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China ITS (Holdings) Co., Ltd.

中国智能交通系统(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1900)

**AUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

HIGHLIGHTS OF 2021 ANNUAL RESULTS

For the year ended December 31, 2021 (the “Year” or the “2021”), highlights of the results of China ITS (Holdings) Co., Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) are as follows:

- The Group recorded RMB760.0 million from the new contracts signed⁽¹⁾, representing a decrease of 22.7% compared to the previous year.
- Revenue of RMB740.3 million was generated, representing a decrease of 20.4% compared to the previous year.
- As of December 31, 2021, the Group recorded RMB729.1 million from backlog, representing a decrease of 8.5% compared to the end of the previous year.
- The Group generated gross profit of RMB267.3 million, up by 39.6% compared to the previous year, and recorded gross profit margin of 36.1%, representing an increase of 15.5 percentage points compared to the previous year.
- The profit attributable to owners of the parent of the Company amounted to RMB74.5 million as compared to the loss of RMB177.1 million for the previous year. The change was mainly attributable to (i) the significant increase in revenue of the electric power sector during the Year, while the gross profit margin of this segment was comparatively high; and (ii) the significant decrease in impairment loss for the Year compared to the previous year.

⁽¹⁾ The amount of the new contracts signed for the power plant project was recognised for revenue generated from such project for the current period.

ANNUAL RESULTS

The audited consolidated results of the Group for the year ended 31 December 2021, with comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended December 31, 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
REVENUE	5	740,293	930,536
Cost of revenue		<u>(472,970)</u>	<u>(739,025)</u>
Gross profit		267,323	191,511
Other income and gains	6	66,947	49,427
Selling, distribution and administrative expenses		(148,092)	(148,862)
Impairment losses on financial and contract assets, net		(14,158)	(76,205)
Other expenses		(12,814)	(119,908)
Finance costs		(18,037)	(38,146)
Share of loss of an associate		<u>–</u>	<u>(563)</u>
PROFIT (LOSS) BEFORE TAX		141,169	(142,746)
Income tax expense	7	<u>(35,814)</u>	<u>(23,121)</u>
PROFIT (LOSS) FOR THE YEAR		<u>105,355</u>	<u>(165,867)</u>
Attributable to:			
Owners of the Company		74,519	(177,104)
Non-controlling interests		<u>30,836</u>	<u>11,237</u>
		<u>105,355</u>	<u>(165,867)</u>
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		RMB	RMB
Basic	9	<u>0.05</u>	<u>(0.11)</u>
Diluted	9	<u>0.05</u>	<u>(0.11)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PROFIT (LOSS) FOR THE YEAR	<u>105,355</u>	<u>(165,867)</u>
OTHER COMPREHENSIVE (LOSS) INCOME		
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(88,364)</u>	<u>10,543</u>
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>(88,364)</u>	<u>10,543</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u><u>16,991</u></u>	<u><u>(155,324)</u></u>
Attributable to:		
Owners of the Company	23,321	(166,157)
Non-controlling interests	<u>(6,330)</u>	<u>10,833</u>
	<u><u>16,991</u></u>	<u><u>(155,324)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property and equipment		511,799	624,502
Investment properties		92,252	73,260
Goodwill		123,759	123,759
Other intangible assets		24,550	31,273
Investment in an associate		1,000	1,000
Financial assets at fair value through profit or loss	<i>12</i>	193,102	177,415
Loan receivables		30,000	30,000
Prepayments, deposits and other receivables		720	1,876
Prepayment for the acquisition of property and equipment		21,547	–
		<hr/> 998,729	<hr/> 1,063,085
Total non-current assets			
CURRENT ASSETS			
Inventories		405,007	372,356
Contract assets	<i>11</i>	261,064	396,296
Trade and bills receivables	<i>10</i>	632,640	764,297
Financial assets at fair value through profit or loss	<i>12</i>	10	–
Prepayments, deposits and other receivables		382,295	437,911
Amounts due from related parties		27,706	36,616
Pledged deposits		30,269	172,024
Cash and cash equivalents		317,869	240,622
		<hr/> 2,056,860	<hr/> 2,420,122
Total current assets			
CURRENT LIABILITIES			
Trade and bills payables	<i>13</i>	308,321	305,484
Contract liabilities, other payables and accruals		501,015	688,715
Interest-bearing bank borrowings		279,713	556,216
Amounts due to related parties		327	325
Income tax payable		67,404	50,050
		<hr/> 1,156,780	<hr/> 1,600,790
Total current liabilities			
NET CURRENT ASSETS		<hr/> 900,080	<hr/> 819,332
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 1,898,809	<hr/> 1,882,417

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,898,809	1,882,417
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	35,000	40,250
Deferred tax liabilities	9,363	4,783
Total non-current liabilities	44,363	45,033
Net assets	1,854,446	1,837,384
EQUITY		
Equity attributable to owners of the Company		
Share capital	290	290
Reserves	1,772,424	1,730,863
	1,772,714	1,731,153
Non-controlling interests	81,732	106,231
Total equity	1,854,446	1,837,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

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..

2 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**”).

These consolidated financial statements 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.

3. 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 IAS 39, IFRSs 4, 7, 9 and 16 Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in September 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures — a company will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The adoption of the amendments does not have any significant impact on 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, the Group has the following operating segments based on its business units:

(i) 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.

(ii) 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..

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/loss, 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, gain/loss on transfers between inventories and investment properties as well as head office and corporate income and expenses are excluded from this measurement.

Year ended December 31, 2021	Railway business RMB'000	Electric power business RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	<u>551,271</u>	<u>189,022</u>	<u>740,293</u>
Segment results	24,332	105,288	129,620
<i>Reconciliation:</i>			
Finance income			6,913
Finance costs			(18,037)
Changes in fair value of investment properties			(740)
Gain on transfers from inventories to investment properties			5,857
Changes in fair value of financial assets at fair value through profit or loss			30,953
Dividend income from financial assets at fair value through profit or loss			2,789
Corporate and other unallocated income and expenses			<u>(16,186)</u>
Profit before tax			<u>141,169</u>
Other segment information:			
Gain on disposal of financial assets at fair value through profit or loss	1,546	–	1,546
Loss on derecognition of a subsidiary	(3,629)	–	(3,629)
Impairment of financial and contract assets, net	(11,333)	(2,825)	(14,158)
Depreciation and amortisation	(17,488)	(40,031)	(57,519)
Capital expenditure*	<u>192</u>	<u>39,044</u>	<u>39,236</u>

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	<u>788,655</u>	<u>141,881</u>	<u>930,536</u>
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			<u>(29,356)</u>
Loss before tax			<u>(142,746)</u>
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)
Write-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*	<u>11,044</u>	<u>387,757</u>	<u>398,801</u>

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

Geographical information

(a) Revenue from external customers

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	535,021	770,068
Overseas, mainly Myanmar	<u>205,272</u>	<u>160,468</u>
	<u><u>740,293</u></u>	<u><u>930,536</u></u>

(b) Non-current assets

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	504,589	478,239
Overseas, mainly Myanmar	<u>370,427</u>	<u>375,555</u>
	<u><u>875,016</u></u>	<u><u>853,794</u></u>

Information about major customers

A customer under the electric power business segment contributed 25.5% (2020: 8.3%) of the Group's revenue for the year. Other than that, no individual customer of the Group contributed 10% or more of the Group's revenue.

5. REVENUE

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers within IFRS 15	<u>740,293</u>	<u>930,536</u>

(i) Disaggregated revenue information

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Type of goods or services		
Sale of products and provision of specialised solutions	481,474	774,343
Maintenance services	70,260	78,755
Power supply	<u>188,559</u>	<u>77,438</u>
Total revenue from contracts with customers	<u>740,293</u>	<u>930,536</u>
Geographical markets		
Mainland China	535,021	770,068
Overseas	<u>205,272</u>	<u>160,468</u>
Total revenue from contracts with customers	<u>740,293</u>	<u>930,536</u>
Timing of revenue recognition		
Goods and services transferred at a point in time	39,634	300,056
Goods and services transferred over time	<u>700,659</u>	<u>630,480</u>
Total revenue from contracts with customers	<u>740,293</u>	<u>930,536</u>

6. OTHER INCOME AND GAINS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Changes in fair value of financial assets at fair value through profit or loss	30,953	1,038
Dividend income from financial assets at fair value through profit or loss	2,789	2,186
Finance income	6,913	15,398
Gain on disposal of a subsidiary	–	6,243
Gain on disposal of financial assets at fair value through profit or loss	1,546	4,355
Gain on transfer from inventories to investment properties	5,857	–
Government grants*	791	4,036
Gross rental income	15,852	8,532
Income from the sale of properties, net	–	710
Bad debt recovered	–	2,563
Others	2,246	4,366
	<u>66,947</u>	<u>49,427</u>

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

7. INCOME TAX

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

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

A subsidiary of the Group in Tibet, China is subject to PRC Enterprise Income Tax at a rate of 9% (2020: 9%), and subsidiaries in other areas of Mainland China of the Group are subject to PRC Enterprise Income Tax at a rate 25% (2020: 25%) on their respective taxable income, except for those subsidiaries which are qualified as High and New Technology Enterprises and are entitled to 15% (2020: 15%) preferential income tax rate.

No provision for Hong Kong profits tax has been made for the year ended December 31, 2021 (2020: nil), as the Group had no assessable profits arising in Hong Kong during the year.

Subsidiaries incorporated in Myanmar are subject to Corporate Income Tax at a rate 25% on their 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.

According to the PRC tax regulations, from January 1, 2008 onwards, non-resident enterprises without an establishment or place of business in 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 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 Mainland China. Distributions of the pre-2008 earnings are exempted from such withholding tax. As at December 31, 2021, 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 Mainland China (2020: 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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax		
— Provision for the year	12,769	6,738
— Under-provision in prior years	2,105	5,537
Myanmar Corporate Income Tax	14,412	–
Myanmar withholding tax	1,948	14,992
	31,234	27,267
Deferred tax:		
Origination and reversal of temporary differences	4,580	(4,146)
Income tax expense	35,814	23,121

8. DIVIDENDS

No dividend was proposed by the Company for the years ended December 31, 2021 and December 31, 2020.

9. EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the profit for the year attributable to owners of the Company of RMB74,519,000 (2020: loss for the year attributable to owners of the Company of RMB177,104,000), and the weighted average number of 1,654,024,868 (2020: 1,654,024,868) ordinary shares outstanding during the year.

Diluted earnings (loss) per share

The calculation of diluted earnings (loss) per share is based on the profit for the year attributable to owners of the Company of RMB74,519,000 (2020: loss for the year attributable to owners of the Company of RMB177,104,000), and the weighted average number of ordinary shares in issue during the year, as used in the basic earnings (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, calculated as follows:

	2021	2020
Shares		
Weighted average number of shares in issue	1,654,024,868	1,654,024,868
Effect of deemed issue of shares under the Company's share award scheme for nil consideration	<u>560,699</u>	<u>–</u>
Weighted average number of shares in issue	<u>1,654,585,567</u>	<u>1,654,024,868</u>

No adjustment had been made to the basic loss per share presented for the year ended December 31, 2020 as the outstanding share options had an anti-dilutive effect on the amount presented.

10. TRADE AND BILLS RECEIVABLES

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	625,103	770,538
Impairment	<u>(75,496)</u>	<u>(87,384)</u>
	549,607	683,154
Bills receivables	<u>83,033</u>	<u>81,143</u>
	<u>632,640</u>	<u>764,297</u>

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:

	2021	2020
	RMB'000	RMB'000
Less than 6 months	30,849	27,530
6 months to 1 year	209,321	356,214
1 year to 2 years	147,832	170,191
2 years to 3 years	91,256	67,564
Over 3 years	70,349	61,655
	549,607	683,154

Impairment

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

	2021	2020
	RMB'000	RMB'000
At January 1	87,384	77,806
(Reversal of impairment) Impairment	(11,820)	9,800
Disposal of a subsidiary	–	(222)
Written off	(68)	–
At December 31	75,496	87,384

The breakdown of the loss allowance is as follows:

	Credit- Impaired	Expected credit losses		Total
		Aproud Technology	Entities other than Aproud Technology	
At December 31, 2021	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount	27,192	3,800	594,111	625,103
Credit loss	27,192	1,098	47,206	75,496
Average credit loss rate	100.00%	28.89%	7.95%	12.08%

	Credit- impaired	Expected credit losses		Total
		Aproud Technology	Entities other than Aproud Technology	
At December 31, 2020	RMB'000	RMB'000	RMB'000	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	100.00%	45.07%	7.01%	11.34%

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.

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 amounts aged less than 1 year at December 31, 2021 and December 31, 2020 represented additional billing for old projects completed in current and prior years.

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

At December 31, 2021	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Past due:			
Less than 1 year	9.06%	2,252	204
1 to 2 years	19.82%	328	65
2 to 3 years	–	–	–
3 to 4 years	53.83%	431	232
4 to 5 years	71.09%	211	150
5 to 6 years	77.34%	578	447
Over 6 years (credit-impaired)	100.00%	2,095	2,095
		5,895	3,193

At December 31, 2020	Expected credit loss rate	Gross carrying amount <i>RMB'000</i>	Expected credit losses <i>RMB'000</i>
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
		<u>4,721</u>	<u>3,006</u>

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, 2021	Expected credit loss rate	Gross carrying amount <i>RMB'000</i>	Expected credit losses <i>RMB'000</i>
Past due:			
Less than 1 year and not yet due	1.57%	241,922	3,800
1 to 2 years	5.14%	155,571	8,003
2 to 3 years	10.27%	101,704	10,448
3 to 4 years	20.68%	51,153	10,577
4 to 5 years	30.48%	39,931	12,172
5 to 6 years	57.60%	3,830	2,206
Over 6 years (credit-impaired)	100.00%	14,118	14,118
		<u>608,229</u>	<u>61,324</u>

At December 31, 2020	Expected credit loss rate	Gross carrying amount <i>RMB'000</i>	Expected credit losses <i>RMB'000</i>
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
		<u>752,160</u>	<u>70,720</u>

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 RMB10,979,000 (2020: RMB13,658,000) with a carrying amount before provision of RMB10,979,000 (2020: RMB13,658,000).

11. CONTRACT ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contract assets	292,429	424,146
Impairment	(31,365)	(27,850)
	<u>261,064</u>	<u>396,296</u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	261,064	267,042
More than 1 year	<u>–</u>	<u>129,254</u>
	<u>261,064</u>	<u>396,296</u>

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

	2021	2020
	RMB'000	RMB'000
At January 1	27,850	29,678
Impairment (Reversal)	3,515	(1,030)
Disposal of a subsidiary	–	(798)
	<hr/>	<hr/>
At December 31	31,365	27,850
	<hr/> <hr/>	<hr/> <hr/>

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:

	Credit- impaired	Expected credit losses		Total
		Aproud Technology	Entities other than Aproud Technology	
At December 31, 2021	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount	27,256	5,650	259,523	292,429
Credit loss	27,256	2,581	1,528	31,365
Average credit loss rate	100.00%	45.68%	0.59%	10.73%
	Credit- impaired	Expected credit losses		Total
	Aproud Technology	Entities other than Aproud Technology		
At December 31, 2020	RMB'000	RMB'000	RMB'000	RMB'000
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%

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current		
— Unlisted equity investment	<u>10</u>	<u>—</u>
Non-current		
— Unlisted equity investments	7,755	6,684
— Listed equity investments	<u>185,347</u>	<u>170,731</u>
	<u>193,102</u>	<u>177,415</u>

Included in the listed equity investments was 21.64% (2020: 21.64%) equity interest in Forever Opensource with carrying amount of RMB168,340,000 as at December 31, 2021 (2020: RMB145,398,000). 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.

13. TRADE AND BILLS PAYABLES

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current or less than 1 year	171,674	222,059
1 to 2 years	94,305	20,077
Over 2 years	<u>42,342</u>	<u>63,348</u>
	<u>308,321</u>	<u>305,484</u>

The Group's bills payable of nil and RMB23,000,000 was secured by pledged deposits of the Group of nil as at December 31, 2021 (2020: RMB23,000,000).

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

In 2021, the Group recorded RMB760.0 million from new contracts signed, representing a decrease of 22.7% compared to the previous year. The Group generated revenue of RMB740.3 million, representing a decrease of 20.4% compared to the previous year, and as of December 31, 2021, the Group recorded RMB729.1 million from backlog, representing a decrease of 8.5% compared to the end of the previous year. The Group generated gross profit of RMB267.3 million, which increased by 39.6% compared to the previous year, and recorded gross profit margin of 36.1%, representing an increase from 20.6% for the previous year. The profit attributable to owners of the parent of the Company amounted to RMB74.5 million for the Year as compared to the loss of RMB177.1 million for the previous year.

BUSINESS AND FINANCIAL REVIEW

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 — We sell products and specialised solutions to customers according to their needs. It mainly includes railway communication products and energy-base products. We also provide railway customers with value-added operation and services such as maintenance services, network optimization and network planning, and technical consulting for products related to the communication system.
- (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 customers' needs, we also provide 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.

Business Review

1. Diversified development of the railway business sector

For the railway business sector, the Group's railway business has been affected by the fact that railway fixed asset investment has been declining year by year in the past three years, and the number of new contracts for the Year has decreased significantly as compared with the previous year. In addition, some railway projects have been delayed in delivery, resulting in a greater decrease in revenue for the Year as compared to the previous year. During the Year, however, the Group took advantage of its own competitive advantages and successfully won the bid for a series of major projects such as the construction of the data communication network expansion project of Xi'an Railway Bureau, with a comparatively high market share secured in the products and specialised solutions in the railway communication market segment. In terms of the value-added operation and service business, the Group actively deployed the operation and maintenance service platform for railway communication systems in over 10 railway bureaus across the country, facilitating the automation and intelligence application of the railway communication system operation and maintenance. At the same time, the Group successfully renewed the maintenance project contract in respect of the Hong Kong Express Rail Link.

2. Ongoing business expansion in the overseas power business sector

For the power business sector, the AHLONE 151,000-kilowatt power plant project invested, constructed and operated by the Group in Yangon, Myanmar, passed the inspection and acceptance by the Ministry of Electricity of Myanmar on January 18, 2021 and was officially put into operation. Despite the severity of the Pandemic in Myanmar during the Year, the Group ensured that the operations and power generation of the power plant was not affected while ensuring the safety of overseas workers. In addition, due to the success of the AHLONE power plant project, as approved by the Ministry of Electricity of Myanmar, the Group and a local enterprise in Myanmar established a joint venture during the Year, for the purposes of the joint development of the 123,000-kilowatt power plant restoration project in Hlawga, Myanmar. The project is expected to be put into operation in 2022.

FINANCIAL REVIEW

Revenue

By Industry Sectors

For the Year, the Group generated revenue as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Revenue by industry sectors		
Railway	551,271	788,655
Electric power	189,022	141,881
Total	<u>740,293</u>	<u>930,536</u>

(i) Railway

For the Year, revenue of RMB551.3 million was recognised from the railway sector, representing a decrease of RMB237.4 million compared to the previous year, and decreased by 30.1%. The sector recorded RMB571.0 million from new contracts signed, representing a decrease of RMB250.2 million compared to the previous year; and the amount of backlog as of the end of the Year was RMB710.0 million, representing a decrease of RMB67.9 million compared to the end of the previous year. The decrease in revenue was mainly due to the greater impact of the COVID-19 pandemic on the railway communication market during the Year, as the number of new contracts was much lower than that of the previous year, and the delivery of some railway projects was delayed, resulting in a significant decrease in revenue for the Year as compared to the previous year.

(ii) Electric power

For the Year, revenue of RMB189.0 million was recognised from the electric power sector, representing an increase of RMB47.1 million compared to the previous year, and increased by 33.2%. The sector recorded RMB189.0 million from new contacts signed, representing an increase of RMB27.3 million compared to the previous year.

The increase in revenue was mainly due to the fact that the power plant project in Myanmar passed the inspection and acceptance by the Ministry of Electricity of Myanmar on January 18, 2021 and was officially put into operation. Therefore, compared with the previous year, the operations of the self-built power plant of the Group achieved significant revenue growth in the Year. As a result, the power sector achieved significant revenue growth.

By Business Model

For the Year, the Group generated revenue as follows:

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue by business model		
Products and specialised solutions	481,474	774,343
Value-added operation and services	258,819	156,193
Total	740,293	930,536

(i) Products and specialised solutions

For the Year, revenue of RMB481.5 million was recognised from the products and specialised solutions business, representing a decrease of RMB292.9 million compared to the previous year, and decreased by 37.8%. The business recorded RMB496.5 million from new contracts signed, representing a decrease of RMB340.9 million compared to the previous year and the amount of backlog as of the end of the Year was RMB639.8 million, representing a decrease of RMB121.3 million compared to the end of the previous year. The decrease in revenue was mainly due to the greater impact of the COVID-19 pandemic on the railway communication market during the Year, as the number of new contracts was much lower than that of the previous year, and the delivery of some railway projects was delayed, resulting in a significant decrease in revenue for the Year as compared to the previous year.

(ii) Value-added operation and services

Revenue recognised from the value-added operation and services business for the Year was RMB258.8 million, representing an increase of RMB102.6 million compared to the previous year, and increased by 65.7%. The business recorded RMB263.5million from new contracts signed, representing an increase of RMB118.0 million compared to the previous year and the amount of backlog as of the end of the Year was RMB89.3million, representing an increase of RMB53.4 million compared to the end of the previous year.

The revenue from this business increased significantly, primarily because the power plant project in Myanmar completed the inspection and acceptance by Ministry of Electricity of Myanmar on January 18, 2021 and was officially put into operation. Therefore, in the Year, the power plant project generated a relatively significant revenue compared to the previous year.

Gross Profit and the Gross Profit Margin

The Group generated gross profit of RMB267.3 million in the Year, representing an increase of RMB75.8 million compared to the previous year. Gross profit margin increased from 20.6% for the previous year to 36.1% for the Year.

By Industry Sectors

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Gross profit by industry sectors		
Railway	125,032	121,926
Gross profit margin %	22.7%	15.5%
Electric power	142,291	69,585
Gross profit margin %	75.3%	49.0%
Total	<u>267,323</u>	<u>191,511</u>
Gross profit margin	<u>36.1%</u>	<u>20.6%</u>

(i) Railway

For the Year, gross profit of RMB125.0 million was recognised from the railway sector, representing an increase of RMB3.1 million compared to the previous year. The gross profit margin was 22.7%, representing an increase of 7.2percentage points compared to the previous year. This was mainly due to the higher gross profit margin of some new projects undertaken during the Year.

(ii) Electric power

For the Year, gross profit of RMB142.3 million was recognised from the electric power sector, representing an increase of RMB72.7 million compared to the previous year. The increase in gross profit was due to the significant increase in the revenue of the sector for the Year. The gross profit margin was 75.3%, representing an increase of 26.3 percentage points compared to the previous year. The revenue of the electric power segment mainly comes from sales and service of power equipment and the power supply business. As compared with the previous year, the proportion of the revenue from the power supply business to the whole segment increased significantly during the Year, the gross profit margin of which is comparatively high, and therefore the overall gross profit margin of this electric power segment increased significantly as compared to the previous year.

By Business Model

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Gross profit and the Gross Profit Margin by business model		
Products and specialised solutions	110,797	109,952
Gross profit margin %	23.0%	14.2%
Value-added operation and services	156,526	81,559
Gross profit margin %	60.5%	52.2%
Total	<u>267,323</u>	<u>191,511</u>
Gross profit margin	<u>36.1%</u>	<u>20.6%</u>

(i) Products and specialised solutions

For the Year, gross profit of RMB110.8 million was recognized from the products and specialised solutions business, basically similar with the previous year. The gross profit margin was 23.0%, representing an increase of 8.8 percentage points compared to the previous year. This was mainly due to the higher gross profit margin of some new projects undertaken during the Year.

(ii) Value-added operation and services

Gross profit recognized from the value-added operation and services business for the Year was RMB156.5 million, representing an increase of RMB74.9 million compared to the previous year. The gross profit margin was 60.5%, representing an increase of 8.3 percentage points compared to the previous year. For the Year, the revenue of the value-added operation and services of the electric power sector increased significantly compared to the previous year, and the gross profit margin was relatively high in this sector, in turn further resulting in a relatively significant increase in the gross profit and gross profit margin of the value-added operation and services business compared to the previous year.

Other Income and Gains

For the Year, other income and gains mainly include: (i) the rental income was approximately RMB15.9 million; (ii) the financial assets dividend income was approximately RMB2.8 million; and (iii) income from investing in wealth management products was approximately RMB2.0 million.

Selling and Administration Expenses and Impairment Losses

For the Year, selling and administration expenses and impairment losses were approximately RMB166.3 million, representing a decrease of RMB163.2 million as compared to the previous year.

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

For the Year, selling and administration expenses which was related to daily operational activities was RMB152.1 million as compared to RMB154.4 million for the previous year, representing a decrease of RMB2.3 million compared to the previous year. Such decrease was mainly due to tightened control over costs of the Group by reducing expenses such as travel expenses as a result of the impact of the COVID-19 pandemic.

(ii) Impairment losses

The impairment losses for the Year were RMB14.2 million as compared to the impairment losses of RMB175.1 million for the previous year.

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 RMB11.1 million, which represented a decrease of RMB11.6 million compared to the previous year. This was mainly due to a decrease of interest-bearing bank loan in the Year, resulting in a decrease in interest expenses compared to the previous year.

Proceeds from Disposal of Financial Asset

For the Year, the Group disposed part of its equity in an equity investment and obtained a profit of RMB1.5 million.

Profit or Loss through Fair Value Changes

- (i) For the Year, influenced by market fluctuations, the Group's equity investments in Forever Opensource (stock code: 834415), CNBM Technology (stock code: 834082), Shenzhen Hopeland, and Helios Energy Limited (stock code: HE8.AX) generated a profit of RMB31.0 million through fair value changes, as compared to the profit of RMB1.0 million for the previous year, representing an increase in profit of RMB30.0 million 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, 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 the Internet of Things industry. Helios Energy Limited is primarily engaged in oil and gas exploration with operation in Texas, USA. As of December 31, 2021, the Group held (i) 21.64% of equity interest in Forever Opensource, (ii) 0.70% of equity interest in CNBA Technology, and (iii) 10.0% of equity interest in Shenzhen Hopeland, and (iv) 1.34% of equity interest in Helios Energy Limited. The gain/(loss) (including unrealized gain/(loss)) from the Group's investment in the shares of Forever Opensource, CNBA Technology, Shenzhen Hopeland and Helios Energy Limited for the Year was RMB22.9 million, RMB(1.5) million, RMB1.1 million and RMB8.5 million, respectively. The Company makes strategic investments in technology companies in related industries from time to time and would seek further cooperation opportunities as and when appropriate.

- (ii) During the Year, the Group's investment properties generated gains from changes in fair value of RMB5.1 million.

Income Tax Expenses

The total income tax expenses for the Year were RMB35.8 million, which were RMB23.1 million for the previous year. The increase in income tax expenses was mainly due to the significant increase in the profit of the Group for the Year.

Profit for the Year

For the Year, the profit attributable to owners of the parent of the Company amounted to RMB74.5 million as compared to the loss of RMB177.1 million for the previous year. The change was mainly attributable to (i) the significant increase in revenue of the electric power sector during the Year, while the gross profit margin of this segment was comparatively high; and (ii) the significant decrease in impairment loss for the Year compared to the previous year.

Inventory Turnover Days

The inventories of the Group mainly comprised of products and spare parts related to the railway communication. For the Year, the inventory turnover days were 190 days (the previous year: 100 days). The change was due to the delay in project delivery due to the impact of the Pandemic in the Year.

Trade Receivables Turnover Days

For the Year, the trade receivables turnover days were 344 days (the previous year: 328days).

Trade Payables Turnover Days

For the Year, the trade payables turnover days were 237 days (the previous year: 171days).

Liquidity and Financial Resources

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. As of December 31, 2021, the Group's current ratio (current assets divided by current liabilities) was 1.8 (as of December 31, 2020: 1.5). The Group's financial position remains healthy.

As of December 31, 2021, the Group was in a net cash position⁽¹⁾ of RMB33.4 million (as at the end of the previous year: negative RMB183.8 million), increased by RMB217.2 million compared to the end of the previous year. As at December 31, 2021, the Group's gearing ratio⁽²⁾ was -3.3%, decreased by 11.3 percentage points from 8.0% as at the end of the previous year.

Contingent Liabilities

As at December 31, 2021, the Group had no material contingent liability.

Charges on Group Assets

As at December 31, 2021, except for the pledged deposits of approximately RMB30.3 million (as at December 31, 2020: RMB172.0 million), the Group pledged a building with a net carrying amount of approximately RMB200.4 million, real estate with an appraised value of approximately RMB72.5 million, trade receivables with a carrying amount of RMB150.0 million, a subsidiary's property, and equity in a subsidiary to banks to secure banking facilities granted to the Group (as at the end of the previous

⁽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.

year, 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 to banks to secure banking facilities granted to the Group). Save as disclosed above, as at December 31, 2021, the Group had no other assets charged to financial institutions.

IMPORTANT EVENTS SUBSEQUENT TO THE PERIOD

There was no important event affecting the Company nor any of its subsidiaries from 31 December 2021 to the date of this announcement.

EMPLOYMENT AND EMOLUMENT POLICIES

As at 31 December 2021, the Group had 258 full-time employees. The emolument policy of the employees of the Group is set up by the Board on the basis of individual role, responsibilities and performance of the individual concerned, and the performance of our Group and market conditions.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed the listed securities of the Company.

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions contained in the Code of Corporate Governance Practices (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Company has complied with all the code provisions in the CG Code for the year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the “**Model Code**”) as the standards for the Directors’ dealings in the securities of the Company. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2021.

AUDIT COMMITTEE

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

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

The audit committee has reviewed the accounting principles and practices and has also reviewed auditing, internal control and financial reporting matters, including the review of the audited final results of the Group for the year ended 31 December 2021 together with the management of the Company and external auditor, Mazars CPA Limited (“**Mazars**”). In addition, the Company’s external auditor, Mazars, has performed an independent audit of the Group’s consolidated financial statements for the year ended 31 December 2021 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Company’s external auditor, Mazars, to the amounts set out in the Group’s draft consolidated financial statements for the year ended 31 December 2021. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standard on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on this announcement.

PUBLICATION OF THE 2021 ANNUAL REPORT

The 2021 Annual Report of the Company containing all the information as required under Appendix 16 to the Listing Rules will be dispatched to the shareholders and available on the Company's website at www.its.cn and the Stock Exchange's website at www.hkexnews.hk in due course.

ACKNOWLEDGEMENT

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

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

Beijing, 31 March 2022

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