the pandemic prevention needs of all employees in the office and their families in daily use. At the same time, the Company provided special support for anti-pandemic expenses. If there are employees who are unwell, the Company will reimburse the remaining medical expenses in addition to the medical expenses borne by the state.

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Distribute Pandemic Prevention Materials to Employees

In addition, the Company's property department also took a variety of measures during the pandemic to ensure the continuous protection work. During the pandemic, the property department immediately wrote the *Implementation Plan for Pandemic Prevention and Control in Building 204* and sent it to the administrative department of each company, arranged special personnel to carry out circulation disinfection in the building every day, and made and posted various warm tips on pandemic prevention safety to improve the prevention awareness of employees. The property department strictly controlled the personnel entering and leaving the building, conducted temperature tests and checked the "Health Kit" for them. It also actively responded to the requirements of the government authorities, informed the issued requirements and standards to the administrative departments of all companies in the building as soon as possible, ensuring the health and safety of the office.

During the pandemic, in addition to paying attention to the fundamental safety and health of employees, the Company also provided employees with detailed life services based on their needs to enhance their sense of participation, belonging and happiness.

In order to facilitate the employees to have haircuts during the pandemic, the Company contacted professional barbers for door-to-door services. The Company set up a special salon for employees, including boys' and girls' salon, and provided haircutting services for front-line employees who are struggling with their posts. At the same time, special attention was paid to pandemic prevention and control measures during the event, such as tracking the health status of barbers in advance, disinfecting tools and wearing masks throughout the haircut.

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6 INTEGRITY

6.1 Eliminating Corruption in Accordance with Law and Regulations

Combating corruption and upholding integrity work is a significant component of enterprise management and also a critical link to self-restraint mechanism. Strengthening the combating corruption and upholding integrity work of enterprises is an internal requirement for boosting the reform and development of enterprises, but also forms a necessary option to regulate enterprise operation management activities.

In 2020, CIC made earnest efforts in anti-corruption and integrity-building, strictly abiding by the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and other laws and regulations. In order to prevent corruption, bribery, extortion, fraud, money laundering and other illegalities, the Company has constantly improved its internal anti-corruption supervision mechanism, and strengthened integrity publicity and education on employees, so as to enhance the vigilance of employees against corruption. As a result, a good atmosphere of discipline and law compliance, integrity and self-discipline, and honesty and trustworthiness is formed.

The Company mainly completes the combating corruption and upholding integrity work mechanism among the following aspects, so as to improve its actual efficiency:

- In terms of the internal anti-corruption supervision mechanism, the Company implements the relevant requirements of the regulatory agencies on anti-corruption work, effectively exerts the effective role of internal linkage meetings, makes full use of internal supervision resources such as audit, law, financial accounting and risk, and continuously improves internal anti-corruption supervision mechanism from senior management to key positions to clarify and implement the anti-corruption responsibilities of personnel in various departments. Procurement and related procurement employees are responsible for their own integrity and self-discipline, and all members of the Company supervise the integrity and self-discipline involved in procurement. Regarding the integrity risks and blind spots of supervision and restriction that may exist in the internal control management, the Company has established a scientific investigation plan, carried out the investigation by relying on the information network platform of the Company, and formulated corresponding anti-corruption measures according to the investigation results.
- In terms of strengthening integrity education among employees, the Company is committed to increasing employees' awareness of professional ethics and anti-corruption and further increases efforts to education on integrity so as to create an atmosphere of integrity. The Company increases training on combating corruption and upholding integrity in the departments involved in purchasing so as to improve their anti-corruption awareness. The Company requires its employees to carefully study the relevant anti-corruption regulations in the Employee Handbook: Employees must not use their positions for personal fraud and bribery, and severe punishment will be imposed on those who commit serious misconduct. At the same time, the Company conducted relevant training to enhance employees' awareness of the risk prevention of corruption. In 2021, the Company will carry out the training of "Enhancing the Awareness of Integrity and Self-discipline, Building a Solid Foundation for Anti-corruption and Refusing to Degenerate" to enhance employees' awareness of risk prevention of corruption.



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- In view of possible corruption in its economic business processes, the Company has adopted supervision and control procedures at critical points, with continuous improvement of the approval process regarding the reimbursement of marketing expenses. In addition, we have properly concentrated or decentralized power to form an effective system of checks and balances so as to avoid any corrupt practice.
- The Company has set up a special complaint department to accept corruption reports from within the Company. The acceptance and investigation process of the reports are strictly confidential, avoiding disclosing the personal information of the reporters and complying with its own professional norms and ethics.

The Company requests the incorporation of anti-corruption clauses in contracts with its core suppliers and customers, among others:

- The supplier should warrant that it will reject any request for bribes by employees of the purchaser and will file a signed complaint to competent departments of the purchaser. The supplier shall be deemed to offer bribes to the purchaser if it entertains any request for bribes by employees of the purchaser instead of rejecting or reporting the same;
- The supplier should warrant that it will not engage in any economic relations with employees or relatives of the purchaser and shall declare any affiliation if have. In the event of any de facto affiliation, the supplier should warrant that it will no longer engage in any business with the purchaser;
- The supplier should also guarantee adherence to the principle of good faith during the contractual performance, ensuring the truthfulness and accuracy of the documents, information and data it provided for the purchaser. The supplier should warrant that it will not collude with employees of the purchaser to falsify business results. The supplier shall guarantee that abide by the commitments made to the purchaser, the contracts, agreements and memoranda signed by the two parties, and do not conceal any information that may affect the interests of the purchaser.

Meanwhile, the Company strictly deals with the procurement employees and suppliers who violate relevant regulations, commitments or terms. For procurement employees who have violations, the Company has the right to unilaterally and irrevocably terminate the labor contract, and reserves the right to hold the parties responsible; for suppliers who have violations, the Company will first put them on the supplier blacklist, disqualify the supplier and have no responsibility for terminating the business contract. At the same time, the Company will hold the suppliers legally responsible and claim compensation for losses in accordance with the terms of the commitment guarantee.

In 2020, the Company did not find any significant risks relating to corruption and was not subject to any confirmed corruption cases involving the Company or any corruption litigation against the Company or any of its employees. In the future, the Company will continue to place priority on anti-corruption and integrity, strengthen supervision of anti-corruption department, expand the scope of external supervision, establish a sound internal audit system, and provide a green guarantee for the healthy development of the Company.

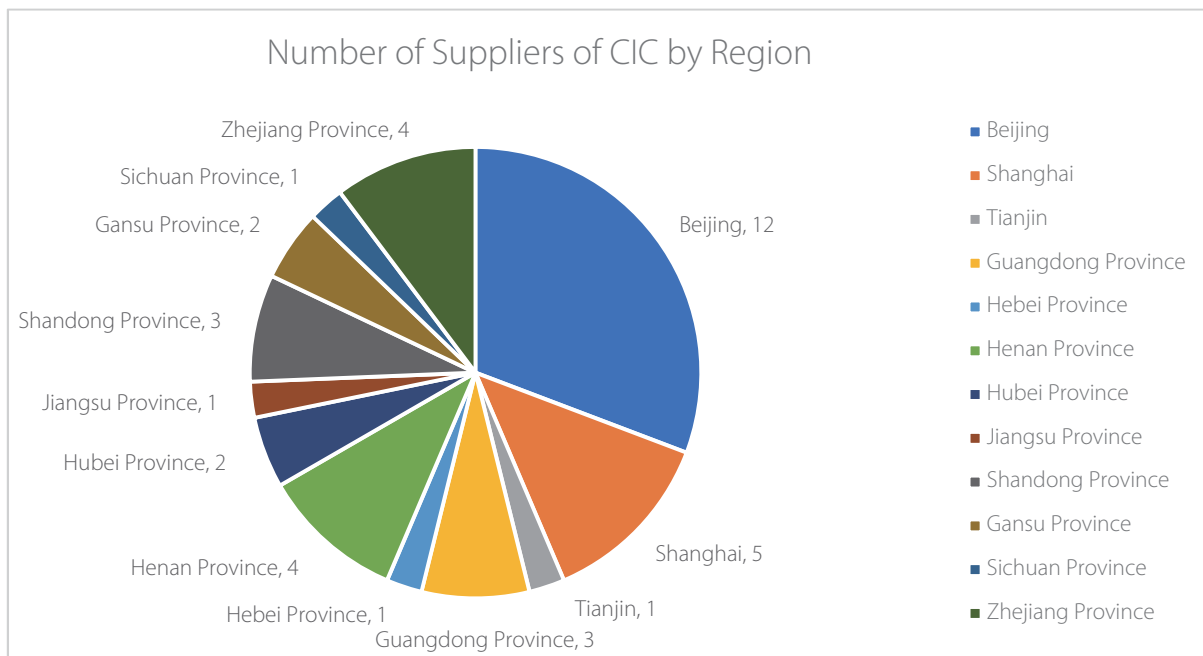
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6.2 Conducting Compliant Procurement to Ensure Quality

Sincere cooperation with suppliers is an important guarantee for CIC to realize the Company's strategy, and it is also an inexhaustible driving force for the Company's development. The Company values communication with suppliers, actively builds cooperation platforms, and strives to establish closely long-term and mutually beneficial cooperative relationships with suppliers, and work together to provide customers with quality products and services to promote the sustainable and stable development of the industry.

In order to meet the requirements of the Company's development, regulate the behavior of the Company and related cooperation units, guide the cooperation units to improve service awareness, in accordance with the relevant laws and regulations of the *Contract Law of People's Republic of China* and relevant regulations relating to the Company, under the principles of complementary advantages, equality and voluntary, CIC has formulated the Supplier Management Measures. In addition to the main supplier, Huawei Technologies Co., Ltd., the Company's suppliers also include cable suppliers, cabinet suppliers, computer suppliers, etc.. The Company currently has 67 suppliers. The number of suppliers of the Company by region is shown in the figure below (excluding the suppliers of AHLONE power plant):





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Access of suppliers

The Company adopts the database of qualified suppliers to implement supplier access management. The Company adopts a supplier access qualification certification system, which mainly evaluates suppliers from their qualifications (including registered capital, whether they have obtained relevant certifications required by the industry, product testing reports, etc.), business scale, financial condition and industry reputation and other aspects. For suppliers involved in related environmental and social risks in the production process, the Company requires such suppliers to have "Environmental Management System Certification", "Occupational Health and Safety Management System Compliance Standard Certificate", etc.. For the purchase of large-scale equipment, the Company's procurement department and product department will go to the supplier's factory to conduct an on-site assessment in respect of environmental, safety and quality. Only qualified suppliers can enter the supplier database. During the year, 67 suppliers of the Company adopt the supplier access system.

Bidding for the project

For general products, the Company will conduct bidding in the supplier database at the beginning of each year, and the evaluation criteria include the supplier's product quality, price and cooperation status in the previous year; For the single bidding of non-general products, the Company determines the qualified bidding of suppliers according to the process screening criteria introduced by new suppliers, and investigates the suppliers in terms of environmental protection according to the needs of users. The suppliers shall have the certification certificate of environmental license.

Performance process management of suppliers

The Company carries out strict inspection and supervision in the process of supplier performance, especially in terms of environmental and social risks. We strictly manage the supplier personnel to ensure that the supplier personnel meet the on-site needs. We pay attention to the project process management of suppliers to ensure that the progress, quality and cost of the project are controllable. At the same time, we strictly supervise the suppliers and require them to make technical and safety disclosure to guarantee the skills and personal safety of the personnel on the project site.

Annual assessment of suppliers

According to the cooperation with suppliers in the current year, the Company will conduct comprehensive evaluation from the aspects of product quality compliance, price, supply cycle, after-sales service cooperation, etc., these evaluations would be deemed as the criteria for whether the supplier can continue to be a qualified supplier of the Company and the purchase quantity in the next year.

Green procurement

The Company shall consider the environmental performance of products when selecting suppliers, to ensure that the products purchased meet the requirements of relevant environmental indicators, and give priority to purchasing green products under the same conditions.

For the suppliers management in the future, the Company will continue to strengthen the standardization and timeliness, and tend to choose to cooperate with well-known brand manufacturers on the basis of social responsibility.

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7 SUSTAINABILITY

CIC always believes that it is duty-bound to promote sustainable development. We strictly abide by laws and regulations related to environmental protection, including the *Environmental Protection Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China*, etc.. The Company practices green concepts and builds a low-carbon society. And we acknowledge the goal of synergistic development of economic and environmental benefits. While developing our business, we thoroughly implement the concept of energy conservation and environmental protection, and we take various measures to achieve clean, efficient, green and smart development.

7.1 Creating Green Office and Eliminating Waste

Adhering to the principle of “Energy Conservation, Reduction of Energy Consumption, Protection of the Environment and Harmonious Development”, the Company carries out proactive publicity within the Company, strictly implements austerity and green office, follows the philosophy of green development and green and low-carbon requirements, and effectively reduces unreasonable consumption behavior. As a non-production high-technology company, CIC actively implements the philosophy of energy conservation and consumption reduction, creates a green and environment-friendly business model and strives to be the faithful practitioner of the “resource-saving” society.

Energy consumption

Energy is an important material foundation for national economic and social development. Energy shortage has become an important factor restricting the sustainable development of the national economy. CIC attaches great importance to issues related to energy use, and actively promotes energy conservation, reduction of energy consumption and emissions reduction.

Energy consumed by the Company during its operation mainly involved the use of gasoline for business vehicles and the use of electricity in office areas. Table of use of gasoline and electricity (excluding AHLONE power plant) by the Company in 2020 are as follows:

Energy consumption and intensity of the Company

Energy type	2020		2019	
	Energy use	Intensity	Energy use	Intensity
Gasoline	8.76 tonnes	–	18.50 tonnes	–
Electricity	871,109.16 KWh	163.58 KWh/m ²	849,201.34 KWh	166.10 KWh/m ²
Integrated energy ¹	975,986.82 KWh	3562.00 KWh/person	1,070,689.54 KWh	3,356.39 KWh/person

The Company takes the establishment of an energy-saving culture as the lead to enable employees to develop a good habit of saving electricity, water and protecting the environment. The Company's administrative department cooperates with property management and maintenance to ensure better implementation and management of energy-saving work.

¹ The calculation of integrated energy consumption: the sum of the Company's gasoline and electricity consumption multiplied by the corresponding emission factors. For the emission factor, please refer to the China Energy Statistical Yearbook.



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In 2020, the Company adopted the following measures to save energy:

- Save electricity for lighting. Offices and other public areas make the best use of natural light during the day to reduce the use of lighting lamps; reduce the number of lamps in places with low lighting requirements, such as public areas, corridors and aisles, and prevent the occurrence of “lamps which burn day and night”.
- Save electricity for air conditioning. Control the air-conditioning temperature of the office, conference room and other office areas. The temperature should not be lower than 26°C in summer and not higher than 25°C in winter. The security guards should conduct patrol inspection on whether the window is closed when the air conditioning is turned on. Based on practical research from the Company's property department, which finds that maintaining low-temperature operation at 19°C at night is more power-efficient than shutting down at night and starting in the morning, while employees feel more comfortable working in the morning.
- After work and during weekends and holidays, security guards should patrol the building every hour, switching off lights in unoccupied office areas at once; only one elevator shall be open, the other one is open as the case may be.
- When purchasing computers, printers, refrigerators, etc., priority is given to low-power models.
- In order to save gasoline consumption and reduce the cost of vehicles, the Company recharges fuel cards in a fixed amount according to the vehicle's displacement and frequency of use; The Company should strengthen the management of business vehicles and rationally arrange cars for official use. Reduce unnecessary use of business vehicles and choose green travel modes.

By 2020, the company has achieved the target of saving fuel by 5% on the basis of 2019, and will strive to achieve the target of saving electricity by 5% and reducing per capita energy consumption by 5% in this year to practice energy conservation and emission reduction.

In terms of water resources management, the Company adheres to strengthen employees' awareness of water saving, develops water recycling as appropriate, and improves water resource utilization efficiency; meanwhile, the Company strictly complies with laws and regulations related to water resources formulated by the State and a special qualification commissioner is responsible for water saving management and supervises the implementation. During the operation of the Company, water resources are mainly used for drinking and cleaning. During the year, the Company did not have any problems in obtaining suitable water sources. Table of use of water resource (excluding AHLONE power plant) by the Company in 2020 are as follows:

The Company's water consumption and intensity

	2020	2019
Water consumption in total (m ³)	1,037.52	642.74
Intensity of water consumption (m ³ /m ²)	0.19	0.34

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In 2020, the Company adopted the following measures to improve the utilization efficiency of water resources:

- Enhance inspection management. Maintenance staff of the property company conducts two patrols each day, one in the morning and the other in the afternoon, covering office areas, equipment rooms, toilets, water meter rooms, etc., in order to avoid running, emitting, dripping and leaking and other phenomena;
- Timely troubleshooting. In case of any running, emitting, dripping and leaking and other phenomena, deal with it as soon as possible, analyze the cause of the troubles and formulate a maintenance plan; If need the construction party's cooperation, such maintenance staff should actively contact them to repair and restore the original condition as soon as possible;
- Cultivate awareness of water conservation. The Company organizes and conducts the training about saving water. All leaders set a good example and take consciously more care of water facilities with staff. Promote employees to save water, if any water waste is found, the property management department will warn and punish according to the seriousness of the situation;
- Strengthen water recycling. Under reasonable circumstances, increase the recycling and reuse of water resources. For example, the cleaners can flush the toilet with water used during the cleaning process.

With regard to the use of packaging materials, the Company's products are distributed directly to customers by our provider Huawei, and no packaging materials are generated during the operation.

In 2021, the Company will continue the management objectives of the previous year and strengthen the energy conservation and environmental protection and respond to the climate change. Specific management plans include:

- Make monthly statistics on electricity consumption and compare with last month's data to find and solve problems and save energy from hardware equipment; Promote the use of new energy-saving and environment-friendly products in administrative offices, regional offices and other daily workplaces, encourage the use of energy-saving facilities and appliances, and eliminate products that do not meet the national energy-saving standards.
- Keep the energy use target at the same level as that of the previous year, re-examine the energy use specifications, check leaks and fill the vacancy, put forward high standards and requirements on the building's hardware equipment and the management of tenants as far as possible, and standardize the work flow of department personnel to strengthen the management of energy use.
- Write the management norms related to water conservation into the Building User Manual, and formulate penalties for the behavior of wasting water resources to strengthen employees' awareness of water saving; check the annual water consumption data, make training plans for the administrative departments of each tenant company in the building based on the actual cases; achieve the target of water saving by 5% on the basis of 2020.
- Strengthen the management of water supply and use facilities, repair damaged water supply and use facilities in time, put an end to the phenomenon of running, emitting, dripping and leaking, and control the leakage rate of pipe network at 100%.



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- Formulate emergency response plans for extreme weather, for example, emergency response work that department personnel need to be involved during windy weather, blizzards and rainstorms, and make relevant emergency plan training and emergency drill.
- Comprehensively and systematically plan the time of turning on and off lights and the start and stop time of air conditioning cooling and heating period in each area of the building.

7.2 Controlling Emissions, Reducing Pollution

Solid wastes generated during the operation of the Company mainly come from the office process, including waste papers, ink cartridges, toner cartridges, batteries, etc.. Amongst, ink cartridges, toner cartridges and batteries may cause environmental pollution. The table of the Company's hazardous and non-hazardous solid wastes emission and per capita intensity in 2020 is as follows:

The Company's emission volume of wastes and intensity

Wastes	2020		2019	
	Emission volume of wastes (Kg)	Per capita intensity (Kg/person)	Emission volume of wastes (Kg)	Per capita intensity (Kg/person)
Ink cartridge	183.50	0.64	187	0.59
Toner cartridge	158.50	0.55	168	0.53
Fluorescent tube	15.00	0.05	22	0.07
Battery	61.60	0.22	69	0.22
Paper	4,125.00	14.42	4,250.00	13.32

The Company has adopted the following measures to control emissions, reduce pollution, and achieve energy conservation and emissions reduction:

- Dispose of waste reasonably. Set up waste recycling bins, sign with recycling companies and contact suppliers to recycle batteries and ink cartridges, and other hazardous solid waste is delivered to a qualified third-party unit for processing avoiding contamination; non-hazardous solid waste is collected and delivered to a waste paper recycling station.
- Reduce paper usage. Promote paperless office and reduce unnecessary printing content; paste a sign in relation to saving paper, energy conservation and environmental protection in the printing room to remind printer users, and promote double-sided printing.
- Implement garbage classification. In compliance with the Beijing Administrative Regulation on Waste Sorting, the property department replaced the rubbish bins in the building in accordance with the property requirements of the park. The property department sets up clearly marked sorting bins on the floors, sends emails to each tenant company for notification, and provides on-site guidance during the peak hours of garbage collection. The cleaning staff transports the garbage in the bucket to the garbage station in the park for secondary classification every day, so as to avoid garbage confusion and ensure the efficiency of classification.

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In 2020, the total domestic sewage discharged by the Company was 829.50 cubic meters. The exhaust gas and greenhouse gas emissions of the Company mainly came from the power generation process of the AHLONE power plant during the year, and a small part came from the business vehicle exhaust and office power consumption of the Company. The main emissions are shown in the table below:

The Company's exhaust and greenhouse gases² emissions and intensity

Type	Emission Volume	Unit
Sulphur dioxide	4,851.62	kg
NOx	47,614.01	kg
Particulate matter	6,404.73	kg
Direct GHG emissions	791,247.83	tonnes of Carbon Dioxide Equivalent
Indirect GHG emissions	535.12	tonnes of Carbon Dioxide Equivalent
Total GHG emissions	791,782.95	tonnes of Carbon Dioxide Equivalent
GHG emission intensity	8.51	tonnes of Carbon Dioxide Equivalent per million in business income

The Company achieved the goal of reducing GHG emissions by saving energy. For example, the Company advocated low-carbon travel for employees. At the same time, the Company arranged regular and scheduled shuttle buses between the industrial park and nearby metro stations. In addition, it strengthened green plant deployment and created a comfortable office environment.

In 2020, the Company will continue its management goals of the previous year. Specific management plans include:

- Continue to actively cooperate with companies with professional waste disposal capabilities to complete waste disposal;
- Increase the publicity of environmental protection, promote green travel, and insist on the implementation of waste sorting.

In 2020, there were no confirmed cases relating to any violation of environmental laws or regulations with a significant impact on the Company.

²

The calculation of GHG is as follows:

Direct GHG emissions: gasoline and natural gas consumption of the Company is multiplied by the corresponding emission factor. For the emission factor, please refers to ① China Energy Statistical Yearbook ② IPCC 2006;

Indirect GHG emissions: outsourcing power consumption of the Company is multiplied by the corresponding emission factor. For the emission factor, please refer to the Notice Regarding Carbon Emissions Reporting and Verification and Emissions Monitoring Program for the years 2016 and 2017 issued by the General Office of the State Development and Reform Commission (《國家發展改革委辦公廳關於做好2016、2017年度碳排報告與核查及排放監測計劃制定工作的通知》);

Total GHG emissions: Sum of direct GHG emissions and indirect GHG emissions.



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7.3 Responding to Climate Change Actively

Although climate change has an immaterial impact on the Company, we still plan to take some countermeasures based on the assessment results of important issues and the characteristics of the Company's business. We plan to propose emergency solutions for extreme weather, such as strong winds, blizzards and rainstorms. For the emergency handling work involved, we will conduct relevant emergency plan training and emergency drills. At the same time, we strive to reduce unnecessary energy use and pollutant emission in the operation process, such as advocating the saving of electricity, reducing electrical appliances and other harmful waste emissions, setting up harmful waste recycling bins, and signing a recycling company to recycle batteries and ink cartridges to avoid pollution. In the future, we plan to increase publicity on energy conservation and environmental protection, promote green travel, and implementation of waste sorting, which is the responsibility of everyone.

8 BENEVOLENCE

As a responsible social citizen, CIC adheres to the development philosophy of "Benevolence", actively participates in community public welfare undertakings, assumes corporate social responsibilities and obligations, feeds back the society with responsibilities and public welfare, and establishes a good corporate image, sublimates the corporate culture, and improves employees' sense of honor.

Affected by the COVID-19 pandemic and taking into account the requirements for pandemic prevention and control, no public welfare activities were organized by the Company during the year.

In 2020, the Company strenuously enhanced its efforts in campus recruitment. Ten colleges and universities were covered in autumn campus recruitment, including North China Electric Power University and Yanshan University, etc.. The Company recruited graduate students and issued more than 20 offers. The positions include communication network engineers, project managers, R&D personnel, etc., providing a variety of employment opportunities and providing effective help for solving the employment problems of graduate students during the pandemic.

In 2021, the Company will continue to cooperate with colleges and universities, further increase the position of campus recruitment, carry out large-scale campus recruitment in spring and autumn and provide more employment opportunities for students of industry-related institutions.

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9 APPENDIX

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B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	75	6.1 Eliminating Corruption in Accordance with Law
B7.2	Description of preventive measures and whistle-blowing procedures and how they are implemented and monitored.	75	6.1 Eliminating Corruption in Accordance with Law
B7.3	Description of anti-corruption training provided to directors and staff.	75	6.1 Eliminating Corruption in Accordance with Law

Environmental, Social and Governance Report



ESG Reporting Guide		Page	Content
Community			
Aspect B8: Community Investment			
B8	General disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	84	8 Benevolence
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	84 49	8 Benevolence 2 Features: Responding to the Call of "The Belt and Road", Exploring the Overseas Infrastructure Construction Market
B8.2	Resources contributed (e.g. money or time) to the focus area.	49	2 Features: Responding to the Call of "The Belt and Road", Exploring the Overseas Infrastructure Construction Market



Director and Senior Management

BOARD OF DIRECTORS

As at the date of this report, the Board consisted of five Directors, two of whom are executive Directors, three are independent non-executive Directors.

The table below sets forth certain information regarding the Directors who held office as at the date of this annual report:

Name	Age	Title
Mr. Liao Jie	55	Chairman and executive Director
Mr. Jiang Hailin	52	Executive Director
Mr. Ye Zhou	53	Independent non-executive Director
Mr. Wang Dong	45	Independent non-executive Director
Mr. Zhou Jianmin	54	Independent non-executive Director

Executive Director

Mr. LIAO Jie (廖杰), 55, is the chairman of the Board (the “**Chairman**”) and an executive Director, responsible for formulating strategy of the Company. He was appointed as the executive Director and the chief executive officer of the Company (the “**Chief Executive Officer**”) on August 24, 2011 and was responsible for the overall business operations and mergers and acquisitions of the Company. On July 9, 2012, Mr. Liao has been elected as the Chairman and retired from his position as the Chief Executive Officer. Mr. Liao is also one of the controlling shareholders of the Company (the “**Controlling Shareholder**”), and serves as a director of China ITS Co., Ltd. (“**Holdco**”, one of the Controlling Shareholders), Best Partners Development Limited (“**Best Partners**”, one of the Controlling Shareholders), and Joyful Business Holdings Limited (“**Joyful Business**”, one of the Controlling Shareholders). Mr. Liao has been appointed as a director of Visual China Group Co., Ltd. (formerly known as Far East Industrial Stock Co., Ltd., a company listed on the Shenzhen Stock Exchange, stock code: 000681, “**Visual China**”) from May 9, 2014 and the chairman of Visual China from May 29, 2014. Mr. Liao became a director of Beijing RHY Technology Development Co., Ltd. in May 2002, responsible for strategic planning and operational management in the expressway segment and retired from the directorship when he started serving as a senior advisor of the Board of the Company on business strategy and operational direction of the Group in January 2008. Mr. Liao has served as the Chairman of Beijing RHY Technology Development Co., Ltd. since July 2020.

Prior to joining the Company, Mr. Liao served as a senior engineer of Nortel Canada in 1995. From 1996, he spent a total of four years in North America running an international IT supply chain business before returning to the PRC in 1999. In 1999, Mr. Liao and his family founded Beijing Bailian Youli Information Technology Co., Ltd. (the investment holding company prior to the establishment of Bailian Youli (Beijing) Investment Co., Ltd.), which invested and co-founded Visual China, CSDN Group Limited and the Group.

Mr. Liao holds a master’s degree in applied science from the University of Toronto, and a bachelor degree in industrial automation from the Huazhong University of Science and Technology. Mr. Liao has a long established understanding of the businesses of the Group and deep industry expertise, as a result of which he can help the Group to reshape its business model, achieve operational excellence and diversify our business mix across different transport industry segments.

Director and Senior Management



Mr. JIANG Hailin (姜海林), 52, is an executive Director and the Chief Executive Officer, responsible for overall business operation of the Company. Mr. Jiang was appointed as the Director on February 20, 2008, and was then elected as the Chairman. On July 9, 2012, Mr. Jiang has been re-appointed as the Chief Executive Officer and therefore resigned from his position as the Chairman. He is also one of the Controlling Shareholders, a director of Holdco and Sea Best Investments Limited ("**Sea Best**", one of the Controlling Shareholders). Since he joined our Group in May 2002, Mr. Jiang has held various positions within our Group including serving as a director and chairman of the board of directors of Haotian Jiajie since March 2007, a director and chairman of the board of directors of Aproud Technology from August 2002 to February 2010 and again since May 2010, an executive director of Jiangsu Zhongzhi Transportation since December 2011, an executive director of Zhixun Tiancheng since November 2014, and an executive director of Hongrui Dake from November 2015 to July 2019. Mr. Jiang has served as the director of Beijing RHY Technology Development Co., Ltd. from May 2002 to July 2014 and since July 2020.

Prior to joining our Group, Mr. Jiang was employed by China Ocean Shipping Co., Ltd., a PRC incorporated company listed on the Shanghai Stock Exchange (stock code: 600428) where he was responsible for the development of ground transportation logistics network, in particular, the development of the cargo movement monitoring systems for ground transportation in the China ITS industry. He has established his business relationship and network in the transport industry since 2000.

Mr. Jiang received a bachelor's degree in computing from Nankai University in July 1990 and an EMBA degree from Tsinghua University in July 2006. Mr. Jiang possesses a total of approximately 27 years of experience in general management and over 19 years of experience in the China ITS industry.

Independent Non-Executive Director

Mr. YE Zhou (葉舟), 53, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Ye was appointed as Director on July 15, 2016. Mr. Ye is and has been the chief executive officer of ULSee Inc. since 2014. Prior to his current position at ULSee Inc., from 1994 to 1996, he was a senior product engineer of General Motors Company. From 1996 to 1997, Mr. Ye was the director of wireless communication department of UTStarcom Holdings Corp. From 1997 to 2006, Mr. Ye was the vice president of Asia Pacific region of UTStarcom Holdings Corp. From 2007 to 2016, Mr. Ye was the chief executive officer of CyWee Group Ltd..

Mr. Ye graduated from Pennsylvania State University with a master's degree in electrical engineering in 1994.

Mr. WANG Dong (王冬), 45, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. Mr. Wang was appointed as Director on June 21, 2018. Since October 2009, Mr. Wang has been acting as the chief financial officer of ORG Technology Co., Ltd. (Shenzhen Stock Exchange stock code: 002701, formerly known as ORG Packaging Co., Ltd.), of which he has also been serving as a director and deputy general manager since February 2014. Prior to joining ORG Technology Co., Ltd., Mr. Wang was the financial controller of our Company from January 2007 to September 2009, and worked at PricewaterhouseCoopers from July 1998 to December 2006 who was a senior manager of audit department when he left PricewaterhouseCoopers. Mr. Wang was also an independent director of Visual China Group Co., Ltd. (Shenzhen Stock Exchange stock code: 000681) from June 2014 to October 2018. Visual China Group Co., Ltd. is an associate of Mr. Liao Jie and the controlling shareholders of the Company.

In addition, Mr. Wang has been appointed as (i) a director of Huangshan Novel Co., Ltd. (Shenzhen Stock Exchange stock code: 002014) since January 2016; (ii) an independent director of Shaanxi Baoguang Vacuum Electric Device Co., Ltd. (Shanghai Stock Exchange stock code: 600379) since May 2017.



Director and Senior Management

Mr. Wang is a member of the Chinese Institute of Certified Public Accountants, a member of Chartered Institute of Management Accountants, an associate member of Association of International Accountants and Chartered Global Management Accountant. Mr. Wang graduated with a bachelor's degree in Marketing from Shandong University of Finance and Economics and a Finance MBA degree from the Chinese University of Hong Kong. Mr. Wang has more than 22 years of experience in accounting and finance and 14 years of experience in business management.

Mr. Zhou Jianmin (周建民), aged 54, is an independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. Mr. Zhou is currently the co-chairman of the Center for Global Merger Acquisition and Restructuring of PBC School of Finance of Tsinghua University, and the executive vice president of the Shandong Chamber of Commerce in Beijing.

Mr. Zhou is also currently, and has been since March 1999, the chairman of the board of directors and the general manager of Jinan Jinri International Advertising Development Co., Ltd.* (濟南金日國際廣告發展有限公司). Prior to these roles, Mr. Zhou served at Shandong Dafengche Industrial Co., Ltd.* (山東大風車實業有限公司), which he founded in December 1996, as a director and the general manager of this company from December 1996 to September 2018. Mr. Zhou was also the executive director and general manager at Beijing Dafengche Education Technology Development Co., Ltd.* (北京大風車教育科技發展有限公司) from December 2009 to September 2014.

Mr. Zhou has served as an executive director of Wudaokou Capital Company Limited* (北京五道口投資基金管理有限公司) from March 2014 to March 2016 and again since March 2020, and has served as the vice chairman of Chery Holding Co., Ltd. since December 2019.

Mr. Zhou graduated with a Bachelor of Arts degree in Chinese Language from Shandong University in July 1989 and obtained an EMBA degree from PBC School of Finance of Tsinghua University in August 2018. Mr. Zhou engaged in the advertising and education industries after his graduation before he founded Shandong Dafengche Industrial Co., Ltd.* (山東大風車實業有限公司).

SENIOR MANAGEMENT

The table below sets forth information regarding the senior management of the Company (including Directors who also hold executive positions):

Name	Age	Position
Mr. Jiang Hailin	52	Chief Executive Officer
Mr. Luo Haibin	44	President
Mr. Mou Yi	54	Chief Financial Officer, general manager of Financial Management Department

For information on Mr. Jiang Hailin, please see "Directors and Senior Management — Board of Directors" above.

Mr. LUO Haibin (羅海濱), 44, President. He is responsible for the business operation and daily management of the Company. Mr. Luo joined the Group in November 2007 and served as the general manager of the Central South area of Zhixun Tiancheng, responsible for the marketing in the Central South area. He then served as the general manager of the Department of Sales Management, general manager of the Marketing Department, vice general manager and general manager of Zhixun Tiancheng. He has been the legal representative of Zhixun Tiancheng, responsible for the operational management of the Company and the rapid transit group since November 2007. Mr. Luo has also served as the legal representative and general manager of Zhongzhi Runbang since December 2014, responsible for the overall project management and service delivery. Mr. Luo served as the vice president of the Company from February 2015 to March 2018, and has served as the president of the Company since March 2018.

Director and Senior Management



Prior to joining our Group, Mr. Luo served as the marketing director of the Department of Military Network of Beijing Jiaxun Feihong Co., Ltd., responsible for the industrial marketing management of the military.

Mr. Luo graduated from Beijing Information Science and Technology University of computer software specialty and received a master's degree in Project Management Engineering from the Southwest Jiaotong University in 2003. He is currently studying Master of Business Administration programme in Tsinghua University. Mr. Luo possesses approximately 20 years of experience in marketing and management.

Mr. MOU Yi (牟轶), 54, is the Chief Financial Officer and general manager of Financial Management Department. He is responsible for overall financial management and investment of the Company. Mr. Mou was appointed as chief financial officer of the Company in March 2018, and has served as general manager of Financial Management Department since October 2009, being responsible for internal financial management. Mr. Mou served as the legal representative, executive director, and manager of Intelligent Transportation Co., Ltd. from July 2012 to June 2019, and he served as the supervisor of Beijing Hongrui Dake Technology Co., Ltd. from November 2015 to July 2019 and its legal representative, executive director, and manager since August 2019. He served as the director and general manager of Beijing Haotian Jiajie Technology Co., Ltd. since August 2017. Mr. Mou served as the director of Forever Opensource Co., Ltd. since September 2017, which is the shareholding company of the Company listed on the National Equities Exchange and Quotations in the PRC (stock code: 834415). Since December 2018, he served as the director of Shenzhen Anxiao Investment Co., Ltd., which is the shareholding company of the Company. He also served as the director of Shenzhen Honglu Technology Co., Ltd. since February 2019, which is the shareholding company of the Company.

Mr. Mou joined our Group in October 2004 and has served as many roles of the Group. He started as vice president of Beijing RHY Technology Development Co., Ltd. and was then promoted to Group vice president of our Turnkey Solution responsible for the internal and daily operations such as financial control, human resources and other administrative functions of the Turnkey Solution business unit. In addition, Mr. Mou has served as a Director of the Company from October 2008 to June 2009, and served as the vice president of the Company from November 2011 to June 2014. He has also served as the Director of Zhixun Tiancheng from June 2011 to November 2014.

Prior to joining our Group, Mr. Mou served as vice president of Lang Chao Mobile Communication Products Co., Ltd. which is the subsidiary of Inspur International Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 0596), where he was responsible for the overall operational management of the company. Mr. Mou also served as vice president of Shanghai Zarva Software Application and Service Co., Ltd. where he was responsible for domestic sales and the management of branch offices in the PRC. Mr. Mou served as a manager of Legend Computer Group Co. (Qingdao branch) which is the predecessor of Lenovo Group Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 0992), where he was responsible for the sales and software development. Prior to that, he served as a manager of Jinan Tuopu Software Research Centre where he was also responsible for the sales and development of software.

Mr. Mou received a bachelor's degree in science and a bachelor's degree in economics from the Tianjin Nankai University in July 1990. Mr. Mou was qualified as an accountant in December 1992, and senior economist in November 2008. Mr. Mou possesses extensive experience in operational management and internal financial management.



Independent Auditor's Report

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To the shareholders of China ITS (Holdings) Co., Ltd.

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China ITS (Holdings) Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 103 to 191, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKASAs") issued by the Hong Kong Institute of Certified Public Accounts ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report



Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Revenue recognition on products and specialised solutions</i> <i>Refer to notes 2.4 and 5 to the consolidated financial statements</i></p> <p>The Group derives a significant portion of its revenue from products and specialised solutions for which revenue is recognised over time, using the input method to measure progress towards complete satisfaction of the performance obligations.</p> <p>The input method involved the use of significant judgement and estimates by management, including the scope of deliveries and services required, total budgeted cost and total contract revenue, etc.. As a result, we considered this as a key audit matter.</p>	<p>Our key procedures, on a sample basis where applicable, in relation to the revenue recognition on products and specialised solutions included:</p> <ul style="list-style-type: none">— Reviewing the content of the contracts and interviewing the responsible personnel of the Group to understand terms of the contracts and the scope of deliveries and services required;— Performing recalculation on revenue using budgeted cost estimates provided by the Group;— Reviewing the budgeted costs by checking the details against purchase contracts, etc.. and discussing with management on changes in budget costs during the current year;— Checking purchase contracts, invoices, goods delivery notes and acceptance reports to ascertain the actual costs incurred to date; and— Comparing the gross profit in the current year to the prior year for existing contracts.



Independent Auditor's Report

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment of goodwill</i></p> <p>Refer to notes 2.4 and 16 to the consolidated financial statements</p> <p>As at December 31, 2020, the carrying amount of goodwill amounted to RMB123.8 million.</p> <p>Management assessed the recoverable amounts of the goodwill, with the involvement of an independent professional valuer, which involved value in use calculations.</p> <p>As a result of the impairment assessment, an impairment loss of RMB98.9 million was recognised for the current year.</p> <p>As set out in note 3 to the consolidated financial statements, the value in use calculations involved exercise of significant judgements and estimations. As a result, we considered this as a key audit matter.</p>	<p>Our key procedures in relation to the impairment of goodwill included:</p> <ul style="list-style-type: none">— Reviewing the valuation reports from the valuer and discussing with the management and the valuer to understand the valuation basis and methodology used, and underlying assumptions applied;— Evaluating the objectivity, capabilities and competence of the valuer;— Examining the determination of the recoverable amount which is the value in use of cash-generating units to which goodwill has been allocated;— Assessing the reasonableness of the assumptions, methodologies and key inputs used in the value in use calculations;— Considering the result of sensitivity analysis on reasonably possible downside changes in key assumptions; and— Checking arithmetical accuracy of the calculations.



Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Valuation of investment properties</i> Refer to notes 2.4 and 15 to the consolidated financial statements</p> <p>As at December 31, 2020, the Group had investment properties stated at fair value of RMB73.3 million.</p> <p>The fair value of the investment properties was valued by an independent professional valuer at the end of the year, which involved significant judgement and estimations from management. As a result, we considered this as a key audit matter.</p>	<p>Our key procedures in relation to the valuation of investment properties included:</p> <ul style="list-style-type: none"> — Assessing the competence, objectivity and capabilities of the valuer; — Reviewing the valuation reports from the valuer and discussing with management and the valuer to understand the valuation basis and methodology used, and underlying assumptions applied; — Evaluating reasonableness of key assumptions used; and — Checking arithmetical accuracy of the calculations.
<p><i>Allowance for impairment of trade receivables and contract assets</i> Refer to notes 2.4, 21 and 23 to the consolidated financial statements</p> <p>The Group uses simplified approach to calculate the expected credit loss ("ECL") on trade receivables and contract assets. The establishment of provision matrix involves assessment of the Group's historical observed default rates and forecast economic conditions, which involved significant estimations. As a result, we considered this as a key audit matter.</p>	<p>Our key procedures in relation to the ECL included:</p> <ul style="list-style-type: none"> — Discussing with management to understand judgement involved in estimating the ECL on trade receivables and contract assets; — Assessing the reasonableness of estimates used to determine the ECL by considering historical collection, default rate and subsequent settlement information; — Checking accuracy of ageing of trade receivables and contract assets; and — Checking arithmetical accuracy of the calculation of the ECL on trade receivables and contract assets.



Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2020 annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited

Certified Public Accountants

42/F., Central Plaza

18 Harbour Road

Wanchai, Hong Kong

Hong Kong, April 16, 2021

The engagement director on the audit resulting in this independent auditor's report is:

Yip Ngai Shing

Practising Certificate number: P05163

Consolidated Statement of Profit or Loss

Year ended December 31, 2020



	Notes	2020 RMB'000	2019 RMB'000 (Restated)
REVENUE	5	930,536	1,033,190
Cost of revenue	7	(739,025)	(826,570)
Gross profit		191,511	206,620
Other income and gains	6	49,427	76,545
Selling, distribution and administrative expenses		(148,862)	(159,721)
Impairment losses on financial and contract assets, net	7	(76,205)	(21,259)
Other expenses		(119,908)	(101,080)
Finance costs	8	(38,146)	(37,357)
Share of profits and losses of:			
Joint venture		–	1,772
Associates		(563)	(1,044)
LOSS BEFORE TAX	7	(142,746)	(35,524)
Income tax expense	11	(23,121)	(8,365)
LOSS FOR THE YEAR		(165,867)	(43,889)
Attributable to:			
Owners of the Company		(177,104)	(50,977)
Non-controlling interests		11,237	7,088
		(165,867)	(43,889)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		RMB	RMB
Basic	13	(0.11)	(0.03)
Diluted	13	(0.11)	(0.03)



Consolidated Statement of Comprehensive Income

Year ended December 31, 2020

	2020 RMB'000	2019 RMB'000 (Restated)
LOSS FOR THE YEAR	(165,867)	(43,889)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	10,543	(12,199)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	10,543	(12,199)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(155,324)	(56,088)
Attributable to:		
Owners of the Company	(166,157)	(63,212)
Non-controlling interests	10,833	7,124
	(155,324)	(56,088)

Consolidated Statement of Financial Position

December 31, 2020



	Notes	2020 RMB'000	2019 RMB'000 (Restated)
NON-CURRENT ASSETS			
Prepayment for acquisition of property and equipment		–	124,708
Property and equipment	14	624,502	251,158
Investment properties	15	73,260	83,710
Goodwill	16	123,759	222,622
Other intangible assets	17	31,273	38,717
Amount due from a related party		–	2,067
Investments in associates	19	1,000	2,027
Contingent consideration	37	–	6,479
Financial assets at fair value through profit or loss	24	177,415	182,977
Loan receivables	22	30,000	30,000
Prepayments, deposits and other receivables	22	1,876	–
Pledged deposits	25	–	70,000
Total non-current assets		1,063,085	1,014,465
CURRENT ASSETS			
Inventories	20	372,356	206,684
Contract assets	23	396,296	449,616
Trade and bills receivables	21	764,297	909,025
Prepayments, deposits and other receivables	22	437,911	473,419
Amounts due from related parties	38(c)	36,616	386,096
Pledged deposits	25	172,024	249,617
Cash and cash equivalents	25	240,622	258,722
Total current assets		2,420,122	2,933,179
CURRENT LIABILITIES			
Trade and bills payables	26	305,484	388,251
Contract liabilities, other payables and accruals	27	688,715	671,954
Interest-bearing bank borrowings	28	556,216	701,767
Amounts due to related parties	38(c)	325	4,769
Income tax payable		50,050	31,244
Total current liabilities		1,600,790	1,797,985
NET CURRENT ASSETS		819,332	1,135,194
TOTAL ASSETS LESS CURRENT LIABILITIES		1,882,417	2,149,659



Consolidated Statement of Financial Position

December 31, 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,882,417	2,149,659
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	40,250	146,250
Deferred tax liabilities	29	4,783	8,929
Total non-current liabilities		45,033	155,179
Net assets		1,837,384	1,994,480
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	290	290
Reserves		1,730,863	1,966,955
		1,731,153	1,967,245
Non-controlling interests		106,231	27,235
Total equity		1,837,384	1,994,480

These consolidated financial statements on pages 103 to 191 were approved and authorized for issue by the Board of Directors on April 16, 2021 and signed on its behalf by

Liao Jie
Director

Jiang Hailin
Director

Consolidated Statement of Changes in Equity

Year ended December 31, 2020



Note	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Capital reserve	Asset revaluation reserve	Exchange fluctuation reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2020, as previously reported	290	1,088,725	191,274	594,028	7,782	(101,690)	193,574	1,973,983	13,468	1,987,451
Measurement period adjustments	37	-	-	-	-	-	(6,738)	(6,738)	13,767	7,029
At January 1, 2020, as restated	290	1,088,725*	191,274*	594,028*	7,782*	(101,690)*	186,836*	1,967,245	27,235	1,994,480
Loss for the year	-	-	-	-	-	-	(177,104)	(177,104)	11,237	(165,867)
Other comprehensive income (loss) for the year:										
Exchange differences related to foreign operations	-	-	-	-	-	10,947	-	10,947	(404)	10,543
Total comprehensive income (loss) for the year	-	-	-	-	-	10,947	(177,104)	(166,157)	10,833	(155,324)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	(1,772)	(1,772)
Transfer upon the forfeiture of share options	32	-	-	(188)	-	-	188	-	-	-
Transfer from retained earnings	-	-	1,360	-	-	-	(1,360)	-	-	-
Transfer	18(c)	-	-	-	-	-	(69,935)	(69,935)	69,935	-
Total transactions with owners	-	-	1,360	(188)	-	-	(71,107)	(69,935)	68,163	(1,772)
At December 31, 2020	290	1,088,725*	192,634*	593,840*	7,782*	(90,743)*	(61,375)*	1,731,153	106,231	1,837,384



Consolidated Statement of Changes in Equity

Year ended December 31, 2020

	Attributable to owners of the Company									Non-controlling interests RMB'000	Total RMB'000
	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Asset revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000		
At January 1, 2019		290	1,088,725	167,404	598,627	7,782	(89,455)	257,316	2,030,689	-	2,030,689
Loss for the year (restated)		-	-	-	-	-	-	(50,977)	(50,977)	7,088	(43,889)
Other comprehensive income (loss) for the year:											
Exchange differences related to foreign operations		-	-	-	-	-	(12,235)	-	(12,235)	36	(12,199)
Total comprehensive income (loss) for the year (restated)		-	-	-	-	-	(12,235)	(50,977)	(63,212)	7,124	(56,088)
Acquisition of non-controlling interests		-	-	-	(232)	-	-	-	(232)	(382)	(614)
Acquisition of subsidiaries (restated)	37	-	-	-	-	-	-	-	-	20,493	20,493
Transfer upon the forfeiture of share options	32	-	-	-	(4,367)	-	-	4,367	-	-	-
Transfer from retained earnings		-	-	23,870	-	-	-	(23,870)	-	-	-
Total transactions with owners (restated)		-	-	23,870	(4,599)	-	-	(19,503)	(232)	20,111	19,879
At December 31, 2019 (restated)		290	1,088,725*	191,274*	594,028*	7,782*	(101,690)*	186,836*	1,967,245	27,235	1,994,480

* These reserve accounts comprise the reserves of RMB1,730,863,000 (2019: RMB1,966,955,000 (restated)) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended December 31, 2020



	Notes	2020 RMB'000	2019 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(142,746)	(35,524)
Adjustments for:			
Depreciation		23,808	10,927
Amortisation		6,595	4,038
Loss on acquisition of a subsidiary		7,550	–
Gain on disposal of a subsidiary		(6,243)	–
Written off of other intangible assets		312	–
Gain on disposal of financial assets at fair value through profit or loss		(4,355)	–
Gain on disposal of a joint venture		–	(15,990)
Loss on disposal of property and equipment		1,607	–
Reversal of impairment of contract assets		(1,030)	(2,163)
Impairment of trade receivables		9,800	1,815
Impairment of financial assets included in prepayment, other receivables and other assets		67,435	21,607
Impairment of property and equipment		–	595
Impairment of goodwill		98,863	97,816
Share of profits and losses of an associate		563	(728)
Gain on transfer from inventories to investment properties		–	(865)
Loss on transfer from investment properties to inventories		350	–
Changes in fair value of contingent consideration		6,479	4,652
Changes in fair value of investment properties		250	(310)
Changes in fair value of financial assets at fair value through profit or loss		(1,038)	(10,696)
Dividend income from financial assets at fair value through profit or loss		(2,186)	(1,867)
Finance income		(15,398)	(29,858)
Finance costs		38,146	37,357
		88,762	80,806
Changes in assets and liabilities:			
Inventories		(160,292)	(149,646)
Contracts assets		42,360	249,251
Trade and bills receivables		127,410	93,706
Prepayments, deposits and other receivables		(50,293)	(109,056)
Amounts due from related parties		342,679	264,715
Loan receivables		–	3,000
Pledged deposits		147,593	(25,883)
Trade and bills payables		(53,784)	(263,612)
Amounts due to related parties		(4,444)	(23,187)
Contract liabilities, other payables and accruals		27,861	36,541
Cash generated from operations		507,852	156,635



Consolidated Statement of Cash Flows

Year ended December 31, 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Cash generated from operations		507,852	156,635
Interest received		17,971	25,878
Interest paid		(38,146)	(37,357)
Income tax paid		(8,461)	(4,727)
Net cash flows generated from operating activities		479,216	140,429
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property and equipment		(274,065)	(1,874)
Purchase of other intangible assets		(81)	(4,396)
Dividend received from investments		5,757	2,562
Proceeds from disposal of a subsidiary		862	–
Prepayment for acquisition of property and equipment		–	(124,708)
Disposal of assets held for sales		–	8,500
Disposal of financial assets at fair value through profit or loss		10,955	29,474
Acquisition of a subsidiary		264	(64,151)
Net cash flows used in investing activities		(256,308)	(154,593)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing bank borrowings	33	459,957	559,852
Repayment of interest-bearing bank borrowings	33	(711,508)	(496,187)
Decreased in pledged deposits for bank loans		–	74,984
Net cash flows (used in)/generated from financing activities		(251,551)	138,649
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(28,643)	124,485
Effect of foreign exchange rate changes, net		10,543	(12,199)
Cash and cash equivalents at beginning of year		258,722	146,436
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	240,622	258,722

Notes to Consolidated Financial Statements

Year ended December 31, 2020



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 February 20, 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 located at 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 mainly a provider of products, specialised solutions and services related to infrastructure technology in the railway and electric power sectors. The main businesses of the Group are as follows:

- (a) Railway business — provision of products and specialised solutions to customers according to their needs, which mainly includes railway communication products and energy-base products; and provision of value-added operation and services such as maintenance services, network optimisation and network planning, and technical consulting for the products related to the communication system for railway customers.
- (b) Electric power business — provision of products and specialised solutions related to electric power equipment for customers in the electric power infrastructure construction area, which mainly includes power transmission and transformation equipment and power generation equipment, etc.; power generation; and provision of planning and technical consulting services of the infrastructure construction in relation to electric power such as power plant construction and power grid renovation, and value-added operation and services related to power plant investment, construction and operation, etc..

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration	Issued ordinary/ registered capital	Percentage of equity interest attributable to the Company indirectly	Principal activities
Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd.	Mainland China November 19, 2013	RMB100 million	100	Internet information technology, real estate development, and sale of electronics
Zhongtian Runbang Information Technology Co., Ltd.	Mainland China December 8, 2014	RMB50 million	100	Technology specialised services and sale of electronics
Beijing Hongrui Dake Technology Co., Ltd.	Mainland China October 17, 2014	RMB196 million	100	Commercial properties leasing
Beijing Haotian Jiajie Technology Co., Ltd.	Mainland China March 30, 2007	RMB125 million	100	Communications specialised solutions and value-added operation and services



Notes to Consolidated Financial Statements

Year ended December 31, 2020

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration	Issued ordinary/ registered capital	Percentage of equity interest attributable to the Company indirectly	Principal activities
Beijing Aproud Technology Co., Ltd. ("Aproud Technology")	Mainland China February 15, 2001	RMB280 million	100	Communications, surveillance specialised solutions and value-added operation and services
Beijing Zhixun Tiancheng Technology Co., Ltd. ("Zhixun Tiancheng")	Mainland China June 25, 2007	RMB500 million	100	Communications specialised solutions
Jiangsu Zhongzhi Transportation Technology Co., Ltd.	Mainland China December 15, 2011	US\$30 million	100	Intelligent Transportation system service
Tibet Intelligent Aviation Transportation Technology Co., Ltd.	Mainland China June 8, 2017	RMB10 million	100	Communications specialised solutions and value-added operation and services
Chengdu Zhongzhi Runbang Transportation Technology Co., Ltd.	Mainland China November 26, 2009	RMB30 million	100	Communications specialised solutions and value-added operation and services
CEECGlobal Limited ("CEEC")	Hong Kong October 16, 2014	HK\$10,000	58	Sales of products and provision of specialised solutions for various segments of overseas electric power industry and communication industry
CIC Infrastructure Industry Investment Limited	Hong Kong April 23, 2012	HK\$100	58	Provision of purchasing service for inter-group company
CIC Information Technology Company Limited	Myanmar May 17, 2017	USD550,000	58	Sales of products and provision of specialised solutions for various segments of overseas electric power industry and communication industry
Myanmar Ahlone Power Plant Company Limited	Myanmar January 17, 2020	USD500,000	54	Power supply

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Consolidated Financial Statements

Year ended December 31, 2020



2.1 BASIS OF PRESENTATION

These consolidated 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 Interpretations issued and approved by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, these consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

They have been prepared under the historical cost convention, except for investment properties and equity investments, which have been measured at fair value. These consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except where otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new and revised IFRSs for the first time for the current year’s consolidated financial statements:

Amendments to IASs 1 and 8	Definition of Material
Amendments to IAS 39, IFRSs 7 and 9	Interest Rate Benchmark Reform — Phase 1
Amendments to IFRS 3	Definition of a Business

Amendments to IASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across IFRSs.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to IAS 39, IFRSs 7 and 9: Interest Rate Benchmark Reform — Phase 1

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.



Notes to Consolidated Financial Statements

Year ended December 31, 2020

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

Amendments to IFRS 3: Definition of a Business

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

2.3 ISSUED BUT NOT EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these consolidated financial statements:

Amendments to IAS 39, IFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform — Phase 2 ^[1]
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021 ^[2]
Amendments to IAS 16	Proceeds before Intended Use ^[3]
Amendments to IAS 37	Cost of Fulfilling a Contract ^[3]
Amendments to IFRS 3	Reference to the Conceptual Framework ^[3]
Annual Improvements to IFRSs	2018–2020 Cycle ^[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ^[4]
Amendments to IAS 1	Disclosures of Accounting Policies ^[4]
Amendments to IAS 8	Definition of Accounting Estimates ^[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^[5]

^[1] Effective for annual periods beginning on or after January 1, 2021

^[2] Effective for annual periods beginning on or after April 1, 2021

^[3] Effective for annual periods beginning on or after January 1, 2022

^[4] Effective for annual periods beginning on or after January 1, 2023

^[5] The effective date to be determined

The directors are in the process of assessing the possible impact on the future adoption of the new/revised IFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended December 31, 2020



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.



Notes to Consolidated Financial Statements

Year ended December 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long-term interest of generally not less than 20% of the voting rights and over which it is in a position to exercise 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Notes to Consolidated Financial Statements

Year ended December 31, 2020



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.



Notes to Consolidated Financial Statements

Year ended December 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to Consolidated Financial Statements

Year ended December 31, 2020



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, financial assets, investment properties, and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or



Notes to Consolidated Financial Statements

Year ended December 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel service to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Buildings	5 to 49.2 years
Power supply equipment	25 years
Computers and electronic equipment	3 to 5 years
Office equipment	3 to 5 years
Motor vehicles	5 years
Software	5 years
Leasehold improvements	Over the shorter of the expected life of the leasehold improvements and the lease terms

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building or equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.



Notes to Consolidated Financial Statements

Year ended December 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under a lease for a property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets (other than goodwill)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Notes to Consolidated Financial Statements

Year ended December 31, 2020



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Other intangible assets (continued)

Customer relationships and non-compete agreements

Both of customer relationships and non-compete agreements which were acquired in a business combination are recognised upon acquisition of business. Their useful life is estimated to be 5 to 6 years, based on the assessment of a number of factors that may impact useful life, such as historical tradename performance and length of the non-compete agreements.

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the Group; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.



Notes to Consolidated Financial Statements

Year ended December 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

As lessor — operating lease

The Group applies the derecognition and impairment requirements in IFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Notes to Consolidated Financial Statements

Year ended December 31, 2020



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- 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.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. Dividend or interest income is presented separately from fair value gain or loss.



Notes to Consolidated Financial Statements

Year ended December 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Notes to Consolidated Financial Statements

Year ended December 31, 2020



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.



Notes to Consolidated Financial Statements

Year ended December 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products and the provision of specialised solutions for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Consolidated Financial Statements

Year ended December 31, 2020



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries and associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (a) when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.



Notes to Consolidated Financial Statements

Year ended December 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) *Products and specialised solution business*

Revenue from the products and specialised solution is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

Revenue from the sale of products which does not form part of a contract for the provision of specialised solution services is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

Notes to Consolidated Financial Statements

Year ended December 31, 2020



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) *Maintenance services*

The Group provides maintenance services to its specialised solution customers.

Revenue from maintenance services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The output method recognises revenue on the basis of the completed maintenance period to the total contract maintenance period.

(c) *Power supply*

Revenue from provision of electricity is recognised over time when electricity is supplied to the customer. Revenue is measured based on the monthly power meter readings.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease term.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.



Notes to Consolidated Financial Statements

Year ended December 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract costs

Other than the costs which are capitalised as inventories, property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Notes to Consolidated Financial Statements

Year ended December 31, 2020



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in the Mainland China are required to participate in a central pension scheme operated by the local municipal government. The assets of the scheme are held separately from that of the Group in an independently administered fund. These subsidiaries are required to contribute 20% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.



Notes to Consolidated Financial Statements

Year ended December 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Since the Company conducts its primary business operations through its subsidiaries established in the Mainland China, the Company adopts RMB as the presentation currency of the Group. The Company's functional currency is the Hong Kong dollar. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or transaction of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of foreign operations. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on changes in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain non-Mainland China subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of foreign operations are translated into RMB at the rates of exchange prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of foreign operations, the component of other comprehensive income relating to that particular foreign operations is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of non-Mainland China subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of non-Mainland China subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) *Identifying performance obligations for products and specialised solutions*

The Group's promise in its contract with the customer is to provide products and specialised services in accordance with the customer's specifications. The Group considers that goods and services are highly interdependent and highly integrated with each other and the equipment and the various promised services are not separately identifiable under IFRS 15. Therefore, the Group accounts for all of the goods and services promised in the contract as a single performance obligation.

(ii) *Determining the contract price for products and specialised solutions*

In the absence of a signed contract with the customer, the Group recognises revenue from the provision of products and specialised solutions to the extent of cost incurred because the contract price is subject to change until the signed contract is obtained from the customer and the Group expects that it can recover the costs incurred.

Deferred taxation on investment property

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment properties and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has considered the deferred taxes impact arising from changes in fair value of investment properties on the basis of through use.



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Year ended December 31, 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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 financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 16 to the consolidated financial statements.

Provision for expected credit losses on trade receivables and contract assets

The Group uses provision matrixes to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrixes are initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 21 and note 23 to the consolidated financial statements, respectively.

Percentage of completion of products and specialised solutions

The Group recognises revenue using the input method for individual contracts of specialised solution services and sale of products, which requires estimation by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding revenue is also estimated by management. Due to the nature of the activity undertaken in products and specialised solutions, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both revenue and costs in the budget prepared for each contract as the contract progresses. Where the actual revenue is less than expected or actual costs are more than expected, a loss may arise.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Current income tax and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Judgement is required to determine the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain deductible temporary differences and unused tax losses are recognised as and when management considers it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss for the year in which such a reversal takes place.

Fair value of investment properties

The Group estimates the fair value of its investment properties with reference to valuation performed by an independent professional valuer. The valuation of investment properties is performed using the income approach. The income approach requires estimates of rental value and capitalisation rate as detailed in note 15 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

The Group is mainly a provider of products, specialised solutions and services related to infrastructure technology in the PRC and overseas.

For management purposes, during the year ended 31 December 2020, the Group has re-defined the nature and composition of its operating segments, after the acquisition of CEEC (note 37), as follows:

(i) Railway business

After reviewing the nature and composition of the previous identified operating segments (which comprised (i) products and specialised solutions business; and (ii) value-added operation and services) during the year, the management considered that the railway business of the Group has been largely managed on an integrated basis. In addition, the chief operating decision maker uses the operating results of the railway business as a whole for the purpose of resource allocation and performance assessment. Accordingly, the management determined that the railway business, which is the provision of products, specialised solutions and services related to railway industry in the PRC and overseas, constitutes a single operating segment only.

(ii) Electric power business

CEEC sub-group is a provider of specialised solutions and services related to electric power industry, which is considered an operating segment because the Group's chief operating decision maker monitors the results of CEEC subgroup for the purpose of resources allocation and performance assessment.



Notes to Consolidated Financial Statements

Year ended December 31, 2020

4. OPERATING SEGMENT INFORMATION (continued)

The segment information for the current year is presented based on the above re-defined operating segments and the corresponding information for the year ended 31 December 2019 has also been restated on the same basis.

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, dividend income from and changes in fair value of financial assets at fair value through profit or loss, changes in fair value of investment properties 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 December 31, 2020	Railway business RMB'000	Electric power business RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	788,655	141,881	930,536
Segment results	(118,681)	31,894	(86,787)
<i>Reconciliation:</i>			
Finance income			15,398
Finance costs			(38,146)
Changes in fair value of contingent consideration			(6,479)
Changes in fair value of investment properties			(250)
Loss on transfer from investment properties to inventories			(350)
Changes in fair value of financial assets at fair value through profit or loss			1,038
Dividend income from financial assets at fair value through profit or loss			2,186
Corporate and other unallocated income and expenses			(29,356)
Loss before tax			(142,746)
Other segment information:			
Share of loss of an associate	(563)	–	(563)
Gain on disposal of a subsidiary	6,243	–	6,243
Gain on disposal of financial assets at fair value through profit or loss	4,355	–	4,355
Loss on acquisition of a subsidiary	(7,648)	–	(7,648)
Written off of other intangible assets	(312)	–	(312)
Impairment of goodwill	(98,863)	–	(98,863)
Impairment of financial and contract assets	(75,404)	(489)	(75,893)
Depreciation and amortisation	(18,334)	(12,069)	(30,403)
Capital expenditure*	11,044	387,757	398,801

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4. OPERATING SEGMENT INFORMATION (continued)

Year ended December 31, 2019	Railway business RMB'000	Electric power business RMB'000	Total (Restated) RMB'000
Segment revenue (note 5)			
Sales to external customers	1,010,029	23,161	1,033,190
Segment results	(16,247)	21,081	4,834
<i>Reconciliation:</i>			
Finance income			29,919
Finance costs			(37,357)
Changes in fair value of contingent consideration			(4,652)
Changes in fair value of investment properties			310
Gain on transfer from inventories to investment properties			865
Changes in fair value of financial assets at fair value through profit or loss			10,681
Dividend income from financial assets at fair value through profit or loss			1,867
Corporate and other unallocated income and expenses			(41,991)
Loss before tax			(35,524)
Other segment information:			
Share of profits/(losses) of:			
Joint ventures	1,722	–	1,722
Associates	(1,044)	–	(1,044)
Impairment of goodwill	(97,816)	–	(97,816)
Impairment of financial and contract assets	(20,604)	358	(20,246)
Depreciation and amortisation	(2,898)	(3,607)	(6,505)
Capital expenditure*	5,079	124,735	129,814

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



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Year ended December 31, 2020

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2020 RMB'000	2019 RMB'000
Mainland China	770,068	967,287
Overseas, mainly Myanmar	160,468	65,903
	930,536	1,033,190

(b) Non-current assets

	2020 RMB'000	2019 RMB'000
Mainland China	478,239	595,657
Overseas, mainly Myanmar	375,555	124,708
	853,794	720,365

Information about major customers

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

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Year ended December 31, 2020



5. REVENUE

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within IFRS 15	930,536	1,033,190

(i) Disaggregated revenue information

	2020 RMB'000	2019 RMB'000
Type of goods or services		
Sale of products and provision of specialised solutions	774,343	893,021
Maintenance services	78,755	140,169
Power supply	77,438	–
Total revenue from contracts with customers	930,536	1,033,190
Geographical markets		
Mainland China	770,068	967,287
Overseas	160,468	65,903
Total revenue from contracts with customers	930,536	1,033,190
Timing of revenue recognition		
Goods and services transferred at a point in time	300,056	176,303
Goods and services transferred over time	630,480	856,887
Total revenue from contracts with customers	930,536	1,033,190



Notes to Consolidated Financial Statements

Year ended December 31, 2020

5. REVENUE (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products and provision of specialised solutions	64,995	159,127
Maintenance services	–	2,017
	64,995	161,144
Revenue recognised from performance obligations satisfied in previous periods:		
Gross margin not previously recognised due to the contracts not signed	353	26,444

(ii) Performance obligations

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2020 are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	548,887	592,643
More than one year	248,147	247,505
	797,034	840,148

The amounts disclosed above do not include variable consideration which is constrained.

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6. OTHER INCOME AND GAINS

	2020 RMB'000	2019 RMB'000
Changes in fair value of financial assets at fair value through profit or loss	1,038	10,681
Changes in fair value of investment properties (note 15)	–	310
Dividend income from financial assets at fair value through profit or loss	2,186	1,867
Finance income	15,398	29,919
Gain on disposal of a joint venture	–	15,990
Gain on disposal of a subsidiary	6,243	–
Gain on disposal of financial assets at fair value through profit or loss	4,355	–
Gain on transfer from inventories to investment properties	–	865
Government grants*	4,036	171
Gross rental income	8,532	12,632
Income from the sale of properties, net	710	2,474
Bad debt recovered	2,563	–
Others	4,366	1,636
	49,427	76,545

* 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. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2020 RMB'000	2019 RMB'000 (Restated)
Cost of inventories	739,025	826,570
Depreciation (note 14)	23,808	10,927
Amortisation of other intangible assets (note 17), included in selling, distribution and administrative expenses	6,595	4,038
	30,403	14,965



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7. LOSS BEFORE TAX (continued)

	2020 RMB'000	2019 RMB'000 (Restated)
Staff costs (including directors' remuneration)		
Wages and salaries	55,628	54,227
Pension scheme contributions * (defined contribution scheme)	2,886	6,654
Social insurance costs and staff welfare *	4,976	10,921
	63,490	71,802
Lease payments		
Short-term leases	2,677	3,050
Impairment of financial and contract assets, net		
Reversal of impairment of contract assets (note 23)	(1,030)	(2,163)
Impairment of trade receivables (note 21)	9,800	1,815
Impairment of financial assets included in prepayments, other receivables and other assets (note 22)	67,435	21,607
	76,205	21,259
Impairment of property and equipment (note 14), included in other expenses	–	595
Impairment of goodwill (note 16), included in other expenses	98,863	97,816
Written off of other intangible assets	312	–
Auditors' remuneration	2,236	3,074
Changes in fair value of contingent consideration	6,479	4,652
Changes in fair value of investment properties (note 15)	250	(310)
Changes in fair value of financial assets at fair value through profit or loss	(1,038)	(10,696)
Direct operating expenses of investment properties	1,251	1,337
Rental income	(8,532)	(12,632)
Gain on disposal of a joint venture	–	(15,990)
Gain on disposal of a subsidiary	(6,243)	–
Loss on acquisition of a subsidiary (note 19)	7,550	–
Loss on disposal of property and equipment	1,607	–
Research and development cost, included in selling, distribution and administrative expenses	21,402	15,984
Exchange losses	914	(61)
Dividend income from financial assets at fair value through profit or loss	(2,186)	(1,867)

* Ministry of Human Resources and Social Security of the PRC has announced on 20 February 2020 to waive employer obligations on social security insurance ("SSI") contributions during February 2020 to June 2020 and further announced on 22 June 2020 to extend the exemption period of SSI contributions to December 2020 to ease the burden of enterprises under the impact of COVID-19.

Notes to Consolidated Financial Statements

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8. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on bank loans	38,146	37,357

9. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance, is as follows:

	2020 RMB'000	2019 RMB'000
Fees	1,397	1,509
Other emoluments:		
Salaries, allowances and benefits in kind	2,033	2,108
Pension scheme contributions	4	50
	2,037	2,158
	3,434	3,667

During the year, no payments were made by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

(a) Independent non-executive directors

	2020 RMB'000	2019 RMB'000
Mr. Zhou Jianmin (appointed on October 29, 2019)	185	34
Mr. Choi Onward (resigned on April 1, 2019)	–	48
Mr. Ye Zhou	185	194
Mr. Wang Dong	185	194
	555	470



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Year ended December 31, 2020

9. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

2020	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Jiang Hailin	842	526	4	1,372
Mr. Liao Jie	-	1,507	-	1,507
	842	2,033	4	2,879
2019	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Jiang Hailin	880	532	50	1,462
Mr. Liao Jie	-	1,576	-	1,576
	880	2,108	50	3,038
Non-executive director:				
Mr. Zhang Tianwei (re-designated as independent non-executive director on April 1, 2019 and resigned on October 29, 2019)	159	-	-	159
	1,039	2,108	50	3,197

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2019: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2019: three) non-director highest paid employees for the year are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	1,534	1,423
Pension scheme contributions	11	136
	1,545	1,559

The non-director highest paid employees fell within the following bands:

	Number of employees	
	2020	2019
Nil to HK\$1,000,000 (equivalent to RMB841,600)	3	3

During the year, no payments were made by the Group to the non-director highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

11. 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.

Subsidiaries in Mainland China of the Group are subject to PRC Enterprise Income Tax at a rate 25% (2019: 25%) on their respective taxable income, except for those subsidiaries which are qualified as High and New Technology Enterprises and are entitled to 15% (2019: 15%) preferential income tax rate.

No provision for Hong Kong profits tax has been made for the year ended December 31, 2020 (2019: nil), as the Group had no assessable profits arising in Hong Kong during the year.

Subsidiary incorporated in Myanmar is subject to Corporate income tax at a rate 25% on its taxable income. In addition, non-Myanmar incorporated subsidiaries are also subject to withholding tax in Myanmar at the rate of 2.5% on the service income earned in Myanmar.



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11. INCOME TAX (continued)

According to the PRC tax regulations, from January 1, 2008 onwards, non-resident enterprises without an establishment or place of business in the Mainland China 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 Mainland China are subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from entities in the Mainland China. Distributions of the pre-2008 earnings are exempted from such withholding tax. As at December 31, 2020, 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 established in the Mainland China (2019: nil) because in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

The major components of income tax expense are as follows:

	2020 RMB'000	2019 RMB'000
Current tax:		
PRC Enterprise Income Tax		
— Provision for the year	6,738	2,294
— Under-provision in prior year	5,537	3,643
Myanmar withholding tax	14,992	522
	27,267	6,459
Deferred tax:		
Origination and reversal of temporary differences (note 29)	(4,146)	1,906
Income tax expense	23,121	8,365

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11. INCOME TAX (continued)

Reconciliation of income tax expense

	2020 RMB'000	2019 RMB'000 (Restated)
Loss before tax	(142,746)	(35,524)
Income tax at applicable tax rate	(52,847)	(10,746)
Preferential tax rate entitled by certain subsidiaries	1,260	(6,302)
Income not taxable for tax	(34,485)	(13,646)
Expenses not deductible for tax	50,936	30,761
Under-provision in prior year	5,537	3,643
Unrecognised temporary differences	28,775	6,933
Recognition of previously unrecognised temporary differences	3,403	(1,640)
Profit attributable to joint venture and associate	70	(109)
Utilisation of previously unrecognised tax losses	(461)	(1,618)
Myanmar withholding tax	14,992	522
Tax losses not recognised	5,941	567
Income tax expense	23,121	8,365

The applicable tax rate is the weighted average of the tax rates prevailing in the locations in which the Group entities operate.

12. DIVIDENDS

No dividend was proposed by the Company for the years ended December 31, 2020 and December 31, 2019.



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13. 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 December 31, 2020 and December 31, 2019 as the outstanding share options had an anti-dilutive effect on the amounts presented.

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

	2020	2019 (Restated)
Loss		
Loss for the year attributable to owners of the Company (RMB'000)	(177,104)	(50,977)
	2020	2019
Shares		
Weighted average number of shares in issue	1,654,024,868	1,654,024,868

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14. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Power supply equipment RMB'000	Computers and electronic equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Software RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Reconciliation of carrying amount — Year ended December 31, 2020									
At January 1, 2020	242,075	–	1,856	3,471	544	139	3,073	–	251,158
Additions	66,484	330,748	742	498	235	–	66	–	398,773
Acquisition of a subsidiary	–	–	28	–	–	–	–	–	28
Disposal of a subsidiary	–	–	(42)	–	–	–	–	–	(42)
Disposals	(592)	–	(681)	(279)	–	(50)	(5)	–	(1,607)
Depreciation	(15,771)	(6,376)	(616)	(816)	(105)	(23)	(101)	–	(23,808)
At December 31, 2020	292,196	324,372	1,287	2,874	674	66	3,033	–	624,502
Reconciliation of carrying amount — Year ended December 31, 2019									
At January 1, 2019	250,853	–	3,187	2,841	1,003	461	184	3,830	262,359
Additions	278	–	376	1,220	–	–	–	–	1,874
Acquisition of a subsidiary	–	–	22	–	–	–	–	–	22
Transfers	(1,118)	–	406	176	(283)	(248)	3,322	(3,830)	(1,575)
Impairment	–	–	(595)	–	–	–	–	–	(595)
Depreciation	(7,938)	–	(1,540)	(766)	(176)	(74)	(433)	–	(10,927)
At December 31, 2019	242,075	–	1,856	3,471	544	139	3,073	–	251,158



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14. PROPERTY AND EQUIPMENT (continued)

	Building RMB'000	Power supply equipment RMB'000	Computers and electronic equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Software RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At December 31, 2020									
At cost	331,766	330,748	10,810	5,988	10,589	738	4,444	-	695,083
Accumulated depreciation and impairment	(39,570)	(6,376)	(9,523)	(3,114)	(9,915)	(672)	(1,411)	-	(70,581)
	292,196	324,372	1,287	2,874	674	66	3,033	-	624,502
At December 31, 2019									
At cost	265,874	-	13,881	5,707	10,629	788	4,586	-	301,465
Accumulated depreciation and impairment	(23,799)	-	(12,025)	(2,236)	(10,085)	(649)	(1,513)	-	(50,307)
	242,075	-	1,856	3,471	544	139	3,073	-	251,158

The Group's buildings comprised a building situated on leasehold land in Mainland China with remaining lease term of 45 years and a building situated in Myanmar for power generation with operating right granted by the Myanmar government of 5 years.

15. INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
Carrying amount at January 1	83,710	78,200
Transfer (to)/from inventories	(10,200)	5,200
Net (loss)/gain from fair value adjustment	(250)	310
Carrying amount at December 31	73,260	83,710

The Group's investment properties are situated on leasehold land in Mainland China and are leased to third parties under operating leases.

The Group's investment properties were revalued by Savills Valuation and Professional Services Limited, an independent firm of professional valuer, on December 31, 2020 at RMB73,260,000 (2019: RMB83,710,000). Each year, when the Group decides to appoint an external valuer for the valuation of the Group's investment properties, selection criteria including market knowledge, reputation, independence and whether professional standards are maintained have been considered. The management of the Group has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting purpose.

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15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement at December 31, 2020 using			
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	73,260	73,260

	Fair value measurement at December 31, 2019 using			
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	73,510	73,510
Industrial properties	–	–	10,200	10,200
	–	–	83,710	83,710

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).



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15. INVESTMENT PROPERTIES (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000	Industrial properties RMB'000
Carrying amount at January 1, 2019	73,200	5,000
Transfer from inventories	–	5,200
Changes in fair value recognised in “other income and gains” (note 6)	310	–
Carrying amount at December 31, 2019 and January 1, 2020	73,510	10,200
Transfer to inventories	–	(10,200)
Changes in fair value recognised in “selling, distribution and administrative expenses” (note 7)	(250)	–
Carrying amount at December 31, 2020	73,260	–

Below is a summary of the valuation technique used and the key inputs to the valuation of the investment properties:

	Valuation Technique	Significant unobservable inputs	Weighted average 2020	2019
Commercial properties	Income approach	Estimated rental value (per sq.m. and per month)	RMB307	RMB331
		Capitalisation rate	7.42%	7.96%
Industrial properties	Income approach	Estimated rental value (per sq.m. and per month)	N/A	RMB41
		Capitalisation rate	N/A	6.77%

Under the income approach, the fair value is determined based on capitalisation of rental income of contractual tenancies for the unexpired term of tenancies. The reversionary market rent after the expiry of tenancies is also taken into account.

The capitalisation rate and estimated rental value are derived from market transactions. A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate would also result in a significant decrease (increase) in the fair value of the investment properties.

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16. GOODWILL

	2020 RMB'000	2019 RMB'000 (Restated)
At January 1, as previously reported	254,851	274,027
Measurement period adjustments (note 37)	(32,229)	–
At January 1, as restated	222,622	274,027
Addition (restated)	–	46,411
Impairment	222,622 (98,863)	320,438 (97,816)
At December 31	123,759	222,622

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Aproud subgroup
- CEEC subgroup

The carrying amount of goodwill allocated to the cash-generating units is as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Aproud subgroup	77,348	176,211
CEEC subgroup	46,411	46,411
	123,759	222,622



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16. GOODWILL (continued)

Aproud subgroup

Aproud Technology and its subsidiaries (collectively “Aproud subgroup”) are principally engaged in sale of communication products and specialised solutions in the railway business. The Group has engaged an independent professional valuer to assess the recoverable amount of Aproud subgroup as at December 31, 2020. The recoverable amount of Aproud subgroup has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 12.9% (2019: 15.4%). The cash flows beyond the five-year period is extrapolated using zero growth rate (2019: 0%).

CEEC subgroup

CEEC and its subsidiaries (collectively “CEEC subgroup”) are primarily engaged in investment, sales of equipment and provision of specialised solutions for various segments of electric power industry in Southeast Asia and Myanmar. The recoverable amount of CEEC subgroup has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 19% (2019:18%). The growth rate used to extrapolate the cash flows beyond the five-year period is 0% (2019: 3%).

The following describes the key assumptions on which management has based for preparing the cash flow projections for impairment testing of goodwill:

Gross profit ratio — Gross profit ratios are based on past history and expectations of future changes in the market.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the cash-generating unit.

Growth rates — The Group determines the growth rates which shall not exceed the long-term average growth rate of the relevant market in Mainland China (for Aproud subgroup) and Southeast Asia and Myanmar (for CEEC subgroup).

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16. GOODWILL (continued)

CEEC subgroup (Continued)

Sensitivity of key assumptions

The management identified the following key assumptions in which a reasonable possible change on an individual basis would cause additional impairment loss on goodwill allocated to Aproud/CEEC subgroup:

	Increase (+)/ Decrease (-)	Increase (+)/ Decrease (-) of impairment Aproud subgroup RMB'000	Increase (+)/ Decrease (-) of impairment CEEC subgroup RMB'000
Gross profit ratio	+/-1%	-99,000/+77,000 (2019: 65,000)	-/+ nil (2019: nil)
Discount rate	+/-1%	+/- 67,000 (2019: 47,000)	+/- nil (2019: nil)
Growth rate	+/-1%	-/+ 16,000 (2019: 85,000)	-/+ nil (2019: nil)

At the end of the reporting period, the Group assessed the recoverable amount of goodwill for Aproud subgroup and CEEC subgroup, which was impaired by RMB98,863,000 (2019: RMB97,816,000) and nil (2019: nil) respectively. The recoverable amount of the Aproud subgroup which was assessed to be RMB256,773,000 and CEEC subgroup was assessed by reference to the relevant cash-generating unit's value in use. The directors consider the major factor causing to the impairment of the goodwill relating to Aproud subgroup were the significant impact of COVID-19 pandemic and disposal of Beijing Zhongzhi Runbang Technology Co., Ltd., during the year so the amount of cash flow projections decreased. The impairment loss recognised on the goodwill has been included in the "other expenses" in the consolidated statement of profit or loss.



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17. OTHER INTANGIBLE ASSETS

	Deferred development cost and software RMB'000	Customer relationships and non-competes agreements (Restated) RMB'000	Total (Restated) RMB'000
Reconciliation of carrying amount			
Year ended December 31, 2020			
At January 1, 2020, as previously reported	5,938	–	5,938
Measurement period adjustments (note 37)	–	32,779	32,779
At January 1, 2020, as restated	5,938	32,779	38,717
Additions	81	–	81
Disposal of a subsidiary	(618)	–	(618)
Written off	(312)	–	(312)
Amortisation	(429)	(6,166)	(6,595)
At December 31, 2020	4,660	26,613	31,273
Reconciliation of carrying amount			
Year ended December 31, 2019			
At January 1, 2019	1,983	–	1,983
Additions	4,396	–	4,396
Business combination (restated)	–	36,376	36,376
Amortisation (restated)	(441)	(3,597)	(4,038)
At December 31, 2019	5,938	32,779	38,717
At December 31, 2020			
Cost	20,297	36,376	56,673
Accumulated amortisation and impairment	(15,637)	(9,763)	(25,400)
	4,660	26,613	31,273
At December 31, 2019 (restated)			
Cost	21,146	36,376	57,522
Accumulated amortisation and impairment	(15,208)	(3,597)	(18,805)
	5,938	32,779	38,717

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18. MATERIAL NON-CONTROLLING INTERESTS

The following tables show the information relating to each of the non-wholly owned subsidiaries that has material non-controlling interests ("NCI"). The summarised financial information represents amounts before inter-company eliminations.

(a) CIC Infrastructure Industry Investment Limited

	2020	2019
Percentage of equity interest held by NCI	42%	42%

	RMB'000	RMB'000
Current assets	499,822	796
Current liabilities	(373,143)	(805)
Net assets/(liabilities)	126,679	(9)
Carrying amount of NCI	53,205	(3)
Revenue, other income and gains	526,396	–
Costs, expenses and tax	(399,710)	(33)
Profit/(Loss) for the year	126,686	(33)
Adjustments for intragroup transactions (note (c))	(139,849)	–
Adjusted loss for the year	(13,163)	(33)
Other comprehensive income	–	–
Total comprehensive loss	(13,163)	(33)
Loss for the year attributable to NCI	(5,528)	(13)
Total comprehensive loss for the year attributable to NCI	(5,528)	(13)
Dividends paid to NCI	–	–
Net cash flows from/(used in):		
Operating activities	85	(13)
Investing activities	–	–
Financing activities	–	–



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18. MATERIAL NON-CONTROLLING INTERESTS (continued) (b) CEEC sub-group

	2020	2019
Percentage of equity interest held by NCI	42%	42%
	RMB'000	RMB'000
Current assets	152,476	68,035
Non-current assets	583,217	157,499
Current liabilities	(609,482)	(160,383)
Net assets	126,211	65,151
NCI within CEEC sub-group	(3,933)	–
Net assets attributable to owners of CEEC	122,278	65,151
Carrying amount of NCI	51,357	27,363
Revenue, other income and gains	168,764	23,161
Costs, expenses and tax	(106,513)	(6,141)
Profit for the year	62,251	17,020
Adjustments for intragroup transactions (note (c))	(26,663)	–
Adjusted profit for the year	35,588	17,020
NCI within CEEC sub-group	(3,771)	–
Profit for the year attributable to owners of CEEC	31,817	17,020
Other comprehensive (loss)/income	(1,183)	63
Total comprehensive income	30,634	17,083
Profit for the year attributable to NCI	13,363	7,148
Total comprehensive income for the year attributable to NCI	12,866	7,174
Dividends paid to NCI	–	–
Net cash flows from/(used in):		
Operating activities	102,595	29,450
Investing activities	(510,629)	(164,187)
Financing activities	394,640	132,742

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18. MATERIAL NON-CONTROLLING INTERESTS (continued)

(c) For the purposes of calculating the profit/(loss) and total comprehensive profit/(loss) for the year attributable to NCI, the amount of intragroup transactions have been eliminated. However, in order to reflect the interests of NCI on the equity of the respective subsidiaries, the balance of net assets of the respective subsidiaries includes the profit/(loss) arising from intragroup transactions which have been eliminated upon consolidation. Difference arising between the amount recorded in i/the consolidated statement of profit or loss; ii/the consolidated statement of financial position was recorded as transfer between retained earnings and non-controlling interests in the consolidated statement of changes in equity.

19. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets	3,530	4,557
Impairment	(2,530)	(2,530)
	1,000	2,027

During the year ended December 31, 2020, the Group acquired 40% additional equity interest in an associate and the associate has since become a subsidiary of the Company. A loss on acquisition of a subsidiary of RMB7,550,000 was recognised during the year.

The Group's receivables and payables with the associates are disclosed in note 38 to the consolidated financial statements.

20. INVENTORIES

	2020 RMB'000	2019 RMB'000
Completed properties	60,650	50,208
Properties under development	48,259	16,995
Materials, parts and equipment	263,447	139,481
	372,356	206,684



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21. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	770,538	744,692
Impairment	(87,384)	(77,806)
	683,154	666,886
Bills receivables	81,143	242,139
	764,297	909,025

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.

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:

	2020 RMB'000	2019 RMB'000
Less than 6 months	27,530	199,283
6 months to 1 year	356,214	264,444
1 year to 2 years	170,191	98,013
2 years to 3 years	67,564	62,677
Over 3 years	61,655	42,469
	683,154	666,886

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21. TRADE AND BILLS RECEIVABLES (continued)

Impairment

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

	2020 RMB'000	2019 RMB'000
At January 1	77,806	75,437
Impairment losses (note 7)	9,800	1,815
Disposal of a subsidiary	(222)	–
Acquisition of a subsidiary	–	554
At December 31	87,384	77,806

The breakdown of the loss allowance is as follows:

At December 31, 2020	Expected credit losses			Total RMB'000
	Credit- Impaired RMB'000	A proud Technology RMB'000	Entities other than A proud Technology RMB'000	
Gross carrying amount	34,619	3,121	732,798	770,538
Credit loss	34,619	1,407	51,358	87,384
Average credit loss rate	100%	45.07%	7.01%	11.34%

At December 31, 2019	Expected credit losses			Total RMB'000
	Credit- impaired RMB'000	A proud Technology RMB'000	Entities other than A proud Technology RMB'000	
Gross carrying amount	32,544	4,837	707,311	744,692
Credit loss	32,544	3,051	42,211	77,806
Average credit loss rate	100%	63.08%	5.97%	10.45%

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 due 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 six years and are not subject to enforcement activity.

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21. TRADE AND BILLS RECEIVABLES (continued)

Impairment (continued)

Management categorises its trade receivables based on the ageing of the balances. The lifetime expected credit losses are applied to trade 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. 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 from other entities in the Group, there are two different sets of provision matrix. Set out below is the information about the credit risk exposure on the Group's trade receivables using provision matrixes.

Aproud Technology

Aproud Technology was engaged in providing intelligent transportation services in the expressway sector in prior years. Since 2017, no such business has been conducted. The receivable amount aged less than 1 year at December 31, 2020 represented additional billing for old projects completed in prior years.

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

At December 31, 2020	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Past due:			
Less than 1 year	11.51%	942	108
1 to 2 years	–	–	–
2 to 3 years	27.64%	492	136
3 to 4 years	57.29%	288	165
4 to 5 years	70.67%	842	595
5 to 6 years	72.22%	558	403
Over 6 years (credit-impaired)	100.00%	1,599	1,599
		4,721	3,006

At December 31, 2019	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Past due:			
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	465
5 to 6 years	85.82%	1,326	1,138
Over 6 years (credit-impaired)	100.00%	2,743	2,743
		7,580	5,794

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21. TRADE AND BILLS RECEIVABLES (continued)

Impairment (continued)

Entities other than Aproud Technology

The entities in the Group other than Aproud Technology are mainly engaged in providing products, specialised solutions and services related to railway industry and electric power industry. Most of the customers are state-owned enterprises and railways bureau.

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

At December 31, 2020	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Past due:			
Less than 1 year and not yet due	2.01%	390,766	7,856
1 to 2 years	5.63%	180,351	10,160
2 to 3 years	11.16%	75,651	8,443
3 to 4 years	21.60%	53,959	11,656
4 to 5 years	33.84%	19,796	6,699
5 to 6 years	53.31%	12,275	6,544
Over 6 years (credit-impaired)	100.00%	19,362	19,362
		752,160	70,720

At December 31, 2019	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Past due:			
Less than 1 year and not yet due	2.02%	472,854	9,549
1 to 2 years	5.38%	103,254	5,555
2 to 3 years	11.93%	70,662	8,430
3 to 4 years	21.18%	29,603	6,269
4 to 5 years	32.41%	15,805	5,123
5 to 6 years	48.13%	15,133	7,285
Over 6 years (credit-impaired)	100.00%	22,167	22,167
		729,478	64,378

Other than the loss allowance using the provision matrix, included in the above allowance for impairment of trade receivables is a provision for individually impaired trade receivables of RMB13,657,000 (2019: RMB7,634,000) with a carrying amount before provision of RMB13,657,000 (2019: RMB7,634,000).



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22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Prepayments to suppliers for purchases of goods	251,514	279,961
Loan receivables (Note)	73,442	71,306
Tender deposits	13,698	31,760
Contract deposits	31,701	30,674
Advances to staff	33,630	31,822
Interest receivable	10,121	12,694
Guarantee deposit	14,199	–
Dividend receivable	–	3,571
Others	105,095	91,464
	533,400	553,252
Impairment	(63,613)	(49,833)
	469,787	503,419
Less: Loan receivables — non-current (Note)	30,000	30,000
Guarantee deposit — non-current	1,876	–
	437,911	473,419

Note: The balance comprises (i) Loan of RMB30,000,000 (2019: RMB30,000,000) to an independent third party which is repayable in 2023, bears interest at a rate of 8% per annum and is secured by the pledge of the shares of Forever Opensource Co., Ltd. ("Forever Opensource"); (ii) Loan of RMB12,600,000 (2019: RMB12,600,000) to an independent third party which is repayable in 2021, bears interest at a rate of 8% to 10% per annum and is secured by the pledge of land use right and properties; (iii) Unsecured loan of RMB10,609,000 (2019: Nil) to independent third party which bears interest at a rate of 7% to 8% per annum and (iv) Unsecured loans of RMB20,233,000 (2019: RMB28,706,000) to independent third parties which are interest-free and repayable in April 2021.

The movements in the impairment of prepayments, deposits and other receivables are as follows:

	2020 RMB'000	2019 RMB'000
At January 1	49,833	34,391
Impairment losses (Note 7)	67,435	21,607
Write-off	(53,655)	(6,165)
At December 31	63,613	49,833

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22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Financial assets included in prepayments, deposits and other receivables mainly represent contract deposits, tender deposits with customers, loan receivables and advances to staff. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of the counterparty and the historical loss record of the Group.

As at December 31, 2020, the Group assessed the credit exposures of the financial assets included in prepayments, deposits and other receivables with a result that there has not been a significant increase in credit risk since initial recognition. Therefore, the Group performed expected credit loss assessment for credit losses that result from default events that are possible within the next 12 months, and provided a loss allowance amounting to RMB67,435,000 (2019: RMB21,607,000) in the current year.

23. CONTRACT ASSETS

	2020 RMB'000	2019 RMB'000
Contract assets	424,146	479,294
Impairment	(27,850)	(29,678)
	396,296	449,616

Contract assets are initially recognised for revenue earned from the sale of products and the provision of specialised solutions and maintenance services. Upon issuing of billings to the customers according to the milestones of the projects, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets was due to the decrease in ongoing projects at the end of the year.

The expected timing of converting contract assets to trade receivables is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	267,042	310,008
More than 1 year	129,254	139,608
	396,296	449,616



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23. CONTRACT ASSETS (continued)

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

	2020 RMB'000	2019 RMB'000
At January 1	29,678	31,841
Reversal (note 7)	(1,030)	(2,163)
Disposal of subsidiary	(798)	–
At December 31	27,850	29,678

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.

Impairment

The information about the credit risk of the Group's contract assets is as follows:

	Expected credit losses			Total RMB'000
	Credit- impaired RMB'000	A proud Technology RMB'000	Entities other than A proud Technology RMB'000	
At December 31, 2020				
Gross carrying amount	17,979	17,982	388,185	424,146
Credit loss	17,979	2,070	7,801	27,850
Average credit loss rate	100.00%	11.51%	2.01%	6.57%

	Expected credit losses			Total RMB'000
	Credit- impaired RMB'000	A proud Technology RMB'000	Entities other than A proud Technology RMB'000	
At December 31, 2019				
Gross carrying amount	16,219	24,657	438,418	479,294
Credit loss	16,219	4,605	8,854	29,678
Average credit loss rate	100.00%	18.68%	2.02%	6.19%

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24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Unlisted equity investments	6,684	32,411
Listed equity investments	170,731	150,566
	177,415	182,977

Included in the listed equity investments was 21.64% (2019: 30.05%) equity interest in Forever Opensource with carrying amount of RMB145,398,000 as at December 31, 2020 (2019: RMB120,669,000). The Group considers that it has no significant influence over Forever Opensource as Forever Opensource's actual controller (實際控制人) is Ma Yue (馬越) and the Group has appointed only one (out of 8) director of Forever Opensource.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	240,622	258,722
Pledged or fixed deposits		
— Current deposits	172,024	249,617
— Non-current deposits	—	70,000
	412,646	578,339
Less: Pledged and fixed deposits for		
— Maturity over 3 months	(4,553)	(47,066)
— Letter of guarantee for projects	(39,148)	(29,952)
— Bills payables	(23,000)	(9,994)
— Interest-bearing bank borrowings (note 28)	(104,704)	(231,806)
— Tenders	(619)	(799)
Cash and cash equivalents	240,622	258,722

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged and fixed deposits are deposited with creditworthy banks with no recent history of default.

The cash and bank balances and pledged and fixed deposits of the Group denominated in RMB amounted to RMB361,928,000 (RMB361,920,000 in Mainland China and RMB8,000 in overseas) as at December 31, 2020 (December 31, 2019: RMB389,914,000 in total). In Mainland China, RMB is not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.



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26. 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:

	2020 RMB'000	2019 RMB'000
Current or less than 1 year	222,059	286,496
1 to 2 years	20,077	76,539
Over 2 years	63,348	25,216
	305,484	388,251

The Group's bills payable were secured by pledged deposits of the Group of RMB23,000,000 as at December 31, 2020 (2019: RMB9,994,000).

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

27. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Contract liabilities (a)	385,353	357,009
Business advance deposits	33,914	34,973
Staff costs and welfare accruals	19,986	17,175
Other borrowings (b)	78,809	92,060
Other taxes payable	78,437	103,931
Interest payables	2,135	2,206
Accrued purchase	25,842	–
Others (b)	64,239	64,600
	688,715	671,954

(a) Details of contract liabilities are as follows:

Contract liabilities include advances received from customers to deliver products and render maintenance and specialised solution services. The increase in contract liabilities in 2020 was mainly due to the increase in short-term advances received from customers in relation to the sale of products, provision of specialised solution services at the end of the year.

(b) These balances are unsecured, non-interest-bearing and repayable on demand.

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28. INTEREST-BEARING BANK BORROWINGS

	2020		2019	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Current				
Short term bank loans — secured	HIBOR/4.1–8.0	509,457	2.8–7.0	548,216
Bills receivable discounted or endorsed	0–2.9	46,759	0–4.1	153,551
		556,216		701,767
Non-current				
Long term bank loans — secured	HIBOR	40,250	HIBOR/4.1–5.7	146,250
		40,250		146,250
		596,466		848,017

Analysed into:	2020	2019
	RMB'000	RMB'000
Bank loans repayable:		
Within 1 year or on demand	556,216	701,767
After 1 year but within 2 years	–	121,250
After 2 years but within 5 years	40,250	25,000
	596,466	848,017

Notes:

- (i) Current bank loans of RMB103.2 million as at December 31, 2020 (2019: in aggregate RMB224.4 million) were secured by pledged deposits of RMB104.7 million (2019: RMB231.8 million) of the Group (note 25).
- (ii) Bank loans of RMB30.0 million as at December 31, 2020 (2019: RMB30.0 million) were guaranteed by the Group. Bank loans of RMB160 million as at December 31, 2020 were guaranteed by a subsidiary of King Victory Holdings Limited (“King Victory”) which is a related party of the Group.
- (iii) Current bank loans of RMB350.0 million as at December 31, 2020 (2019: RMB230.0 million) were secured by buildings of the Group with a carrying amount of RMB204.1 million (2019: RMB208.5 million), and trade receivables of RMB240.0 million.
- (iv) Current bank loans of RMB6.3 million and non-current bank loans of RMB40.3 million (2019: RMB50.0 million) were secured by properties of the Group with a carrying amount of RMB55 million (2019: RMB58 million) and a corporate guarantee by Zhixun Tiancheng.

As at December 31, 2020, the Group’s bank loans of RMB503.2 million (2019: RMB593.3 million) were charged at fixed interest rates and bank loans of RMB46.5 million (2019: RMB101.1 million) were charged at floating interest rates based on HIBOR which fluctuated on a quarterly basis.



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29. DEFERRED TAX

The movements in deferred tax assets and liabilities for the year are as follows:

	Assets		Liabilities	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
At January 1	–	17,514	8,929	24,537
Charged/credited to profit or loss	18,091	(3,003)	13,945	(1,097)
Offsetting	(18,091)	(14,511)	(18,091)	(14,511)
At December 31	–	–	4,783	8,929

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Accrued charges	532	573	–	–
Fair value adjustment on investment properties	–	–	14,597	14,747
Fair value adjustment on financial assets at fair value through profit or loss	2,668	3,948	2,343	1,778
Impairment of trade and bills receivables and contract assets	1,206	1,114	–	–
Recognition of revenue	11,554	6,968	5,934	6,915
Tax losses	2,131	1,908	–	–
Offsetting	(18,091)	(14,511)	(18,091)	(14,511)
Deferred tax liabilities, net	–	–	4,783	8,929

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29. DEFERRED TAX (continued)

Unrecognised deferred tax assets arising from:

	2020 RMB'000	2019 RMB'000
Before multiplied by the applicable tax rates:		
Deductible temporary differences	303,826	121,866
Tax losses	70,586	47,130
	374,412	168,996

The Group has tax losses of RMB46,820,000 and RMB23,766,000 arising in Mainland China (2019: RMB47,130,000) and Myanmar (2019: nil) respectively that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in loss-generating subsidiaries and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

30. SHARE CAPITAL

	2020 RMB'000	2019 RMB'000
Authorised:		
1,900,000,000 ordinary shares of HK\$0.0002 each	380	380
	RMB'000	RMB'000
Issued and fully paid:		
1,654,024,868 ordinary shares of HK\$0.0002 each	290	290



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31. RESERVES

Share premium

The balance of share premium represented the difference between the subscription price and nominal value of the Company's ordinary's ordinary shares upon the Company issuing shares at a premium, less subsequent distributions.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

Statutory reserve

According to the PRC Company Law, subsidiaries of the Company in Mainland China are required to transfer 10% of their respective after-tax profits, calculated in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that the fund is maintained at a minimum level of 25% of the registered capital.

Capital reserve

The capital reserve of the Group consists of: (i) reserves arising from the reorganisation before the listing of the Company on the Stock Exchange; (ii) reserves arising from the share options granted by China ITS Co., Ltd. and the Company as set out in note 32 to the consolidated financial statements; (iii) capitalised retained earnings to the capital of certain subsidiaries; and (iv) the difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received, on changes in the Group's interests in subsidiaries that do not result in the Group losing control.

Asset revaluation reserve

The balance represented the asset revaluation reserve of the Group's buildings included in property and equipment upon the transfer to investment properties in prior years.

Exchange fluctuation reserve

This reserve is dealt with in accordance with the accounting policies as set out in note 2.4 to the consolidated financial statements.

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32. SHARE OPTION SCHEME

The Company conditionally adopted the share option scheme on June 18, 2010 and the share option scheme became effective as at the date of listing of the Company on July 15, 2010 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The board of directors may, at its absolute discretion, offer an option to eligible participant to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

On January 18, 2012, the board of directors resolved to grant share options under the Share Option Scheme to 191 grantees, which included executive directors, independent non-executive directors and certain employees of the Group to subscribe for an aggregate of 155,000,000 ordinary shares. A total of 155,000,000 share options would be vested over twelve quarterly installments from three months after the grant date provided these grantees remain in service at the respective vesting dates. The exercise price is HK\$1.05 per share. There are no cash settlement alternatives.

The following share options were outstanding under the scheme during the year:

	2020		2019	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At January 1	1.05	61,011	1.05	72,217
Lapsed during the year	1.05	(483)	1.05	(11,206)
At December 31	1.05	60,528	1.05	61,011



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32. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Batches	Number of Options		Exercise Price HK\$ per share	Exercise period
	2020 '000	2019 '000		
Batch 1	2,774	2,815	1.05	April 19, 2012 to January 18, 2022
Batch 2	2,774	2,815	1.05	July 19, 2012 to January 18, 2022
Batch 3	2,774	2,815	1.05	October 19, 2012 to January 18, 2022
Batch 4	2,774	2,815	1.05	January 19, 2013 to January 18, 2022
Batch 5	5,042	5,082	1.05	April 19, 2013 to January 18, 2022
Batch 6	5,042	5,082	1.05	July 19, 2013 to January 18, 2022
Batch 7	5,042	5,082	1.05	October 19, 2013 to January 18, 2022
Batch 8	5,042	5,082	1.05	January 19, 2014 to January 18, 2022
Batch 9	7,310	7,350	1.05	April 19, 2014 to January 18, 2022
Batch 10	7,310	7,350	1.05	July 19, 2014 to January 18, 2022
Batch 11	7,310	7,350	1.05	October 19, 2014 to January 18, 2022
Batch 12	7,334	7,373	1.05	January 19, 2015 to January 18, 2022
	60,528	61,011		

* The expiry date of these share options shall be the earlier of: (a) the date on which the share option lapses in accordance with the share option scheme and (b) the date falling ten years from the date of acceptance by the grantee.

483,000 (2019: 11,206,000) share options were lapsed during the year which resulted in the transfer from capital reserve to retained earnings amounting to RMB188,000 (2019: RMB4,367,000).

As at December 31, 2020, the Company had 60,528,000 (2019: 61,011,000) share options outstanding under the scheme, which represented approximately 3.66% of the Company's shares in issue at that date (2019: 3.69%).

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33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans	
	2020 RMB'000	2019 RMB'000
At January 1	848,017	784,352
Changes from financing cash flows, net	(251,551)	63,665
At December 31	596,466	848,017

34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bills payables and bank borrowings are included in notes 26 and 28 to the consolidated financial statements respectively.

35. OPERATING LEASE COMMITMENTS

As lessor

The Group leases its investment properties and offices properties to certain independent third parties and a related party, with leases negotiated for terms of six months to six years.

The investment properties are subject to residual value risk. The lease contract, as a result, includes a provision based on which the Group has the right to charge the tenant on reimbursement basis for any damage to the investment properties caused by the tenant at the end of the lease. The amount is to be deducted from the rental deposit received.

Below is a maturity analysis of undiscounted lease payments to be received from leasing of investment properties and offices properties.

	2020 RMB'000	2019 RMB'000
Year 1	16,505	13,632
Year 2	15,958	5,205
Year 3	8,676	1,215
Year 4	7,030	–
Year 5 above	7,382	–
Undiscounted lease payments to be received	55,551	20,052



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36. CAPITAL COMMITMENTS

As at December 31, 2020, the Group had the following capital commitments:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Equipment	73,494	223,740

37. BUSINESS COMBINATION

On May 13, 2019, the Group entered into a share purchase agreement with the vendors, pursuant to which the Group shall acquire 58% equity interest in CEEC at a cash consideration of RMB85,840,000 (the "Acquisition"). The vendors warrant to the Group that in respect of the two years ended December 31, 2019 and 2020 (the "Profit Guarantee Period"), the aggregate audited consolidated profits after tax of CEEC subgroup for the Profit Guarantee Period shall be no less than RMB62,000,000. If the guaranteed profits during the Profit Guarantee Period are not achieved, the Group is entitled to a compensation amount ("Profit Guarantee"), details of which are set out in the Company's announcement dated May 13, 2019. The Acquisition was completed in late May 2019. The guaranteed profits for the Profit Guarantee Period have been achieved so no Profit Guarantee was received or receivable by the Group as at December 31, 2020.

The initial accounting for the Acquisition was provisional for the year ended December 31, 2019 mainly because the valuations of the intangible assets acquired and the consideration transferred had not been completed. The valuations were finalised during the six-month period ended June 30, 2020 and the following measurement period adjustments were made to the amounts of the assets acquired and liabilities assumed, as well as the amount of non-controlling interest recognised at the date of the Acquisition:

	As reported RMB'000	Adjustments RMB'000	Adjusted RMB'000
Cash and cash equivalents	1,689	–	1,689
Trade and bills receivables	29,535	–	29,535
Prepayment, deposits and other receivables	39,243	–	39,243
Property and equipment	22	–	22
Intangible assets	–	36,376	36,376
Trade and other payables	(58,074)	–	(58,074)
Total identifiable net assets at fair value	12,415	36,376	48,791
Non-controlling interests	(5,215)	(15,278)	(20,493)
Goodwill on Acquisition	78,640	(32,229)	46,411
Consideration for Acquisition	85,840	(11,131)	74,709
Analysis of consideration:			
Cash consideration	85,840	–	85,840
Contingent consideration	–	(11,131)	(11,131)
Consideration for the Acquisition	85,840	(11,131)	74,709

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37. BUSINESS COMBINATION (continued)

In addition, the following table summarises the impact of the valuations on the consolidated statement of financial position as at December 31, 2019 and on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the year then ended:

	As reported RMB'000	Adjustments RMB'000	Adjusted RMB'000
NON-CURRENT ASSETS			
Goodwill	254,851	(32,229)	222,622
Other intangible assets	5,938	32,779	38,717
Contingent consideration	–	6,479	6,479
EQUITY			
Equity attributable to owners of the Company			
Share capital and reserves	1,973,983	(6,738)	1,967,245
Non-controlling interests	13,468	13,767	27,235
Profit or loss			
Operating profit			
Selling, distribution and administrative expenses	(151,472)	(8,249)	(159,721)
LOSS BEFORE TAX	(27,275)	(8,249)	(35,524)
LOSS FOR THE YEAR	(35,640)	(8,249)	(43,889)
Attributable to:			
Owners of the Company	(44,239)	(6,738)	(50,977)
Non-controlling interests	8,599	(1,511)	7,088
	(35,640)	(8,249)	(43,889)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(47,839)	(8,249)	(56,088)
Attributable to:			
Owners of the Company	(56,474)	(6,738)	(63,212)
Non-controlling interests	8,635	(1,511)	7,124
	(47,839)	(8,249)	(56,088)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
	RMB		RMB
Basic	(0.03)		(0.03)
Diluted	(0.03)		(0.03)



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38. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Group had the following major transactions with related parties during the year:

	Notes	2020 RMB'000	2019 RMB'000
Rental income			
Associates	(i)	24	36
King Victory and its affiliates	(i)	3,667	3,617
eSOON Information Technology Co., Ltd	(i)	685	–
Interest income			
King Victory and its affiliates	(ii)	9,954	18,105

Notes:

- (i) The rental income from associates, King Victory and its affiliates and eSOON Information Technology Co., Ltd arose from the rental of the Group's office buildings, and was based on prices mutually agreed by both parties.
- (ii) The interest income arose from the outstanding receivables due from King Victory and its affiliates which was caused by the disposal of certain subsidiaries by the Company in 2016 and was due on June 30, 2019. The receivables were interest-bearing at rates ranging from 3.487% to 6.479% (2019: 3.487% to 6.479%) per annum.

(b) Other transactions with related parties

A subsidiary of King Victory has guaranteed certain bank loans made to the Group of up to nil as at December 31, 2020 (2019: RMB160.0 million), as further detailed in note 28.

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38. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties

As disclosed in the consolidated statement of financial position, the Group had the following outstanding balances with related parties:

	Notes	2020 RMB'000	2019 RMB'000
Due from related parties			
Associates	(ii)	–	4,869
Director	(ii)	628	–
King Victory and its affiliates	(i)	30,190	381,227
Joint operation	(ii)	5,798	–
Total		36,616	386,096
Due to related parties			
Joint operation	(ii)	–	4,615
King Victory and its affiliates	(ii)	–	154
eSOON Information Technology Co., Ltd	(ii)	325	–
Total		325	4,769

Notes:

(i) The amounts due from King Victory and its affiliates of RMB347 million as at December 31, 2019, which was due on June 30, 2019 and secured by the pledge of 75% equity interests in a subsidiary of King Victory, was fully settled during the year ended December 31, 2020. The interest rate was 3.487% to 6.479% (2019: 3.487% to 6.479%) per annum.

The balances of RMB30 million (2019: RMB34 million) are unsecured, non-interest bearing and repayable on demand.

(ii) The amounts due are unsecured, non-interest bearing and repayable on demand.

(d) Compensation of key management personnel of the Group

	2020 RMB'000	2019 RMB'000
Fees	1,397	1,461
Salaries, bonuses, allowances and benefits in kind	4,409	4,348
Pension plan contributions	15	276
Total compensation paid to key management personnel	5,821	6,085



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39. CONTINGENT LIABILITIES

As at December 31, 2020, the Group did not have any significant contingent liabilities (2019: Nil).

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each category of financial instruments as at the end of the reporting period are as follows:

Financial assets

2020

	Mandatory financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	–	764,297	764,297
Financial assets included in prepayments, other receivables and other assets	–	206,590	206,590
Amounts due from related parties	–	36,616	36,616
Financial assets at fair value through profit or loss	177,415	–	177,415
Pledged deposits	–	172,024	172,024
Cash and cash equivalents	–	240,622	240,622
	177,415	1,420,149	1,597,564

2019

	Mandatory financial assets at fair value through profit or loss (Restated) RMB'000	Financial assets at amortised cost RMB'000	Total (Restated) RMB'000
Trade and bills receivables	–	909,025	909,025
Financial assets included in prepayments, other receivables and other assets	–	192,784	192,784
Amounts due from related parties	–	386,096	386,096
Contingent consideration	6,479	–	6,479
Financial assets at fair value through profit or loss	182,977	–	182,977
Pledged deposits	–	319,617	319,617
Cash and cash equivalents	–	258,722	258,722
	189,456	2,066,244	2,255,700

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40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	2020 Financial liabilities at amortised cost RMB'000	2019 Financial liabilities at amortised cost RMB'000
Trade and bills payables	305,484	388,251
Financial liabilities included in other payables and accruals	144,871	158,866
Interest-bearing bank borrowings	596,466	848,017
Amounts due to related parties	325	4,769
	1,047,146	1,399,903

Management has assessed that the fair values of financial instruments of the Group approximate to their carrying amounts largely due to the short-term maturities of these instruments.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management of the Group.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments measured at fair value as at December 31, 2020 and 2019:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
At December 31, 2020				
Financial assets at fair value through profit or loss	170,731	-	6,684	177,415



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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	Fair value measurement using			Total (Restated) RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) (Restated) RMB'000	
At December 31, 2019				
Contingent consideration	–	–	6,479	6,479
Financial assets at fair value through profit or loss	29,897	120,669	32,411	182,977

The Group's policy is to recognize transfers into and out of different levels of fair value measurements as at the end of the reporting period in which the transfers occur.

During the year, investments previously categorised as Level 2 have been transferred to Level 1 because of the increased trading activities upon the admission of its shares for trading under Select of National Equities Exchange and Quotations in October 2020. Apart from that, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and liabilities (2019: Nil). The movements of the Level 3 investments during the year represent the changes in fair value which were recognised in profit or loss for the year.

The fair values of unlisted equity investments at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple for each comparable company identified. The multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value.

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Below is a summary of significant unobservable inputs to the valuation of Level 3 investments together with a quantitative sensitivity analysis as at December 31, 2020:

Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Average EV/EBITDA multiple of peers	26.3 (2019: 19.9)	1% increase/decrease in multiple would result in increase/decrease in fair value by RMB532,000 (2019: RMB319,000)
	Discount for lack of market ability	35% (2019: 35%)	1% increase/decrease in discount would result in decrease/increase in fair value by RMB943,000 (2019: RMB319,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets at fair value through profit or loss, interest-bearing bank borrowings, cash and cash equivalents, and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, amounts due from/to related parties, financial assets included in prepayments, deposits and other receivables, trade and bills payables, and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.



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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its interest-bearing borrowings with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. If there had been a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the loss before tax would have increased/decreased by approximately RMB143,000 for the year ended December 31, 2020 (2019: RMB461,000).

Equity price risk

The Group is exposed to price risks arising from equity investments held under financial assets at fair value through profit or loss amounting to RMB177 million (2019: RMB183 million). The Group does not actively trade these investments. The sensitivity analysis has been determined based on the exposure to equity price risk. At the end of the reporting period, if the equity price had been 5% (2019: 5%) higher/lower while all other variables were held constant, the Group's loss would be decreased/increased by RMB9 million (2019: RMB9 million) due to change in the fair value of financial assets at fair value through profit or loss. The Group's sensitivity to equity price has not changed significantly from the prior year.

Foreign currency risk

Substantially all of the Group's sales and purchases are denominated in RMB. The Group's certain bank balances are denominated in US\$, HK\$ and certain expenses of the Group are denominated in currencies other than RMB.

The following table demonstrates the sensitivity as at December 31, 2020 and 2019 to a reasonably possible change in the US\$ and HK\$ exchange rate, with all other variables held constant, of the Group's profit or loss before tax.

	2020		2019	
	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit or loss before tax RMB'000	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit or loss before tax RMB'000
If RMB weakens against US\$	5	3,629	5	2,738
If RMB strengthens against US\$	(5)	(3,629)	(5)	(2,738)
If RMB weakens against HK\$	5	(3,336)	5	(3,297)
If RMB strengthens against HK\$	(5)	3,336	(5)	3,297

Notes to Consolidated Financial Statements

Year ended December 31, 2020



42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of receivables are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. As the Group's major customers are PRC stated-owned enterprises, the Group believes that they are of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure is spread over a diversified portfolio of customers, there is no significant concentration of credit risk.

The Group applies the simplified approach for impairment of trade receivables and contract assets, which is based on the provision matrix as disclosed in notes 21 and 23 to the consolidated financial statements respectively.

The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility through the use of bank and other borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:



Notes to Consolidated Financial Statements

Year ended December 31, 2020

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

As at December 31, 2020

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	305,484	–	–	–	305,484
Financial liabilities included in other payables and accruals	142,736	–	2,135	–	144,871
Amounts due to related parties	325	–	–	–	325
Interest-bearing bank borrowings	–	146,262	421,304	43,636	611,202
	448,545	146,262	423,439	43,636	1,061,882

As at December 31, 2019

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	262,455	46,437	79,359	–	388,251
Financial liabilities included in other payables and accruals	156,660	–	2,206	–	158,866
Amounts due to related parties	4,769	–	–	–	4,769
Interest-bearing bank borrowings	–	213,381	502,057	161,884	877,322
	423,884	259,818	583,622	161,884	1,429,208

The directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting period. Based on this forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the loan financing and additional capital from equity holders of the Company. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions regarding future events, they are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

Notes to Consolidated Financial Statements

Year ended December 31, 2020



42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020 and December 31, 2019.

The Group monitors capital using net debt to capital ratio, which is net debt divided by the capital. The Group's policy is to maintain the net debt to capital ratio between 14% and 20%. Net debt includes interest-bearing bank borrowings, and amounts due to related parties, less cash and cash equivalents and pledged deposits for interest-bearing bank borrowings. Capital includes equity attributable to owners of the parent. The net debt to capital ratios as at the end of the reporting periods were as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Interest-bearing bank borrowings	596,466	848,017
Amount due to related parties	325	4,769
Less: Cash and cash equivalents	(240,622)	(258,722)
Pledged deposits for interest-bearing bank borrowings	(104,704)	(231,806)
Net debt	251,465	362,258
Equity attributable to owners of the Company	1,731,153	1,967,245
Net debt to equity ratio	14.53%	18.41%



Notes to Consolidated Financial Statements

Year ended December 31, 2020

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	689,810	689,810
Amount due from a related party	–	2,067
Total non-current assets	689,810	691,877
CURRENT ASSETS		
Prepayments, deposits and other receivables	–	42,641
Amounts due from subsidiaries	1,139,543	936,601
Amounts due from related parties	–	531,113
Pledged deposits	1,175	2,195
Cash and cash equivalents	45,078	113,971
Total current assets	1,185,796	1,626,521
CURRENT LIABILITIES		
Other payables and accruals	33,250	–
Interest-bearing bank borrowings	232,643	119,989
Amounts due to related parties	12,725	251,716
Amounts due to subsidiaries	–	210,227
Total current liabilities	278,618	581,932
NET CURRENT ASSETS	907,178	1,044,589
TOTAL ASSETS LESS CURRENT LIABILITIES	1,596,988	1,736,466
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	–	134,566
Total non-current liabilities	–	134,566
Net assets	1,596,988	1,601,900
EQUITY		
Share capital	290	290
Other reserves (note)	1,596,698	1,601,610
Total equity	1,596,988	1,601,900

Notes to Consolidated Financial Statements

Year ended December 31, 2020



43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

	Share premium RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2019	1,066,708	602,676	(80,406)	(15,102)	1,573,876
Loss for the year	–	–	–	542	542
Exchange differences related to foreign operations	–	–	27,192	–	27,192
Total comprehensive income/(loss) for the year	1,066,708	602,676	(53,214)	(14,560)	1,601,610
Share-based payment transactions*	–	(39)	–	39	–
At December 31, 2019 and January 1, 2020	1,066,708	602,637	(53,214)	(14,521)	1,601,610
Loss for the year	–	–	–	(13,326)	(13,326)
Exchange differences related to foreign operations	–	–	8,414	–	8,414
Total comprehensive income/(loss) for the year	1,066,708	602,637	(44,800)	(27,847)	1,596,698
Share-based payment transactions*	–	–	–	–	–
At December 31, 2020	1,066,708	602,637	(44,800)	(27,847)	1,596,698

* Nil (2019: 99,000) share options forfeited during the year resulted in the transfer from capital reserve to accumulated losses amounting to nil (2019: RMB39,000).

Liao Jie
Director

Jiang Hailin
Director

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on April 16, 2021.



Particulars of Properties

December 31, 2020

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Room C2201, C2202, C2203, C2205, Building 8 No.1 Zhong Guan Cun Dong Road, Haidian District, Beijing, the PRC	Office	Long-term lease	100%