



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

2022 INTERIM REPORT



CONTENTS

Corporate Information	2
Financial Highlights	5
Management Discussion and Analysis	6
Directors' Report	15
Condensed Consolidated Statement of Profit or Loss	26
Condensed Consolidated Statement of Comprehensive Income	27
Condensed Consolidated Statement of Financial Position	28
Condensed Consolidated Statement of Changes In Equity	30
Condensed Consolidated Statement of Cash Flows	31
Notes to Condensed Consolidated Financial Statements	33



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, AIAA, 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
Ventriss Place
19–23 Ventriss Road
Happy Valley
Hong Kong

AUDIT COMMITTEE

Mr. Wang Dong (*CICPA, CIMA, AIAA, CGMA*) (*committee chairman*)
Mr. Zhou Jianmin
Mr. Ye Zhou

REMUNERATION COMMITTEE

Mr. Ye Zhou (*committee chairman*)
Mr. Wang Dong (*CICPA, CIMA, AIAA, CGMA*)
Mr. Zhou Jianmin

NOMINATION COMMITTEE

Mr. Zhou Jianmin (*committee chairman*)
Mr. Ye Zhou
Mr. Wang Dong (*CICPA, CIMA, AIAA, CGMA*)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

Building 204, No. A10,
Jiuxianqiao North Road,
Chaoyang District
Beijing 100015, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8/F., Golden Star Building
20–24 Lockhart Road
Wanchai
Hong Kong

COMPANY WEBSITE

www.its.cn

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
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Gardenia Court
Camana Bay
Grand Cayman, KY1-1110
Cayman Islands

Corporate Information

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 Guangfa Bank Co., Ltd. Beijing Branch
Yuetan sub-branch
Ping An Bank Co., Ltd. Shanghai Pilot Free Trade Zone Branch
China Minsheng Banking Corp., Ltd. Beijing Branch
Sales Department
China Construction Bank Hong Kong Branch
Shanghai Pudong Development Bank Co., Ltd. Beijing
Xuanwu sub-branch

Corporate Information

KEY SUBSIDIARIES

"Ahlone Power Plant"	Myanmar Ahlone Power Plant Company Limited
"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 Information"	CIC Information Technology Company Limited
"CIC Infrastructure"	CIC Infrastructure Industry Investment Limited (中智基礎產業投資有限公司)
"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 New Energy Co., Ltd. (北京昊天佳捷新能源有限公司)
"Hlawga GGE Power Plant"	Myanmar Hlawga GGE Power Plant Company Limited
"Hongrui Dake"	Beijing Hongrui Dake Technology Co., Ltd. (北京宏瑞達科科技有限公司)
"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 Zhongzhi Transportation"	Jiangsu Zhongzhi Transportation Technology Co., Ltd. (江蘇中智交通科技有限公司)
"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)
"Zhongtian Runbang"	Zhongtian Runbang Information Technology Co., Ltd. (中天潤邦信息技術有限公司)

HIGHLIGHTS OF 2022 INTERIM RESULTS

For the six-month period ended June 30, 2022 (the “**Period**” or the “**First Half of the Year**”), highlights of the results of China ITS (Holdings) Co., Ltd. (the “**Company**”) and its subsidiaries (collectively the “**Group**”) are as follows:

- The Group recorded RMB215.8 million from the new contracts signed⁽¹⁾, representing a decrease of 24.1% compared to the same period last year.
- Revenue of RMB243.6 million was generated, representing a decrease of 21.8% compared to the same period last year.
- As of June 30, 2022, the Group recorded RMB621.9 million from backlog, representing a decrease of 14.7% compared to the end of the previous year.
- The Group generated gross profit of RMB115.9 million, basically similar with the same period last year, and recorded gross profit margin of 47.6%, representing an increase of 10.3 percentage points compared to the same period last year.
- The loss attributable to owners of the parent of the Company amounted to RMB6.0 million as compared to the profit of RMB29.6 million for the same period last year. The change was mainly attributable to the relatively significant loss from the changes in the fair value of financial assets during the Period. A loss of RMB51.4 million was incurred compared to a gain of RMB2.9 million for the same period last year. Excluding the change in fair value of financial assets, profit for the Period increased by RMB18.7 million compared to the same period last 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.

Management Discussion and Analysis

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

In the First Half of the Year, the Group recorded RMB215.8 million from new contracts signed, representing a decrease of 24.1% compared to the same period last year. The Group generated revenue of RMB243.6 million, representing a decrease of 21.8% compared to the same period last year, and as of June 30, 2022, the Group recorded RMB621.9 million from backlog, representing a decrease of 14.7% compared to the end of the previous year. The Group generated gross profit of RMB115.9 million, which was generally in line with that of the same period last year, and recorded gross profit margin of 47.6%, which was an increase from 37.3% for the same period last year. The loss attributable to owners of the parent of the Company amounted to RMB6.0 million for the First Half of the Year as compared to the profit of RMB29.6 million for the same period last 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 optimisation 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 etc.

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW (continued)

Business Review

1. Decreasing trend 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 bidding progress of projects were affected by the resurgent COVID-19 pandemic in various regions across the PRC in the First Half of the Year. The number of new contracts for the First Half of the Year has decreased significantly as compared with the same period last year. In addition, some railway projects have been delayed in delivery, resulting in a greater decrease in revenue for the First Half of the Year as compared to the same period last year.

2. Steady business growth in the overseas power business sector

For the power business sector, the AHLONE 151,000-kilowatt power plant project, which was invested, constructed and operated by the Group in Yangon, Myanmar, recorded an increase in the revenue as compared with the same period last year. In addition, the Group established a joint venture with a local enterprise in Myanmar in 2021 for the purpose of joint development of the 123,000-kilowatt power plant restoration project in Hlawga, which has achieved single cycle power generation in the First Half of the Year.

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW (continued)

Financial Review

Revenue

By Industry Sectors

For the First Half of the Year, the Group generated revenue as follows:

	For the six-month period ended June 30,	
	2022 RMB'000	2021 RMB'000
Revenue by industry sectors		
Railway	129,850	213,971
Electric power	113,784	97,454
Total	243,634	311,425

(i) *Railway*

For the First Half of the Year, revenue of RMB129.9 million was recognised from the railway sector, representing a decrease of RMB84.1 million compared to the same period last year, and decreased by 39.3%. The sector recorded RMB101.8 million from new contracts signed, representing a decrease of RMB85.2 million compared to the same period last year; and the amount of backlog as of the end of the Period was RMB602.8 million, representing a decrease of RMB107.2 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 in the First Half of the Year, as the number of new contracts was much lower than that of the same period last year, and the delivery of some railway projects was delayed, resulting in a significant decrease in revenue for the First Half of the Year as compared to the same period last year.

(ii) *Electric power*

For the First Half of the Year, revenue of RMB113.8 million was recognised from the electric power sector, representing an increase of RMB16.3 million compared to the same period last year, and increased by 16.7%. The sector recorded RMB114.0 million from new contacts signed, representing an increase of RMB16.5 million compared to the same period last year.

The increase in revenue was mainly due to growth in revenue from the AHLONE power plant as compared to the same period last year. Meanwhile, the Hlawga power plant, a power plant joint venture in Myanmar, started with the single cycle power generation for the First Half of the Year.

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW (continued)

Financial Review (continued)

Revenue (continued)

By Business Model

For the First Half of the Year, the Group generated revenue as follows:

	For the six-month period ended June 30,	
	2022 RMB'000	2021 RMB'000
Revenue by business model		
Products and specialised solutions	117,414	188,150
Value-added operation and services	126,220	123,275
Total	243,634	311,425

(i) *Products and specialised solutions*

For the First Half of the Year, revenue of RMB117.4 million was recognised from the products and specialised solutions business, representing a decrease of RMB70.8 million compared to the same period last year, and decreased by 37.6%. The business recorded RMB95.0 million from new contracts signed, representing a decrease of RMB81.0 million compared to the same period last year and the amount of backlog as of the end of the Period was RMB578.0 million, representing a decrease of RMB61.8 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 in the First Half of the Year, as the number of new contracts was much lower than that of the same period last year, and the delivery of some railway projects was delayed, resulting in a significant decrease in revenue for the First Half of the Year as compared to the same period last year.

(ii) *Value-added operation and services*

Revenue recognised from the value-added operation and services business for the First Half of the Year was RMB126.2 million, representing an increase of RMB2.9 million compared to the same period last year, and increased by 2.4%. The business recorded RMB120.8 million from new contracts signed, representing an increase of RMB12.3 million compared to the same period last year and the amount of backlog as of the end of the Period was RMB43.9 million, representing a decrease of RMB45.4 million compared to the end of the previous year.

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW (continued)

Financial Review (continued)

Gross Profit and the Gross Profit Margin

The Group generated gross profit of RMB115.9 million in the First Half of the Year, basically similar with the same period last year. Gross profit margin increased from 37.3% for the same period last year to 47.6% for the First Half of the Year.

By Industry Sectors

	For the six-month period ended June 30,	
	2022	2021
	RMB'000	RMB'000
Gross profit by industry sectors		
Railway	27,230	41,393
Gross profit margin %	21.0%	19.3%
Electric power	88,706	74,918
Gross profit margin %	78.0%	76.9%
Total	115,936	116,311
Gross profit margin	47.6%	37.3%

(i) *Railway*

For the First Half of the Year, gross profit of RMB27.2 million was recognised from the railway sector, representing a decrease of RMB14.2 million compared to the same period last year. The gross profit margin was 21.0%, representing an increase of 1.7 percentage points compared to the same period last year. The decrease in gross profit was mainly due to the significant decrease in revenue from the sector for the First Half of the Year.

(ii) *Electric power*

For the First Half of the Year, gross profit of RMB88.7 million was recognised from the electric power sector, representing an increase of RMB13.8 million compared to the same period last year. The gross profit margin was 78.0%, representing an increase of 1.1 percentage points compared to the same period last year. The increase in gross profit was mainly due to the significant increase in revenue from the sector for the First Half of the Year.

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW (continued)

Financial Review (continued)

Gross Profit and the Gross Profit Margin (continued)

By Business Model

	For the six-month period ended June 30,	
	2022 RMB'000	2021 RMB'000
Gross profit and the Gross Profit Margin by business model		
Products and specialised solutions	23,348	32,709
Gross profit margin %	19.9%	17.4%
Value-added operation and services	92,588	83,602
Gross profit margin %	73.4%	67.8%
Total	115,936	116,311
Gross profit margin	47.6%	37.3%

(i) *Products and specialised solutions*

For the First Half of the Year, gross profit of RMB23.3 million was recognised from the products and specialised solutions business, representing a decrease of RMB9.4 million compared to the same period last year. The gross profit margin was 19.9%, representing an increase of 2.5 percentage points compared to the same period last year. The decrease in gross profit was mainly due to the significant decline in revenue from the business model for the First Half of the Year.

(ii) *Value-added operation and services*

Gross profit recognised from the value-added operation and services business for the First Half of the Year was RMB92.6 million, representing an increase of RMB9.0 million compared to the same period last year. The gross profit margin was 73.4%, representing an increase of 5.6 percentage points compared to the same period last year. For the First Half of the Year, the revenue of the value-added operation and services of the electric power sector increased slightly compared to the same period last year, and the gross profit margin was relatively high in this sector, in turn further resulting in an increase in the gross profit and gross profit margin of the value-added operation and services business.

Other Income and Gains

For the First Half of the Year, other income and gains mainly include: (i) the rental income was approximately RMB11.4 million; (ii) the financial assets dividend income was approximately RMB1.5 million.

Selling and Administration Expenses and Impairment Losses

For the First Half of the Year, selling and administration expenses and impairment losses were approximately RMB53.8 million, representing an increase of RMB1.6 million as compared to the same period last year.

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW (continued)

Financial Review (continued)

Selling and Administration Expenses and Impairment Losses (continued)

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

For the First Half of the Year, selling and administration expenses which was related to daily operational activities was RMB61.4 million as compared to RMB56.6 million for the same period last year, representing an increase of RMB4.8 million compared to the same period last year.

(ii) *Impairment losses*

The reversal from impairment losses for the First Half of the Year were RMB7.6 million, including reversal of RMB9.7 million from impairment of trade receivables, reversal of RMB1.3 million from impairment of contract assets, and impairment of financial assets amounting to RMB3.4 million included to prepayments, deposits and other receivables, as compared to the reversal of RMB4.4 million for the same period last year, including impairment of trade receivables amounting to RMB1.7 million, reversal of RMB7.4 million from impairment on contract assets, and impairment of financial assets amounting to RMB1.3 million included to prepayments, deposits and other receivables.

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 First Half of the Year, the net financial expense was RMB3.7 million, which represented a decrease of RMB3.6 million compared to the same period last year. This was mainly due to a decrease of interest-bearing bank loan in the First Half of the Year, resulting in a decrease in interest expenses compared to the same period last year.

Profit or Loss through Fair Value Changes

- (i) For the First Half of 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 loss of RMB51.4 million through fair value changes, as compared to the profit of RMB2.9 million for the same period last 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. CNBM 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 June 30, 2022, the Group held (i) 21.64% of equity interest (29,794,769 shares) in Forever Opensource with investment costs of RMB151.7 million, the fair value of such investment was amounted to RMB120.1 million representing 4.00% of our total assets, (ii) 0.70% of equity interest (318,833 shares) in CNBM Technology with investment costs of RMB4.8 million, the fair value of such investment was amounted to RMB5.2 million representing 0.17% of our total assets, and (iii) 10.0% of equity interest in Shenzhen Hopeland with investment costs of RMB20.0 million, the fair value of such investment was amounted to RMB5.9 million representing 0.20% of our total assets, and (iv) 1.34% of equity interest (25,000,000 shares) in Helios Energy Limited with investment costs of RMB2.3 million, the fair value of such investment was amounted to RMB9.9 million representing 0.33% of our total assets. The losses (including unrealised loss) from the Group's investment in the shares of Forever Opensource, CNBM Technology, Shenzhen Hopeland and Helios Energy Limited for the First Half of the Year were RMB48.3 million, RMB1.0 million, RMB1.3 million and RMB0.8 million, respectively. During the six-month ended June 30, 2022, we received dividends of RMB1.2 million, RMB0.3 million, RMB0 and RMB0 from Forever Opensource, CNBM Technology, Shenzhen Hopeland and Helios Energy Limited, 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.

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW (continued)

Financial Review (continued)

Profit or Loss through Fair Value Changes (continued)

- (ii) During the First Half of the Year, the Group's investment properties generated gains from changes in fair value of RMB4.9 million.

Income Tax Expenses

The total income tax expenses for the First Half of the Year were RMB3.9 million, which were RMB19.1 million for the same period last year. The decrease in income tax expenses was mainly due to the decrease in income tax expenses from Myanmar for the First Half of the Year, as compared to the same period last year.

Loss for the Period

For the First Half of the Year, the loss attributable to owners of the parent of the Company amounted to RMB6.0 million as compared to the profit of RMB29.6 million for the same period last year. The change was mainly attributable to the relatively significant loss from the changes in the fair value of financial assets during the Period, a loss of RMB51.4 million was incurred compared to a gain of RMB2.9 million for the same period last year. Excluding the change in fair value of financial assets, profit for the Period increased by RMB18.7 million compared to the same period last year.

Inventory Turnover Days

The inventories of the Group mainly comprised of products and spare parts related to the railway communication. For the First Half of the Year, the inventory turnover days were 227 days (the same period last year: 123 days). During the First Half of the Year, the inventory of the Group decreased slightly as compared to the same period last year, but the inventory turnover days increased due to the significant decrease in revenue for the First Half of the Year as compared to the same period last year.

Trade Receivables Turnover Days

For the First Half of the Year, the trade receivables turnover days were 328 days (the same period last year: 241 days). During the First Half of the Year, the trade receivables of the Group decreased significantly as compared to the same period last year, but the trade receivables turnover days increased due to the significant decrease in revenue for the First Half of the Year as compared to the same period last year.

Trade Payables Turnover Days

For the First Half of the Year, the trade payables turnover days were 217 days (the same period last year: 140 days). During the First Half of the Year, the trade payables of the Group decreased slightly as compared to the same period last year, but the trade payables turnover days increased due to the significant decrease in revenue for the First Half of the Year as compared to the same period last year.

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW (continued)

Financial Review (continued)

Liquidity and Financial Resources

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. As of June 30, 2022, the Group's current ratio (current assets divided by current liabilities) was 1.8 (as of December 31, 2021: 1.8). The Group's financial position remains healthy.

As of June 30, 2022, the Group was in a net cash position⁽¹⁾ of RMB38.6 million (as at the end of the previous year: RMB33.4 million), increased by RMB5.2 million compared to the end of the previous year. As at June 30, 2022, the Group's gearing ratio⁽²⁾ was -3.7%, decreased by 0.4 percentage points from -3.3% as at the end of the previous year.

Contingent Liabilities

As at June 30, 2022, the Group had no material contingent liability.

Charges on Group Assets

As at June 30, 2022, except for the pledged deposits of approximately RMB55.9 million (as at December 31, 2021: RMB30.3 million), the Group pledged a building with a net carrying amount of approximately RMB196.3 million, real estate with an appraised value of approximately RMB72.5 million, trade receivables with a carrying amount of RMB151.0 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 year, 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 RMB151.0 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 June 30, 2022, the Group had no other assets charged to financial institutions.

IMPORTANT EVENTS SUBSEQUENT TO THE PERIOD

There was no important event affecting the Group from June 30, 2022 to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group did not make any material acquisitions and disposals of subsidiaries and associated companies during the six-month period ended June 30, 2022.

⁽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.

Directors' Report

The board of directors (individually, a “**Director**”, or collectively, the “**Board**”) of China ITS (Holdings) Co., Ltd. (the “**Company**”) presents its report together with the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six-month period ended June 30, 2022.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six-month period ended June 30, 2022.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices, the internal control and financial reporting matters of the Company, and the unaudited interim results of the Group for the six-month period ended June 30, 2022 together with the management of the Company.

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

Save as disclosed below, as at June 30, 2022, none of the Directors and chief executive of the Company 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 Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “**SFO**”) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 (the “**Model Code**”) as contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 June 30, 2022 ⁽³⁾
Mr. Liao Jie ⁽¹⁾	Beneficial owner/Interest of a controlled corporation	105,758,203 (L)	6.31% (L)
Mr. Jiang Hailin ⁽²⁾	Beneficial owner/Beneficiary of the Fino Trust	645,912,777 (L)	38.54% (L)

Notes:

- (1) Mr. Liao Jie is deemed to be interested in the 105,758,203 Shares held by Joyful Business, which is wholly-owned by Mr. Liao Jie.
- (2) Mr. Jiang Hailin was 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' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as otherwise disclosed in this interim report, at no time during the six-month period ended June 30, 2022, 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 of the Company 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, 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.

PRE-IPO SHARE INCENTIVE SCHEME, SHARE OPTION SCHEME AND SHARE AWARD 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. The 2021 Share Award Scheme was adopted on September 16, 2021 and the terms was disclosed in the announcement of the Company dated November 8, 2021 and December 15, 2021 and circular dated November 29, 2021.

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 was 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.

PRE-IPO SHARE INCENTIVE SCHEME, SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(continued)

2. Share Option Scheme (continued)

The Share Option Scheme will remain in force for a period of 10 years from the Listing Date and ending on the tenth 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 (the "**Share Option Scheme Limit**") shall not in aggregate exceed 155,029,633 Shares of the Company, 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 of the Company 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 of the Company 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.

All of the share options under the Share Option Scheme were expired on January 18, 2022.

Directors' Report

PRE-IPO SHARE INCENTIVE SCHEME, SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(continued)

2. Share Option Scheme (continued)

Movement of the options granted under the Share Option Scheme during the six-month period ended June 30, 2022 is as follows:

Grantee	Grant date ⁽¹⁾	Vesting start date	Expiry date	Outstanding as at January 1, 2022	Exercised during the six-month period ended June 30, 2022	Lapsed or cancelled during the six-month period ended June 30, 2022	Outstanding as at June 30, 2022	Exercise price per share (HK\$)
Mr. Jiang Hailin (Executive Director, Chief Executive Officer)	18/01/2012	19/04/2012	Note (2)	77,203	–	77,203	–	1.05
	18/01/2012	19/07/2012	Note (2)	77,203	–	77,203	–	1.05
	18/01/2012	19/10/2012	Note (2)	77,203	–	77,203	–	1.05
	18/01/2012	19/01/2013	Note (2)	77,203	–	77,203	–	1.05
	18/01/2012	19/04/2013	Note (2)	154,592	–	154,592	–	1.05
	18/01/2012	19/07/2013	Note (2)	154,592	–	154,592	–	1.05
	18/01/2012	19/10/2013	Note (2)	154,592	–	154,592	–	1.05
	18/01/2012	19/01/2014	Note (2)	154,592	–	154,592	–	1.05
	18/01/2012	19/04/2014	Note (2)	231,981	–	231,981	–	1.05
	18/01/2012	19/07/2014	Note (2)	231,981	–	231,981	–	1.05
	18/01/2012	19/10/2014	Note (2)	231,981	–	231,981	–	1.05
	18/01/2012	19/01/2015	Note (2)	232,725	–	232,725	–	1.05
	Sub-total				1,855,848	–	1,855,848	–
Mr. Liao Jie ⁽³⁾ (Executive Director, Chairman)	18/01/2012	19/04/2012	Note (2)	1,694,612	–	1,694,612	–	1.05
	18/01/2012	19/07/2012	Note (2)	1,694,612	–	1,694,612	–	1.05
	18/01/2012	19/10/2012	Note (2)	1,694,612	–	1,694,612	–	1.05
	18/01/2012	19/01/2013	Note (2)	1,694,612	–	1,694,612	–	1.05
	18/01/2012	19/04/2013	Note (2)	3,393,298	–	3,393,298	–	1.05
	18/01/2012	19/07/2013	Note (2)	3,393,298	–	3,393,298	–	1.05
	18/01/2012	19/10/2013	Note (2)	3,393,298	–	3,393,298	–	1.05
	18/01/2012	19/01/2014	Note (2)	3,393,298	–	3,393,298	–	1.05
	18/01/2012	19/04/2014	Note (2)	5,091,984	–	5,091,984	–	1.05
	18/01/2012	19/07/2014	Note (2)	5,091,984	–	5,091,984	–	1.05
	18/01/2012	19/10/2014	Note (2)	5,091,984	–	5,091,984	–	1.05
	18/01/2012	19/01/2015	Note (2)	5,108,282	–	5,108,282	–	1.05
	Sub-total				40,735,874	–	40,735,874	–
Others	18/01/2012	19/04/2012	Note (2)	964,083	–	964,083	–	1.05
	18/01/2012	19/07/2012	Note (2)	964,083	–	964,083	–	1.05
	18/01/2012	19/10/2012	Note (2)	964,083	–	964,083	–	1.05
	18/01/2012	19/01/2013	Note (2)	964,083	–	964,083	–	1.05
	18/01/2012	19/04/2013	Note (2)	1,455,506	–	1,455,506	–	1.05
	18/01/2012	19/07/2013	Note (2)	1,455,506	–	1,455,506	–	1.05
	18/01/2012	19/10/2013	Note (2)	1,455,506	–	1,455,506	–	1.05
	18/01/2012	19/01/2014	Note (2)	1,455,506	–	1,455,506	–	1.05
	18/01/2012	19/04/2014	Note (2)	1,946,918	–	1,946,918	–	1.05
	18/01/2012	19/07/2014	Note (2)	1,946,918	–	1,946,918	–	1.05
	18/01/2012	19/10/2014	Note (2)	1,946,918	–	1,946,918	–	1.05
	18/01/2012	19/01/2015	Note (2)	1,953,690	–	1,953,690	–	1.05
	Sub-total				17,472,800	–	17,472,800	–
TOTAL:				60,064,522	–	60,064,522	–	

PRE-IPO SHARE INCENTIVE SCHEME, SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(continued)

2. Share Option Scheme (continued)

Notes:

- (1) The closing price of the Company's shares immediately before the grant date (i.e. January 18, 2012) 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 of the Company in an extraordinary general meeting on February 29, 2012.

3. Share Award Scheme

The Board adopted a share award scheme (the "**2021 Share Award Scheme**") on September 16, 2021 (the "**Adoption Date**"). The purposes of the 2021 Share Award Scheme are to recognize the contributions of certain Directors, senior management and employees of the Company and its subsidiaries, or other certain eligible participant(s) (the "**Eligible Participant**") and to retain and motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

The Board may from time to time at its absolute discretion select any Eligible Participant for participation in the 2021 Share Award Scheme as selected participant(s) (the "**Selected Participant**"). Subject to the limit on the size of the 2021 Share Award Scheme as set out below, the Board may determine the number of awarded shares to be granted pursuant to any award(s) under the 2021 Share Award Scheme and at its absolute discretion select any Eligible Participant to be a Selected Participant under the 2021 Share Award Scheme, or instruct the trustee to allocate any returned shares ("**Returned Shares**", i.e. awarded shares which are not vested and/or forfeited in accordance with the terms of the 2021 Share Award Scheme, or such Shares being deemed to be Returned Shares in accordance with the terms of the 2021 Share Award Scheme, as awarded shares to any Selected Participant(s) to satisfy any awards (other than those granted to connected persons of the Company).

Awarded shares may be acquired by the trustee by way of (i) allotment and issue of new Shares by the Company pursuant to the relevant general mandate or specific mandate granted to the Board by the shareholders of the Company in general meetings of the Company from time to time; or (ii) purchase of Shares in the open market by the trustee.

Such awarded shares shall then be held by the trustee for the Selected Participants in accordance with the provisions of the 2021 Share Award Scheme prior to vesting. The trustee shall not exercise any voting rights in respect of any Shares held under the trust (including but not limited to awarded shares, Returned Shares, any bonus Shares and scrip Shares).

The Board shall not make any further award which will result in the number of Shares administered under the 2021 Share Award Scheme to exceed in total 10% of the Company's issued share capital as at the Adoption Date. Unless approved by the shareholders of the Company in a general meeting, the maximum number of awarded shares which may be awarded to a single Selected Participant in any 12-month period shall not in aggregate exceed 1.0% of the issued share capital of the Company as at the Adoption Date.

Directors' Report

PRE-IPO SHARE INCENTIVE SCHEME, SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(continued)

3. Share Award Scheme (continued)

Subject to any early termination as may be determined by the Board, the 2021 Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date.

Details of the 2021 Share Award Scheme are set out in the Company's announcement dated September 16, 2021.

On November 8, 2021, the Company conditionally granted a total of 66,160,994 Awarded Shares to two Connected Award Participants pursuant to the terms of the 2021 Share Award Scheme which have been approved by the Independent Shareholders at the EGM held on December 15, 2021. 21,833,128 Awarded Shares were issued on May 30, 2022. Please refer to the Company's announcements dated November 8, 2021 and December 15, 2021 and circular dated November 29, 2021 for further details.

Movement of the share awards granted under the 2021 Share Award Scheme during the six-month period ended June 30, 2022:

Grantee	Grant date	Vesting start date	Expiry date	Outstanding as at January 1, 2022	Vested during the six-month period ended June 30, 2022	Lapsed or forfeited during the six-month period ended June 30, 2022	Outstanding as at June 30, 2022	Grant Fee (HK\$)
Mr. Luo Haibin ⁽¹⁾	08/11/2021	30/06/2022	Note (3)	8,187,423	8,187,423	-	-	Nil
	08/11/2021	30/06/2022	Note (3)	8,187,423	8,187,423	-	-	0.13
	08/11/2021	30/06/2023	Note (3)	8,187,423	-	-	8,187,423	Nil
	08/11/2021	30/06/2023	Note (3)	8,187,423	-	-	8,187,423	0.13
	08/11/2021	28/06/2024	Note (3)	8,435,527	-	-	8,435,527	Nil
	08/11/2021	28/06/2024	Note (3)	8,435,527	-	-	8,435,527	0.13
Sub-total				49,620,746	16,374,846	-	33,245,900	
Mr. Mou Yi ⁽²⁾	08/11/2021	30/06/2022	Note (3)	2,729,141	2,729,141	-	-	Nil
	08/11/2021	30/06/2022	Note (3)	2,729,141	2,729,141	-	-	0.13
	08/11/2021	30/06/2023	Note (3)	2,729,141	-	-	2,729,141	Nil
	08/11/2021	30/06/2023	Note (3)	2,729,141	-	-	2,729,141	0.13
	08/11/2021	28/06/2024	Note (3)	2,811,842	-	-	2,811,842	Nil
	08/11/2021	28/06/2024	Note (3)	2,811,842	-	-	2,811,842	0.13
Sub-total				16,540,248	5,458,282	-	11,081,966	
TOTAL:				66,160,994	21,833,128	-	44,327,866	

Notes:

- Mr. Luo Haibin is the President of the Company and the President and director of certain wholly-owned subsidiaries of the Company.
- Mr. Mou Yi is the Chief Financial Officer and general manager of the Financial Management Department of the Company and director of certain wholly-owned subsidiaries of the Company.
- Expiry date of these share awards shall be the earlier of: (i) the tenth (10th) anniversary date of the Adoption Date; or (ii) such date of early termination as may be determined by the Board.

Save as disclosed above, no share awards had been vested, lapsed or cancelled under the 2021 Share Award Scheme during the six-month ended June 30, 2022.

Directors' Report

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

As at the June 30, 2022, 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⁾	Beneficial owner	Long position	645,912,777	38.54%
Best Partners ⁽²⁾	Interest of controlled corporation	Long position	645,912,777	38.54%
Fino Investments Limited ⁽³⁾	Interest of controlled corporation	Long position	645,912,777	38.54%
Tesco Investments Limited ⁽⁴⁾	Interest of controlled corporation	Long position	645,912,777	38.54%
Credit Suisse Trust Limited ⁽³⁾⁽⁴⁾	Trustee	Long position	645,912,777	38.54%
Central Huijin Investment Ltd.	Security interest	Long position	215,000,000	12.83%
China Construction Bank Corporation	Security interest	Long position	215,000,000	12.83%
Joyful Business Holdings Limited ⁽⁵⁾	Beneficial owner	Long position	105,758,203	6.31%
Penbay Investments Limited ⁽⁶⁾	Beneficial owner	Long position	98,613,367	5.88%
Chen Qi ⁽⁶⁾	Interest of controlled corporation	Long position	98,613,367	5.88%

Directors' Report

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

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 June 30, 2022, 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 Development Limited is deemed to be controlled by Fino Investments Limited and Tesco Investments Limited. Our Directors Mr. Liao Jie is also a director of Best Partners.
- (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 and 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 is controlled by Mr. Chen Qi and therefore Mr. Chen Qi is 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, as at June 30, 2022, 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.

EMPLOYMENT AND EMOLUMENT POLICIES

As at June 30, 2022, the Group had 243 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. The Company has also adopted the 2021 Share Award Scheme as incentive for Directors, senior management and employees.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six-month period ended June 30, 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CONTINUING CONNECTED TRANSACTIONS

RHY Lease and Renewal of RHY Lease

Reference is made to the announcement of the Company dated July 31, 2018 and January 29, 2021, respectively. As disclosed in the announcement on January 29, 2021, Beijing RHY, a connected person of the Company, entered into the RHY Lease Renewal Treaty with Hongrui Dake, a subsidiary of the Company, pursuant to which Hongrui Dake has agreed to lease and Beijing RHY has agreed to rent the Hongrui Dake Properties for a term commencing on January 1, 2021 and expiring on December 31, 2022 at a quarterly rental fee of RMB930,750. Beijing RHY shall also pay property management fee and other fees to Hongrui Dake for property management services and other ancillary services provided in relation to the lease.

Since Beijing RHY is an associate of Mr. Jiang Hailin and Mr. Liao Jie pursuant the Listing Rules, Beijing RHY is a connected person of the Company and therefore the RHY Lease constitutes a 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.

Details of the aforementioned Continuing Connected Transaction is set out in the announcement of the Company dated January 29, 2021.

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**") 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 the code provisions in the CG Code throughout the six-month period ended June 30, 2022.

Directors' Report

DIRECTORS' SECURITIES TRANSACTIONS

The Company 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 standard set out in the Model Code during the six-month period ended June 30, 2022.

AUDIT COMMITTEE

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

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 adopted by the Group and discussed with the management of the Company on financial reporting matters including a review of the unaudited interim financial information of the Group for the six months ended June 30, 2022.

REMUNERATION COMMITTEE

The Company has established a remuneration committee on June 18, 2010 with effect from the listing of the Company. The current terms of reference of the remuneration committee have been adopted on March 28, 2012 in compliance with the CG Code.

The primary duties of the remuneration committee is to evaluate and make recommendations to the Board regarding the compensation of the Directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of senior management of the Group.

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

NOMINATION COMMITTEE

The Company established a nomination committee on June 18, 2010 with effect from the listing of the Company. The current terms of reference of the nomination committee have been adopted on March 28, 2012 in compliance with the CG Code.

The primary duty of the nomination committee is to make recommendations to the Board regarding candidates to fill vacancies on the board of directors.

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

Directors' Report

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In the six months ended June 30, 2022, there were no changes to information related to Directors of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

On behalf of the Board of Directors

China ITS (Holdings) Co., Ltd.

Liao Jie

Chairman

Beijing, August 29, 2022

Condensed Consolidated Statement of Profit or Loss

For the six-month period ended June 30, 2022

	Notes	For the six-month period ended June 30,	
		2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
REVENUE	4	243,634	311,425
Cost of revenue	6	(127,698)	(195,114)
Gross profit		115,936	116,311
Other income and gains	5	20,870	17,183
Selling, distribution and administrative expenses		(61,384)	(56,598)
Reversal of impairment of financial and contract assets, net		7,596	4,432
Other expenses		(51,848)	(10,175)
Finance costs		(5,767)	(10,322)
PROFIT BEFORE TAX	6	25,403	60,831
Income tax expense	7	(3,935)	(19,094)
PROFIT FOR THE PERIOD		21,468	41,737
Attributable to:			
Owners of the Company		(5,959)	29,639
Non-controlling interests		27,427	12,098
		21,468	41,737
(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		RMB Unaudited	RMB Unaudited
Basic	8	0.00	0.02
Diluted	8	0.00	0.02

Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended June 30, 2022

	For the six-month period ended June 30,	
	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
PROFIT FOR THE PERIOD	21,468	41,737
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(20,641)	(108,270)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(20,641)	(108,270)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	827	(66,533)
Attributable to:		
Owners of the Company	(17,492)	(35,605)
Non-controlling interests	18,319	(30,928)
	827	(66,533)

Condensed Consolidated Statement of Financial Position

As at June 30, 2022

	Notes	June 30, 2022 RMB'000 Unaudited	December 31, 2021 RMB'000 Audited
NON-CURRENT ASSETS			
Property and equipment	10	539,977	511,799
Investment properties		110,015	92,252
Goodwill		123,759	123,759
Other intangible assets		32,041	24,550
Investments in associates		1,000	1,000
Financial assets at fair value through profit or loss		151,653	193,102
Loan receivables	13	30,000	30,000
Prepayments, deposits and other receivables	13	727	720
Prepayment for acquisition of property and equipment		–	21,547
Total non-current assets		989,172	998,729
CURRENT ASSETS			
Inventories	11	378,352	405,007
Contract assets	14	205,631	261,064
Trade and bills receivables	12	491,769	632,640
Prepayments, deposits and other receivables	13	495,943	382,295
Financial assets at fair value through profit or loss		18,010	10
Amounts due from related parties	22	30,560	27,706
Pledged deposits	15	55,947	30,269
Cash and cash equivalents	15	340,180	317,869
Total current assets		2,016,392	2,056,860

Condensed Consolidated Statement of Financial Position

As at June 30, 2022

	Notes	June 30, 2022 RMB'000 Unaudited	December 31, 2021 RMB'000 Audited
CURRENT LIABILITIES			
Trade and bills payables	16	224,344	308,321
Contract liabilities, other payables and accruals	17	478,656	501,015
Interest-bearing bank borrowings	18	333,735	279,713
Amounts due to related parties	22	719	327
Income tax payable		74,597	67,404
Total current liabilities		1,112,051	1,156,780
NET CURRENT ASSETS		904,341	900,080
TOTAL ASSETS LESS CURRENT LIABILITIES		1,893,513	1,898,809
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	18	23,750	35,000
Deferred tax liabilities		9,808	9,363
Total non-current liabilities		33,558	44,363
Net assets		1,859,955	1,854,446
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	294	290
Reserves		1,753,803	1,772,424
Non-controlling interests		1,754,097	1,772,714
		105,858	81,732
Total equity		1,859,955	1,854,446

Liao Jie
Director

Jiang Hailin
Director

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended June 30, 2022

	Attributable to owners of the Company									
	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	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2021	290	1,088,725	192,634	593,840	7,782	(90,743)	(61,375)	1,731,153	106,231	1,837,384
Profit for the period	-	-	-	-	-	-	29,639	29,639	12,098	41,737
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(65,244)	-	(65,244)	(43,026)	(108,270)
Total comprehensive loss for the period	-	-	-	-	-	(65,244)	29,639	(35,605)	(30,928)	(66,533)
Transfer from retained earnings	-	-	138	-	-	-	(138)	-	-	-
Total transactions with owners	-	-	138	-	-	-	(138)	-	-	-
At June 30, 2021 (unaudited)	290	1,088,725	192,772	593,840	7,782	(155,987)	(31,874)	1,695,548	75,303	1,770,851

	Attributable to owners of the Company									
	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	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2022	290	1,088,725*	201,067*	593,891*	7,782*	(141,941)*	22,900*	1,772,714	81,732	1,854,446
Profit for the period	-	-	-	-	-	-	(5,959)	(5,959)	27,427	21,468
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(11,533)	-	(11,533)	(9,108)	(20,641)
Total comprehensive income for the period	-	-	-	-	-	(11,533)	(5,959)	(17,492)	18,319	827
Transfer upon the forfeiture of share options	-	-	-	(24,273)	-	-	24,273	-	-	-
Share award expenses	-	-	-	2,764	-	-	-	2,764	-	2,764
Issuance of shares	4	3,062	-	(1,852)	-	-	-	1,214	-	1,214
Transfer	-	-	-	-	-	-	(5,103)	(5,103)	5,103	-
Injection of capital from non-controlling interest	-	-	-	-	-	-	-	-	704	704
Total transactions with owners	4	3,062	-	(23,361)	-	-	19,170	(1,125)	5,807	4,682
At June 30, 2022 (unaudited)	294	1,091,787*	201,067*	570,530*	7,782*	(153,474)*	36,111*	1,754,097	105,858	1,859,955

* These reserve accounts comprise the reserves of RMB1,753,803,000 (December 31, 2021: RMB1,772,424,000) in the condensed consolidated statement of financial position as at June 30, 2022.

Condensed Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2022

	Notes	For the six-month period ended June 30,	
		2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		25,403	60,831
Adjustments for:			
Depreciation and amortisation		21,836	17,557
Share award expenses		2,764	–
Net loss on disposal of property and equipment		–	38
Gain on disposal of financial assets at fair value through profit or loss		–	(1,546)
Impairment of financial assets included in prepayment, other receivables and other assets		3,426	1,339
(Reversal of impairment) Impairment of trade receivables		(9,753)	1,708
Reversal of impairment of contracts assets		(1,283)	(7,479)
Gain on transfer from inventories to investment properties		(4,917)	–
Gain on disposal of property and equipment		(47)	–
Changes in fair value of financial assets at fair value through profit or loss		51,449	(2,912)
Dividend income from financial assets at fair value through profit or loss		(1,518)	(1,243)
Finance income		(2,094)	(3,033)
Finance costs		5,767	10,322
		91,033	75,582
Changes in assets and liabilities:			
Inventories		13,809	(40,940)
Contracts assets		56,716	123,482
Trade and bills receivables		150,920	42,974
Prepayments, deposits and other receivables		(116,774)	2,954
Amounts due from related parties		(2,854)	(985)
Pledged deposits		(25,678)	33,091
Trade and bills payables		(83,977)	(47,689)
Contract liabilities, other payables and accruals		(22,459)	(168,887)
Amounts due to related parties		392	(325)
Cash generated from operations		61,128	19,257
Interest paid		(5,767)	(10,322)
Interest received		2,094	3,033
Income tax refunded (paid)		3,674	(9,841)
Net cash flows generated from operating activities		61,129	2,127

Condensed Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2022

	Notes	For the six-month period ended June 30,	
		2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES			
Prepayment for acquisition of property and equipment		–	(2,257)
Purchases of items of property and equipment		(43,863)	(4,035)
Dividend received from investments		1,518	1,243
Purchases of financial assets at fair value through profit or loss		(28,000)	(60,000)
Disposal of financial assets at fair value through profit or loss		–	29,099
Disposal of property and equipment		47	–
Additions to other intangible assets		(11,221)	(7)
Net cash flows used in investing activities		(81,519)	(35,957)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing bank borrowings		206,890	140,000
Repayment of interest-bearing bank borrowings		(164,118)	(261,096)
Issuance of shares		1,214	–
Injection of share capital from non-controlling interest		704	–
Decrease in pledged deposits for bank loans		–	104,704
Net cash flows generated from (used in) financing activities		44,690	(16,392)
Net increase (decrease) in cash and cash equivalents		24,300	(50,222)
Effect of foreign exchange rate changes, net		(1,989)	(6,208)
Cash and cash equivalents at beginning of period		317,869	240,622
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15	340,180	184,192

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

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 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 (i) railway business and (ii) electric power business, details please refer to note 3 to the condensed consolidated financial statements.

2. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES

Basis of presentation

The unaudited interim condensed consolidated financial statements of the Group for the six-month period ended June 30, 2022 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting* and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2021. The unaudited interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousands, except when otherwise indicated.

Impact of new/revised International Financial Reporting Standards (“**IFRSs**”)

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of following new/revised IFRSs that are effective for the Group’s financial year beginning on January 1, 2022.

Amendments to IFRS16

Amendments to IAS 16

Amendments to IAS 37

Amendments to IFRS 3

Annual Improvements to IFRSs

Covid-19-Related Rent Concessions beyond June 30, 2021

Proceeds before Intended Use

Cost of Fulfilling a Contract

Reference to the Conceptual Framework

2018–2020 Cycle

The adoption of the new/revised IFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the six-month period ended June 30, 2022 and prior years.

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

3. OPERATING SEGMENT INFORMATION

For management purpose, 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, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that finance income, finance costs, exchange differences, changes in fair value of financial assets at fair value through profit or loss as well as head office and corporate income and expenses are excluded from this measurement.

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

3. OPERATING SEGMENT INFORMATION (continued)

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

For the six-month period ended June 30, 2022 (Unaudited)	Railway business RMB'000	Electric power business RMB'000	Total RMB'000
Segment revenue (note 4)			
Sales to external customers	129,850	113,784	243,634
Segment results	30,037	70,618	100,655
<i>Reconciliation:</i>			
Finance income			2,094
Finance costs			(5,767)
Changes in fair value of financial assets at fair value through profit or loss			(51,449)
Gain on transfer from inventories to investment properties			4,917
Dividend income from financial assets at fair value through profit or loss			1,518
Corporate and other unallocated expenses			(26,565)
Profit before tax			25,403
Other segment information:			
(Reversal of impairment) Impairment of financial and contract assets	(8,435)	839	(7,596)
Depreciation and amortisation	9,569	12,267	21,836
Capital expenditure*	1,725	53,359	55,084

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

3. OPERATING SEGMENT INFORMATION (continued)

For the six-month period ended June 30, 2021 (Unaudited)	Railway business RMB'000	Electric power business RMB'000	Total RMB'000
Segment revenue (note 4)			
Sales to external customers	213,971	97,454	311,425
Segment results	39,158	44,112	83,270
<i>Reconciliation:</i>			
Finance income			3,033
Finance costs			(10,322)
Changes in fair value of financial assets at fair value through profit or loss			2,912
Dividend income from financial assets at fair value through profit or loss			1,243
Corporate and other unallocated expenses			(19,305)
Profit before tax			60,831
Other segment information:			
(Reversal of impairment) Impairment of financial and contract assets	(4,641)	209	(4,432)
Depreciation and amortisation	8,057	9,500	17,557
Capital expenditure*	75	3,967	4,042

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

4. REVENUE

An analysis of revenue is as follows:

	For the six-month period ended June 30,	
	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
Revenue from contracts with customers within IFRS 15	243,634	311,425

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

4. REVENUE (continued)

(i) Disaggregated revenue information

Segments	For the six-month period ended June 30,	
	2022 RMB'000	2021 RMB'000
Type of goods or services		
Sale of products and provision of specialised solutions	117,414	188,150
Maintenance services	12,436	25,821
Power supply	113,784	97,454
Total revenue from contracts with customers	243,634	311,425
Geographical markets		
Mainland China	129,850	194,848
Others	113,784	116,577
Total revenue from contracts with customers	243,634	311,425
Timing of revenue recognition		
Goods and services transferred at a point in time	29,462	110,143
Goods and services transferred over time	214,172	201,282
Total revenue from contracts with customers	243,634	311,425

5. OTHER INCOME AND GAINS

	For the six-month period ended June 30,	
	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
Finance income	2,094	3,033
Gross rental income	11,352	8,145
Dividend income from financial assets at fair value through profit or loss	1,518	1,243
Changes in fair value of financial assets at fair value through profit or loss	–	2,912
Gain on transfer from inventories to investment properties	4,917	–
Gain on disposal of financial assets at fair value through profit or loss	–	1,546
Others	989	304
	20,870	17,183

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

6. PROFIT BEFORE TAX

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

	For the six-month period ended June 30,	
	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
Cost of inventories	127,698	195,114
Depreciation	18,106	14,279
Amortisation of intangible assets, included in selling, distribution and administrative expenses	3,730	3,278
	21,836	17,557
Wages and salaries	19,873	18,113
Pension scheme contributions (defined contribution scheme)	3,933	3,921
Social insurance costs and staff welfare	1,475	1,589
	25,281	23,623
(Reversal of impairment) Impairment of trade receivables	(9,753)	1,708
Reversal of impairment of contract assets	(1,283)	(7,479)
Impairment of financial assets included in prepayments, deposits and other receivables	3,440	1,339
Short-term lease payments	2,597	3,348
Gain on disposal of financial assets at fair value through profit or loss	–	(1,546)
Gain on disposal of property and equipment	47	–
Changes in fair value of financial assets at fair value through profit or loss	51,449	(2,912)
Rental income on investment properties	(11,352)	(8,145)
Exchange losses, net	379	9,562

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

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% (June 30, 2021: 9%) and subsidiaries in other areas of Mainland China are subject to PRC Enterprise Income Tax at a rate of 25% (June 30, 2021: 25%) on their respective taxable income, except for those subsidiaries which are qualified as High and New Technology Enterprises and are entitled to 15% (June 30, 2021: 15%) preferential income tax rate.

No provision for Hong Kong profits tax has been made for the six-month period ended June 30, 2022 (June 30, 2021: nil), as the Group had no assessable profits arising in Hong Kong for the period.

Subsidiaries incorporated in Myanmar are subject to Corporate Income Tax at a rate of 25% (June 30, 2021: 25%) on their taxable income. In addition, non-Myanmar incorporated subsidiaries are also subject to withholding tax in Myanmar at a rate of 2.5% (June 30, 2021: 2.5%) on the service income earned in Myanmar.

According to PRC tax regulations, from January 1, 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC are subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from entities in the PRC. Distributions of the pre-2008 earnings are exempted from the above-mentioned withholding tax. As at June 30, 2022, 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 (2021: 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:

	For the six-month period ended June 30,	
	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
Current income tax:		
PRC Enterprise Income Tax	1,625	5,325
Myanmar Corporate Income Tax	–	9,169
Myanmar withholding tax	2,242	988
Overprovision of PRC Enterprise Income Tax	(377)	–
Deferred income tax:		
Origination and reversal of temporary differences	445	3,612
Income tax expense	3,935	19,094

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

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

Basic (loss) earnings per share

Basic (loss) earnings per share is calculated by dividing the (loss) profit for the period attributable to owners of the Company by the weighted average number of 1,654,145,493 (June 30, 2021: 1,654,024,868) ordinary shares outstanding during the six-month period ended June 30, 2022.

Diluted (loss) earnings per share

The calculation of the diluted (loss) earnings per share is based on the (loss) profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the six-month periods ended June 30, 2022 and 2021, as used in the basic (loss) earnings 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.

Diluted (loss) earnings per share is the same as basic (loss) earnings per share for the six-month periods ended June 30, 2022 and 2021 as the share awards and the share options have an anti-dilutive effect.

	For the six-month period ended June 30,	
	2022	2021
	RMB'000	RMB'000
	Unaudited	Unaudited
(Loss) Earnings		
(Loss) Earnings attributable to owners of the Company	(5,959)	29,639

	For the six-month period ended June 30,	
	2022	2021
	Unaudited	Unaudited
Shares		
Weighted average number of shares in issue	1,654,145,493	1,654,024,868

9. DIVIDENDS PROPOSED

No dividend was declared or proposed by the Company for the six-month period ended June 30, 2022 (June 30, 2021: nil).

10. PROPERTY AND EQUIPMENT

During the six-month period ended June 30, 2022, the Group purchased equipment with a cost of RMB43,863,000 (June 30, 2021: RMB4,035,000).

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

11. INVENTORIES

	June 30, 2022 RMB'000 Unaudited	December 31, 2021 RMB'000 Audited
Completed properties	162,840	175,687
Materials, parts and equipment	215,512	229,320
	378,352	405,007

12. TRADE AND BILLS RECEIVABLES

	June 30, 2022 RMB'000 Unaudited	December 31, 2021 RMB'000 Audited
Trade receivables	498,630	625,103
Impairment	(65,743)	(75,496)
	432,887	549,607
Bills receivable	58,882	83,033
	491,769	632,640

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.

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

12. TRADE AND BILLS RECEIVABLES (continued)

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:

	June 30, 2022	December 31, 2021
	RMB'000	RMB'000
	Unaudited	Audited
Less than 6 months	20,759	30,849
6 months to 1 year	194,957	209,321
1 year to 2 years	114,979	147,832
2 years to 3 years	39,014	91,256
Over 3 years	63,178	70,349
	432,887	549,607

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

	June 30, 2022	December 31, 2021
	RMB'000	RMB'000
	Unaudited	Audited
At beginning of period/year	75,496	87,384
Reversal of impairment	(9,753)	(11,820)
Amount written off	-	(68)
At end of period/year	65,743	75,496

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	June 30, 2022 RMB'000 Unaudited	December 31, 2021 RMB'000 Audited
Prepayments to suppliers for purchases of goods (net of loss allowance of RMB7,090,000 (2021: RMB6,914,000))	293,718	211,166
Loan receivables (Note) (net of loss allowance of RMB5,014,000 (2021: RMB4,869,000))	107,606	66,840
Tender deposits (net of loss allowance of RMB5,000,000 (2021: RMB5,000,000))	9,118	12,250
Contract deposits	4,006	11,986
Advances to staff (net of loss allowance of RMB2,663,000 (2021: RMB2,664,000))	21,445	19,462
Interest receivable	6,811	5,611
Guarantee deposit	27,417	19,878
Others (net of loss allowance of RMB63,750,000 (2021: RMB60,644,000))	56,549	65,822
	526,670	413,015
Less: Loan receivables — non-current (Note)	30,000	30,000
Guarantee deposit — non-current	727	720
	495,943	382,295

Note: The balance comprises (i) Loan of RMB30,000,000 (2021: 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) Loans of RMB12,010,000 (2021: RMB12,600,000) to independent third parties which are repayable in 2022, 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 loans of RMB10,045,000 (2021: RMB9,563,000) to independent third parties which bears interest at a rate of 7% to 8% per annum; (iv) Unsecured loans of RMB58,000,000 (2021: RMB17,194,000) to independent third parties which are interest-free and repayable in December 2022 and (v) Loan of AUD500,000 (2021: AUD500,000) to an independent third party which is repayable in 2022, bears interest at a rate of 5% per annum and is secured by the pledge of shares of a listed company in Australia.

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

	June 30, 2022 RMB'000 Unaudited	December 31, 2021 RMB'000 Audited
At beginning of period/year	80,091	63,613
Impairment	3,440	22,463
Write-off	(14)	(5,985)
At end of period/year	83,517	80,091

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

14. CONTRACT ASSETS

	June 30, 2022 RMB'000 Unaudited	December 31, 2021 RMB'000 Audited
Contract assets	236,004	292,429
Impairment	(30,373)	(31,365)
	205,631	261,064

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

	June 30, 2022 RMB'000 Unaudited	December 31, 2021 RMB'000 Audited
At beginning of period/year	31,365	27,850
(Reversal of impairment) Impairment	(1,283)	3,515
Reversal of amount written off	291	–
At end of period/year	30,373	31,365

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	June 30, 2022 RMB'000 Unaudited	December 31, 2021 RMB'000 Audited
Cash and bank balances	340,180	317,869
Pledged deposits		
— Current deposits	55,947	30,269
	396,127	348,138
Less: Pledged and fixed deposits for		
— Maturity over 3 months	(32,800)	(5,500)
— Letter of guarantee for projects	(6,943)	(20,917)
— Bills payables	(10,000)	–
— Tenders	(269)	(454)
— Restricted cash	(2,873)	(341)
— Frozen under jurisdictional actions	(3,062)	(3,057)
Cash and cash equivalents	340,180	317,869

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

The cash and bank balances and pledged deposits of the Group denominated in RMB amounted to RMB120,446,000 (RMB119,794,000 in Mainland China and RMB652,000 in overseas) as at June 30, 2022 (December 31, 2021: RMB335,712,000 in Mainland China). In Mainland China, RMB is not freely convertible into other currencies. However, under Mainland China'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.

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

16. 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:

	June 30, 2022	December 31, 2021
	RMB'000	RMB'000
	Unaudited	Audited
Current or less than 1 year	98,529	171,674
1 to 2 years	87,759	94,305
Over 2 years	38,056	42,342
	224,344	308,321

The Group's bills payable were secured by pledged deposits of the Group of RMB10,000,000 as at June 30, 2022 (December 31, 2021: nil).

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

17. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	June 30, 2022	December 31, 2021
	RMB'000	RMB'000
	Unaudited	Audited
Contract liabilities (a)	284,076	285,829
Business advance deposits	72,434	50,346
Staff costs and welfare accruals	18,433	19,083
Other borrowings	10,657	29,445
Other taxes payable	51,968	65,340
Accrued purchase	21,429	21,443
Others (b)	19,659	29,529
	478,656	501,015

(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 decrease in contract liabilities during the period ended June 30, 2022 was mainly due to the decrease in short-term advances received from customers in relation to the sale of products, provision of specialised solution services as a result of the decrease in ongoing projects at the end of the period.

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

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

18. INTEREST-BEARING BANK BORROWINGS

	June 30, 2022		December 31, 2021	
	Effective Interest rate (%)	RMB'000 Unaudited	Effective Interest rate (%)	RMB'000 Audited
Current				
Short term bank loans — secured	115% of PBOC LPR/ 3.4–5.8	273,628	115% of PBOC LPR/ 3.5–5.8	216,109
Bills receivable discounted or endorsed	0–4.6	60,107	0–5.9	63,604
		333,735		279,713
Non-current				
Long term bank loans — secured	115% of PBOC LPR	23,750	115% of PBOC LPR	35,000
		23,750		35,000
		357,485		314,713

Notes:

- (i) Current bank loans of RMB185.0 million as at June 30, 2022 (2021: RMB105.0 million) were secured by buildings of the Group with a carrying amount of RMB196.3 million (2021: RMB200.4 million), trade receivables of RMB151.0 million (2021: RMB151.0 million) and guaranteed by Jiang Hailin and Liao Jie.
- (ii) Current bank loans of RMB20.8 million (2021: RMB19.0 million) and non-current bank loans of RMB23.8 million as at June 30, 2022 (2021: RMB35.0 million) were secured by properties of the Group with a carrying amount of RMB60.7 million (2021: RMB65.0 million) and a corporate guarantee by Zhixun Tiancheng.
- (iii) Current bank loans of nil as at June 30, 2022 (2021: RMB4.90 million) were secured by certificate of time deposit.
- (iv) Current bank loans of RMB55.0 million as at June 30, 2022 (2021: RMB55.0 million) were guaranteed by Jiang Hailin.
- (v) Current bank loans of nil (2021: RMB19.3 million) as at June 30, 2022 were secured by intra-group receivables of nil (2021: RMB28.5 million) and were guaranteed by Jiang Hailin.
- (vi) Discounted bills receivable of RMB46.9 million as at June 30, 2022 (2021: RMB46.9 million) and RMB10.0 million (2021: RMB10.0 million) were secured by investment properties of the Group with a carrying amount of RMB72.5 million (2021: RMB72.5 million) and guaranteed by Jiang Hailin, respectively.

As at June 30, 2022, the Group's bank loans of RMB252.9 million (December 31, 2021: RMB197.0 million) were charged at fixed interest rates and bank loans of RMB44.5 million (December 31, 2021: RMB54.0 million) were charged at floating interest rates based on 115% of loan prime rates (LPR) set by the People's Bank of China.

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

19. SHARE CAPITAL

	June 30, 2022 RMB'000 Unaudited	December 31, 2021 RMB'000 Audited
Issued and fully paid:		
1,675,857,996 ordinary shares of HK\$0.0002 each (December 31, 2021: 1,654,024,868 ordinary shares of HK\$0.0002 each)	294	290

During the six-month period ended June 30, 2022, the Company issued 21,833,128 ordinary shares pursuant to the Share Award Scheme (note 21).

20. SHARE OPTION SCHEME

On January 18, 2012, the board of directors resolved to grant share options under the share option scheme adopted by the Company 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 instalments 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.

All of the share options lapsed on January 18, 2022. The following table illustrates the number and weighted average exercise price ("WAEP") of the share options as at June 30, 2022 and December 31, 2021:

	June 30, 2022		December 31, 2021	
	Number '000	WAEP RMB per share	Number '000	WAEP RMB per share
Outstanding as at June 30, 2022 and December 31, 2021	-	N/A	60,064	1.05
Exercisable as at June 30, 2022 and December 31, 2021	-	N/A	60,064	1.05

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

21. SHARE AWARD SCHEME

The Company adopted the share award scheme (the “**Share Award Scheme**”) on September 16, 2021.

On November 8, 2021, the Company conditionally granted a total of 66,160,994 awarded shares to two connected award participants pursuant to the terms of the Share Award Scheme, which was approved by independent shareholders of the Company in the extraordinary general meeting held on December 15, 2021. The 66,160,994 awarded shares will be allotted and issued to the trustee prior to each vesting of the tranches of the awarded shares, respectively, and the trustee will hold such shares on trust for the connected award participants in accordance with the Share Award Scheme until such shares are transferred to the relevant connected award participants upon vesting. The trustee will not have any voting right and the awarded shares held by the trustee on trust for the connected award participants will not be counted as shares held by the public. The awarded shares shall be vested in three tranches in accordance with the following dates of the vesting schedule:

Name of connected award participants	Vesting dates and number of awarded shares to be vested in			Grant fee
	First tranche June 30, 2022	Second tranche June 30, 2023	Third tranche June 28, 2024	
Mr. Luo Haibin	8,187,423	8,187,423	8,435,527	Nil
	8,187,423	8,187,423	8,435,527	HK\$0.13 per awarded share
	16,374,846	16,374,846	16,871,054	
Mr. Mou Yi	2,729,141	2,729,141	2,811,842	Nil
	2,729,141	2,729,141	2,811,842	HK\$0.13 per awarded share
	5,458,282	5,458,282	5,623,684	
	21,833,128	21,833,128	22,494,738	

The first tranche of the awarded shares was fully vested on June 30, 2022 and 21,833,128 awarded shares were issued during the six-month period ended June 30, 2022.

The Group recognised an expense of approximately RMB2,764,000 for the six-month period ended June 30, 2022 (June 30, 2021: nil).

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

22. RELATED PARTY TRANSACTIONS

In addition to the transactions or balances as detailed elsewhere in the unaudited interim condensed consolidated financial statements, the Group had the following major transactions with related parties during the six-month period ended June 30, 2022:

	Note	For the six-month period ended June 30,	
		2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
King Victory and its affiliates			
Rental income	(i)	3,506	2,782

Note:

- (i) The rental income from associates and King Victory and its affiliates arose from the rental of the Group's office buildings, and was based on prices mutually agreed by both parties.

	June 30, 2022 RMB'000 Unaudited	December 31, 2021 RMB'000 Audited
Due from related parties		
Director	–	928
King Victory and its affiliates	25,575	17,708
Joint operation	4,985	9,070
Total	30,560	27,706
Due to related parties		
eSOON Information Technology Co., Ltd	719	327
	719	327

The amounts due are unsecured, non-interest bearing and repayable on demand.

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

22. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel of the Group

	For the six-month period ended June 30,	
	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
Salaries, bonuses, allowances and benefits in kind	1,167	1,272
Pension plan contributions	27	50
Total compensation paid to key management personnel	1,194	1,322

23. PLEDGE OF ASSETS

Details of the Group's bank borrowings, which are secured by the assets of the Group, are included in note 18 to the unaudited interim condensed consolidated financial statements.

24. 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 five years (December 31, 2021: 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.

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

24. OPERATING LEASE COMMITMENTS (continued)

As lessor (continued)

Below is a maturity analysis of undiscounted lease payments to be received from the leasing of investment properties and offices properties.

	June 30, 2022 RMB'000 Unaudited	December 31, 2021 RMB'000 Audited
Year 1	18,111	21,185
Year 2	8,695	8,759
Year 3	7,685	6,714
Year 4	7,411	7,031
Year 5 above	13,766	15,137
Undiscounted lease payments to be received	55,668	58,826

25. CAPITAL COMMITMENTS

As at June 30, 2022, the Group had the following capital commitments:

	June 30, 2022 RMB'000 Unaudited	December 31, 2021 RMB'000 Audited
Contracted, but not provided for: Equipment	31,383	67,508

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

26. FAIR VALUE 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 June 30, 2022 and December 31, 2021:

As at June 30, 2022 (Unaudited)	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	
Financial assets at fair value through profit or loss	135,198	28,000	6,465	169,663

As at December 31, 2021 (Audited)	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	
Financial assets at fair value through profit or loss	185,347	–	7,765	193,112

Movements in level 3 fair value measurements

During the six-month period ended June 30, 2022, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfer into or out of level 3. The movements of the Level 3 investments during the period represent the changes in fair value which were recognised in profit or loss for the period.

During the year ended December 31, 2021, 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. 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.

Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2022

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Quantitative information of the significant unobservable inputs used in level 3 fair value measurements

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 sales ("EV/Sales") 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.

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Market Approach	Average EV/Sales	1.61 (December 31, 2021: 2.04)	1% increase/decrease in multiple would result in increase/decrease in fair value by RMB61,000 (December 31, 2021: RMB75,000)
		Discount for lack of market ability	24% (December 31, 2021: 24%)	1% increase/decrease in discount would result in decrease/increase in fair value by RMB58,000 (December 31, 2021: RMB59,000)

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.

27. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on August 29, 2022.