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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1900)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

HIGHLIGHTS OF 2022 ANNUAL RESULTS

For the year ended December 31, 2022 (the "**Year**" or the "**2022**"), highlights of the results of China ITS (Holdings) Co., Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") are as follows:

- The Group recorded RMB623.1 million from the new contracts signed[(1)] as compared to RMB760.0 million for the previous year, decreased by 18.0%.
- Revenue of RMB714.4 million was generated as compared to the revenue of RMB740.3 million for the previous year, decreased by 3.5%.
- As of December 31, 2022, the Group recorded RMB595.0 million from backlog as compared to RMB729.1 million as at the end of the previous year, decreased by 18.4%.
- The Group generated gross profit of RMB259.3 million as compared to the gross profit of RMB267.3 million for the previous year, decreased by 3.0%, and recorded gross profit margin of 36.3% as compared to the gross profit margin of 36.1% for the previous year, representing an increase of 0.2 percentage points.
- The profit attributable to owners of the parent of the Company amounted to RMB48.5 million as compared to the profit of RMB74.5 million for the previous year, decreased by 34.9%.

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

ANNUAL RESULTS

The audited consolidated results of the Group for the year ended December 31, 2022, with comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**714,424**	740,293
Cost of revenue		**(455,161)**	(472,970)
Gross profit		**259,263**	267,323
Other income and gains	6	**66,050**	66,947
Selling, distribution and administrative expenses		**(131,275)**	(148,092)
Impairment losses on financial and contract assets, net		**(5,800)**	(14,158)
Other expenses		**(72,973)**	(12,814)
Finance costs		**(11,921)**	(18,037)
Share of loss of an associate		**(888)**	–
PROFIT BEFORE TAX		**102,456**	141,169
Income tax expense	7	**(8,691)**	(35,814)
PROFIT FOR THE YEAR		**93,765**	105,355
Attributable to:			
Owners of the Company		**48,490**	74,519
Non-controlling interests		**45,275**	30,836
		93,765	105,355
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		*RMB*	*RMB*
Basic	9	**0.03**	0.05
Diluted	9	**0.03**	0.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2022

	2022	2021
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**93,765**	105,355
OTHER COMPREHENSIVE LOSS		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of Company's financial statements	**35,571**	(8,131)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(94,634)**	(80,233)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(59,063)**	(88,364)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**34,702**	16,991
Attributable to:		
Owners of the Company	**1,831**	23,321
Non-controlling interests	**32,871**	(6,330)
	34,702	16,991

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**501,617**	511,799
Investment properties		**71,150**	92,252
Goodwill		**123,759**	123,759
Other intangible assets	*10*	**106,273**	24,550
Investments in associates		**55,034**	1,000
Financial assets at fair value through profit or loss	*11*	**158,319**	193,102
Loan receivables		**–**	30,000
Prepayments, deposits and other receivables		**15,900**	720
Prepayment for acquisition of property and equipment		**–**	21,547
Total non-current assets		**1,032,052**	998,729
CURRENT ASSETS			
Inventories		**276,384**	405,007
Contract assets	*12*	**125,705**	261,064
Trade and bills receivables	*13*	**477,062**	632,640
Financial assets at fair value through profit or loss	*11*	**10,091**	10
Prepayments, deposits and other receivables		**468,257**	382,295
Amounts due from related parties		**25,834**	27,706
Pledged deposits		**130,183**	30,269
Cash and cash equivalents		**295,622**	317,869
Total current assets		**1,809,138**	2,056,860
CURRENT LIABILITIES			
Trade and bills payables	*14*	**308,548**	308,321
Contract liabilities, other payables and accruals		**315,367**	501,015
Interest-bearing bank borrowings		**248,459**	279,713
Amounts due to related parties		**703**	327
Income tax payable		**70,737**	67,404
Total current liabilities		**943,814**	1,156,780
NET CURRENT ASSETS		**865,324**	900,080
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,897,376**	1,898,809

	Notes	**2022** *RMB'000*	2021 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,897,376**	1,898,809
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**–**	35,000
Deferred tax liabilities		**1,843**	9,363
Total non-current liabilities		**1,843**	44,363
Net assets		**1,895,533**	1,854,446
EQUITY			
Equity attributable to owners of the Company			
Share capital		**294**	290
Reserves		**1,779,460**	1,772,424
		1,779,754	1,772,714
Non-controlling interests		**115,779**	81,732
Total equity		**1,895,533**	1,854,446

NOTES TO THE FINANCIAL STATEMENTS

December 31, 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 located at 8/F., Golden Star Building, 20–24 Lockhart Road, Wanchai. The principal executive office of the Company is located at Building 204, No. A10, Jiuxianqiao North Road, Chaoyang District, Beijing, 100015, the People's Republic of China (the "**PRC**").

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

(a) Railway business — provision of products and specialised solutions to customers according to their needs, which mainly includes railway communication products and energy-base products; and provision of value-added operation and services such as maintenance services, network optimisation and network planning, and technical consulting for the products related to the communication system for railway customers.

(b) Electric power business — provision of products and specialised solutions related to electric power equipment for customers in the electric power infrastructure construction area, which mainly includes power transmission and transformation equipment and power generation equipment, etc.; power generation; and provision of planning and technical consulting services of the infrastructure construction in relation to electric power such as power plant construction and power grid renovation, and value-added operation and services related to power plant investment, construction and operation, etc..

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued and approved by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, these consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

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

3. CHANGES IN ACCOUNTING POLICIES

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

Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021
Amendments to IAS 16	Proceeds before Intended Use
Amendments to IAS 37	Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements Projects to IFRSs	2018–2020 Cycle

Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond June 30, 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before June 30, 2022. The amendment does not affect lessors.

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

Amendments to IAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of IAS 2.

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

Amendments to IAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

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

Annual Improvements Project — 2018–2020 Cycle

IFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRSs later than its parent — i.e. if a subsidiary adopts IFRSs later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRSs.

IFRS 9: Fees in the "10 per cent" Test for Derecognition of Financial Liabilities

This amendment clarifies that — for the purpose of performing the "10 per cent test" for derecognition of financial liabilities — in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

IFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

IAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13.

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

4. OPERATING SEGMENT INFORMATION

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

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

(i) Railway business

Provision of products and specialised solutions to customers according to their needs, which mainly includes railway communication products and energy-base products; and provision of value-added operation and services such as maintenance services, network optimisation and network planning, and technical consulting for the products related to the communication system for railway customers.

(ii) Electric power business

Provision of products and specialised solutions related to electric power equipment for customers in the electric power infrastructure construction area, which mainly includes power transmission and transformation equipment and power generation equipment, etc.; power generation; and provision of planning and technical consulting services of the infrastructure construction in relation to electric power such as power plant construction and power grid renovation, and value-added operation and services related to power plant investment, construction and operation, etc..

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

Year ended December 31, 2022	Railway business *RMB'000*	Electric power business *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*			
Sales to external customers	**399,634**	**314,790**	**714,424**
Segment results	**77,845**	**53,362**	**131,207**
Reconciliation:			
Finance income			**6,016**
Finance costs			**(11,921)**
Gain on transfers from inventories to investment properties			**6,314**
Changes in fair value of investment properties			**415**
Changes in fair value of financial assets at fair value through profit or loss			**(54,492)**
Dividend income from financial assets at fair value through profit or loss			**1,518**
Gain on disposal of subsidiaries			**27,740**
Corporate and other unallocated income and expenses			**(4,341)**
Profit before tax			**102,456**
Other segment information:			
Share of loss of an associate	**–**	**–**	**(888)**
Impairment of financial and contract assets, net	**(5,800)**	**–**	**(5,800)**
Depreciation and amortisation	**(12,468)**	**(38,135)**	**(50,603)**
Capital expenditure*	**2,182**	**150,405**	**152,587**

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

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

Geographical information

(a) Revenue from external customers

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**399,634**	535,021
Overseas, mainly Myanmar	**314,790**	205,272
	714,424	740,293

(b) Non-current assets

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**377,592**	449,324
Overseas, mainly Myanmar	**425,207**	324,583
	802,799	773,907

Information about major customers

A customer under the electric power business segment contributed 42.8% (2021: 25.5%) of the Group's revenue for the year. Other than that, no individual customer of the Group contributed 10% or more of the Group's revenue.

5. REVENUE

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within IFRS 15	**714,424**	740,293

(i) Disaggregated revenue information

	2022 *RMB'000*	2021 *RMB'000*
Type of goods or services		
Sale of products and provision of specialised solutions	**372,361**	481,474
Maintenance services	**36,286**	70,260
Rehabilitation services under a service concession arrangement	**91,730**	–
Power supply	**214,047**	188,559
Total revenue from contracts with customers	**714,424**	740,293
Geographical markets		
Mainland China	**399,634**	535,021
Overseas	**314,790**	205,272
Total revenue from contracts with customers	**714,424**	740,293
Timing of revenue recognition		
Goods and services transferred at a point in time	**91,495**	39,634
Goods and services transferred over time	**622,929**	700,659
Total revenue from contracts with customers	**714,424**	740,293

6. OTHER INCOME AND GAINS

	2022 *RMB'000*	2021 *RMB'000*
Changes in fair value of financial assets at fair value through profit or loss	**–**	30,953
Changes in fair value of investment properties	**415**	–
Dividend income from financial assets at fair value through profit or loss	**1,518**	2,789
Finance income	**6,016**	6,913
Gain on disposal of subsidiaries	**27,740**	–
Gain on disposal of financial assets at fair value through profit or loss	**–**	1,546
Gain on transfer from inventories to investment properties	**6,314**	5,857
Government grants*	**1,310**	791
Gross rental income	**19,635**	15,852
Others	**3,102**	2,246
	66,050	66,947

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

7. INCOME TAX

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

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

A subsidiary of the Group in Tibet, China is subject to PRC Enterprise Income Tax at a rate of 9% (2021: 9%), and subsidiaries in other areas of Mainland China of the Group are subject to PRC Enterprise Income Tax at a rate 25% (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% (2021: 15%) preferential income tax rate.

No provision for Hong Kong profits tax has been made for the year ended December 31, 2022 (2021: nil), as the Group had no assessable profits arising in Hong Kong during the year.

Subsidiaries incorporated in Myanmar are subject to Corporate Income Tax at a rate 22% (2021: 25%) on their taxable income. In addition, non-Myanmar incorporated subsidiaries are also subject to withholding tax in Myanmar at the rate of 2.5% (2021: 2.5%) on the service income earned in Myanmar.

According to the PRC tax regulations, from January 1, 2008 onwards, non-resident enterprises without an establishment or place of business in Mainland China or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in Mainland China are subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from entities in Mainland China. Distributions of the pre-2008 earnings are exempted from such withholding tax. As at December 31, 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:

	2022	2021
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax		
— Provision for the year	**3,945**	12,769
— Under-provision in prior year	**25**	2,105
Myanmar Corporate Income Tax	**7,062**	14,412
Myanmar withholding tax	**5,179**	1,948
	16,211	31,234
Deferred tax:		
Origination and reversal of temporary differences	**(7,520)**	4,580
Income tax expense	**8,691**	35,814

8. DIVIDENDS

No dividend was proposed by the Company for the years ended December 31, 2022 and December 31, 2021.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of RMB48,490,000 (2021: RMB74,519,000), and the weighted average number of 1,665,090,974 (2021: 1,654,024,868) ordinary shares outstanding during the year.

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company of RMB48,490,000 (2021: RMB74,519,000), and the weighted average number of ordinary shares in issue during the year, as used in the basic 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, calculated as follows:

	2022	2021
Shares		
Weighted average number of shares in issue	**1,665,090,974**	1,654,024,868
Effect of deemed issue of shares under the Company's share award scheme for nil consideration	**7,842,124**	560,699
Weighted average number of shares in issue	**1,672,933,098**	1,654,585,567

No adjustment had been made in respect of the outstanding share options to the basic earnings per share presented for the years ended December 31, 2022 and December 31, 2021 as the outstanding share options had an anti-dilutive effect on the amounts presented.

10. OTHER INTANGIBLE ASSETS

	2022	2021
	RMB'000	*RMB'000*
At January 1	**24,550**	31,273
Addition — Service concession arrangement	**91,730**	–
Addition — Deferred development cost and software	**–**	6
Amortisation	**(10,007)**	(6,729)
At December 31	**106,273**	24,550

Service concession arrangement

In November 2021, the Group entered into a service concession arrangement with Electric Power Generation Enterprise ("**EPGE**") under the Ministry of Electricity and Energy in Myanmar pursuant to a power purchase agreement (the "**PPA**") for rehabilitation, joint operation and maintenance of an existing power plant in Hlawga, Myanmar (the "**Hlawga Power Plant**").

Pursuant to the PPA, a newly formed subsidiary of the Company in Myanmar shall rehabilitate, operate, maintain and manage the Hlawga Power Plant to guarantee dependable contracted capacity, guaranteed heat rate and annual guarantee electrical energy and bear the relevant cost (except fuel cost) and transfer the facility of the rehabilitated power plant to EPGE at the end of the term or termination of the PPA. Nevertheless, EPGE shall (i) arrange for and provide the Group with the access rights for the site of the Hlawga Power Plant; (ii) supply fuel to Hlawga Power Plant for the sole purpose of operation of the Hlawga Power Plant; (iii) reimburse the investment of the Group for the rehabilitation, operation, maintenance and management of the existing power plant by making rehabilitation payments based on the production of each electricity energy (kWh) (i.e. power supply income).

The term of the PPA shall be 10 years from the phase 1 commercial operation date of the facility of the Hlawga Power Plant, unless otherwise extended or terminated in accordance with the provisions of the PPA. The term of the PPA may be extended upon terms and conditions mutually satisfactory to the parties.

The phase 1 commercial operation date of the facility of the Hlawga Power Plant was April 1, 2022. Revenue from and cost for provision of rehabilitation services under the service concession arrangement in relation to the Hlawga Power Plant for the year ended December 31, 2022 were RMB91,730,000 and RMB83,428,000 respectively. Revenue from power supply under the service concession arrangement in relation to the Hlawga Power Plant for the year ended December 31, 2022 was RMB29,466,000.

The amortisation of service concession arrangement is included in cost of revenue in the consolidated statement of profit or loss.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RMB'000	*RMB'000*
Current		
— Unlisted mutual funds	**10,091**	10
Non-current		
— Unlisted mutual funds	**18,387**	–
— Unlisted equity investments	**9,256**	7,755
— Listed equity investments	**130,676**	185,347
	158,319	193,102

Included in the listed equity investments was 21.64% (2021: 21.64%) equity interest in Forever Opensource with carrying amount of RMB117,391,000 as at December 31, 2022 (2021: RMB168,340,000). The Group considers that it has no significant influence over Forever Opensource as Forever Opensource's actual controller (實 際 控 制 人) is Ma Yue (馬 越) and the Group has appointed only one (out of 8) director of Forever Opensource.

On December 14, 2022, the Group entered into an agreement to subscribe for a private equity fund in a principal amount of RMB20,000,000. As at December 31, 2022, the subscription amount had not been paid by the Group and the Group expects that investment will be made in early 2023.

12. CONTRACT ASSETS

	2022	2021
	RMB'000	*RMB'000*
Contract assets	**154,721**	292,429
Impairment	**(29,016)**	(31,365)
	125,705	261,064

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

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**125,705**	261,064
More than 1 year	**–**	–
	125,705	261,064

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

	2022	2021
	RMB'000	*RMB'000*
At January 1	**31,365**	27,850
(Reversal of impairment) Impairment	**(2,349)**	3,515
At December 31	**29,016**	31,365

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

Impairment

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

		Expected credit losses		
	Credit-impaired	**Aproud Technology**	**Entities other than Aproud Technology**	**Total**
At December 31, 2022	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Gross carrying amount	**23,011**	**3,572**	**128,138**	**154,721**
Credit loss	**23,011**	**2,669**	**3,336**	**29,016**
Average credit loss rate	**100.00%**	**74.72%**	**2.6%**	**18.75%**

		Expected credit losses		
	Credit-impaired	Aproud Technology	Entities other than Aproud Technology	Total
At December 31, 2021	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross carrying amount	27,256	5,650	259,523	292,429
Credit loss	27,256	2,581	1,528	31,365
Average credit loss rate	100.00%	45.69%	0.59%	10.73%

13. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**479,975**	625,103
Impairment	**(73,968)**	(75,496)
	406,007	549,607
Bills receivables	**71,055**	83,033
	477,062	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.

Bills receivables generally mature from 180 days to 270 days.

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

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

	2022	2021
	RMB'000	*RMB'000*
Less than 6 months	**45,962**	30,849
6 months to 1 year	**164,044**	209,321
1 year to 2 years	**49,814**	147,832
2 years to 3 years	**80,360**	91,256
Over 3 years	**65,827**	70,349
	406,007	549,607

Impairment

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

	2022	2021
	RMB'000	*RMB'000*
At January 1	**75,496**	87,384
Reversal of impairment	**(409)**	(11,820)
Disposal of subsidiaries	**(464)**	–
Written off	**(655)**	(68)
At December 31	**73,968**	75,496

The breakdown of the loss allowance is as follows:

		Expected credit losses		
At December 31, 2022	**Credit-Impaired**	**Aproud Technology**	**Entities other than Aproud Technology**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Gross carrying amount	**29,140**	**3,547**	**447,288**	**479,975**
Credit loss	**29,140**	**904**	**43,924**	**73,968**
Average credit loss rate	**100.00%**	**25.49%**	**9.82%**	**15.41%**

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

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

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

Aproud Technology

Aproud Technology was engaged in providing intelligent transportation services in the expressway sector in prior years. Since 2017, no such business has been conducted. The receivable amounts aged less than 1 year at December 31, 2022 and December 31, 2021 represented additional billing for old projects completed in current and prior years.

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

At December 31, 2022	**Expected credit loss rate**	**Gross carrying amount** *RMB'000*	**Expected credit losses** *RMB'000*
Past due:			
Less than 1 year	**8.89%**	**2,038**	**181**
1 to 2 years	**28.15%**	**540**	**152**
2 to 3 years	**–**	**327**	**107**
3 to 4 years	**–**	**–**	**–**
4 to 5 years	**70.30%**	**431**	**303**
5 to 6 years	**76.30%**	**211**	**161**
Over 6 years (credit-impaired)	**100.00%**	**2,550**	**2,550**
		6,097	**3,454**

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

Entities other than Aproud Technology

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

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

At December 31, 2022	**Expected credit loss rate**	**Gross carrying amount** *RMB'000*	**Expected credit losses** *RMB'000*
Past due:			
Less than 1 year and not yet due	**1.23%**	**210,746**	**2,597**
1 to 2 years	**5.13%**	**52,098**	**2,672**
2 to 3 years	**9.84%**	**88,888**	**8,748**
3 to 4 years	**19.89%**	**48,813**	**9,709**
4 to 5 years	**30.94%**	**29,934**	**9,261**
5 to 6 years	**65.07%**	**16,809**	**10,937**
Over 6 years (credit-impaired)	**100.00%**	**11,744**	**11,744**
		459,032	**55,668**

At December 31, 2021	Expected credit loss rate	Gross carrying amount *RMB'000*	Expected credit losses *RMB'000*
Past due:			
Less than 1 year and not yet due	1.57%	241,922	3,800
1 to 2 years	5.14%	155,571	8,003
2 to 3 years	10.27%	101,704	10,448
3 to 4 years	20.68%	51,153	10,577
4 to 5 years	30.48%	39,931	12,172
5 to 6 years	57.60%	3,830	2,206
Over 6 years (credit-impaired)	100.00%	14,118	14,118
		608,229	61,324

Other than the loss allowance using the provision matrix, included in the above allowance for impairment of trade receivables is a provision for individually impaired trade receivables of RMB14,846,000 (2021: RMB10,979,000) with a carrying amount before provision of RMB14,846,000 (2021: RMB10,979,000).

14. 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:

	2022	2021
	RMB'000	*RMB'000*
Current or less than 1 year	**193,357**	171,674
1 to 2 years	**82,316**	94,305
Over 2 years	**32,875**	42,342
	308,548	308,321

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

In 2022, the Group recorded RMB623.1 million from new contracts signed, representing a decrease of 18.0% compared to the previous year. The Group generated revenue of RMB714.4 million, representing a decrease of 3.5% compared to the previous year, and as of December 31, 2022, the Group recorded RMB595.0 million from backlog, representing a decrease of 18.4% compared to the end of the previous year. The Group generated gross profit of RMB259.3 million, representing a decrease of 3.0% compared to the previous year, and recorded gross profit margin of 36.3%, which was an increase from 36.1% for the previous year. The profit attributable to owners of the parent of the Company amounted to RMB48.5 million for the Year as compared to the profit of RMB74.5 million for the previous year.

BUSINESS AND FINANCIAL REVIEW

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

(a) Railway business — We sell products and specialised solutions to customers according to their needs. It mainly includes railway communication products and energy-base products. We also provide railway customers with value-added operation and services such as maintenance services, network 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.

Business Review

1. *Downward trend of railway business*

   In the railway business segment, due to a continuous decline in railway fixed asset investments, coupled with the impact of the pandemic, certain railway projects were delayed, alongside a significant drop in new contracts signed during the Year compared to the previous year. Additionally, certain railway projects have been delayed in delivery, resulting in a significant decrease in revenue during the Year compared to the previous year.

   For the Year, however, the Group took advantage of its competitive advantages to secure a higher market share of the products and specialised solutions in the railway communication market segment. As a result of our active expansion into new products and markets, we successfully won bids for a series of major projects, such as the CRRC Data Center.

2. *Sustained business growth in the overseas electric power business sector*

   For the electric power business sector, the AHLONE 151,000-kilowatt power plant project, which was invested, constructed and operated by the Group in Yangon, Myanmar, realised a stable revenue for the 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 combined cycle power generation in the Year. For details, please refer to the Note 10 to the Financial Statements on Page 16.

FINANCIAL REVIEW

Revenue

By Industry Sectors

For the Year, the Group generated revenue as follows:

	For Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Revenue by industry sectors		
Railway	**399,634**	551,271
Electric power	**314,790**	189,022
Total	**714,424**	740,293

(i) Railway

For the Year, revenue of RMB399.6 million was recognised from the railway sector, representing a decrease of RMB151.7 million compared to the previous year, and decreased by 27.5%. The sector recorded RMB399.3 million from new contracts signed, representing a decrease of RMB171.7 million compared to the previous year; and the amount of backlog as of the end of the Year was RMB595.0 million, representing a decrease of RMB115.0 million compared to the end of the previous year. The decrease in revenue was mainly due to the greater impact of the COVID-19 pandemic on the railway communication market during the Year, as the number of new contracts was much lower than that of the previous year, and the delivery of some railway projects was delayed, resulting in a significant decrease in revenue for the Year as compared to the previous year.

(ii) Electric power

For the Year, revenue of RMB314.8 million was recognised from the electric power sector, representing an increase of RMB125.8 million compared to the previous year, and increased by 66.6%. The sector recorded RMB223.8 million from new contacts signed, representing an increase of RMB34.8 million compared to the previous year.

The increase in revenue is mainly due to recognition of significant income amounting to approximately RMB91.7 million from provision of rehabilitation services under the service concession arrangement in relation to the Hlawga Power Plant during the Year. At the same time, the Hlawga Power Plant, a power plant joint venture in Myanmar, began combined cycle power generation during the Year, resulting in additional revenue of RMB29.5 million for the Year.

By Business Model

For the Year, the Group generated revenue as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Revenue by business model		
Products and specialised solutions	**372,361**	481,474
Value-added operation and services	**342,063**	258,819
Total	**714,424**	740,293

(i) Products and specialised solutions

For the Year, revenue of RMB372.4 million was recognised from the products and specialised solutions business, representing a decrease of RMB109.1 million compared to the previous year, and decreased by 22.7%. The business recorded RMB378.2 million from new contracts signed, representing a decrease of RMB118.3 million compared to the previous year and the amount of backlog as of the end of the Year was RMB559.6 million, representing a decrease of RMB80.2 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 during the Year, as the number of new contracts was much lower than that of the previous year, and the delivery of some railway projects was delayed, resulting in a significant decrease in revenue for the Year as compared to the previous year.

(ii) Value-added operation and services

Revenue recognised from the value-added operation and services business for the Year was RMB342.1 million, representing an increase of RMB83.3 million compared to the previous year, and increased by 32.2%. The business recorded RMB244.8 million from new contracts signed, representing a decrease of RMB18.7 million compared to the previous year and the amount of backlog as of the end of the Year was RMB35.3 million, representing a decrease of RMB54.0 million compared to the end of the previous year.

Major reasons for the increase in revenue are as follows:

1. Revenue of RMB214.0 million from power generation of power plant projects was recognised, representing an increase of RMB25.0 million or 13.2% compared to the previous year;

2. Revenue of RMB91.7 million from provision of rehabilitation services under the service concession arrangement in relation to the Hlawga Power Plant was recognised;

3. Revenue of RMB9.0 million from new power maintenance and repair projects was recognised; and

4. Revenue of RMB27.3 million from the value-added operation and service business in the rail business segment was recognised, representing a decrease of RMB42.5 million or 60.9% compared to the previous year.

Gross Profit and the Gross Profit Margin

The Group generated gross profit of RMB259.3 million in the Year, decreased by 3.0% compared to the previous year. Gross profit margin increased from 36.1% for the previous year to 36.3% for the Year.

By Industry Sectors

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Gross profit and the gross profit margin by industry sectors		
Railway	**87,726**	125,032
Gross profit margin %	**22.0%**	22.7%
Electric power	**171,537**	142,291
Gross profit margin %	**54.5%**	75.3%
Total	**259,263**	267,323
Gross profit margin	**36.3%**	36.1%

(i) Railway

For the Year, gross profit of RMB87.7 million was recognised from the railway sector, representing a decrease of RMB37.3 million compared to the previous year. The gross profit margin was 22.0%, representing a decrease of 0.7 percentage points compared to the previous year. The decrease in gross profit was mainly due to the significant decrease in revenue from the sector for the Year.

(ii) Electric power

For the Year, gross profit of RMB171.5 million was recognised from the electric power sector, representing an increase of RMB29.2 million compared to the previous year. The gross profit margin was 54.5%, representing a decrease of 20.8 percentage points compared to the previous year. The decrease in gross profit margin was mainly due to a lower gross profit margin of provision of rehabilitation services under the service concession arrangement in relation to the Hlawga Power Plant during the Year. With this factor excluded, the gross profit margin would be 73.2%, which is basically similar to the previous year.

By Business Model

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Gross profit and the Gross Profit Margin by business model		
Products and specialised solutions	**81,690**	110,797
Gross profit margin %	**21.9%**	23.0%
Value-added operation and services	**177,573**	156,526
Gross profit margin %	**51.9%**	60.5%
Total	**259,263**	267,323
Gross profit margin	**36.3%**	36.1%

(i) Products and specialised solutions

For the Year, gross profit of RMB81.7 million was recognised from the products and specialised solutions business, representing a decrease of RMB29.1 million compared to the previous year. The gross profit margin was 21.9%, representing a decrease of 1.1 percentage points compared to the previous year. The decrease in gross profit was mainly due to the significant decline in revenue from the business model for the Year.

(ii) Value-added operation and services

Gross profit recognised from the value-added operation and services business for the Year was RMB177.6 million, representing an increase of RMB21.1 million compared to the previous year. The gross profit margin was 51.9%, representing a decrease of 8.6 percentage points compared to the previous year. The increase in gross profit was mainly due to commencement of combined cycle power generation at the Hlawga Power Plant, a power plant joint venture in Myanmar, during the Year, resulting in additional revenue for the Year from power generation at the power plant project. The decrease in gross profit margin was mainly due to a lower gross profit margin of provision of rehabilitation services under the service concession arrangement in relation to the Hlawga Power Plant during the Year.

Other Income and Gains

For the Year, other income and gains[(1)] were RMB66.1 million, representing an increase of RMB30.1 million compared to the previous year, mainly due to significant gains from disposal of partial equity interest in a subsidiary by the Group during the Year. For the Year, other income and gains mainly include: (i) rental income of approximately RMB19.6 million; (ii) gains from changes in fair value of investment property of approximately RMB6.7 million; (iii) gains of approximately RMB27.7 million from the disposal of equity interest in a subsidiary and partial equity interest in another subsidiary; (iv) interest income of approximately RMB6.0 million; and (v) other income of approximately RMB5.9 million.

Selling, Distribution and Administrative Expenses

For the Year, selling, distribution and administrative expenses were approximately RMB131.3 million, representing a decrease of RMB16.8 million compared to the previous year, mainly due to decrease in office and travel expenses as a result of the Group's tighter cost control in response to the impact of the COVID-19 pandemic.

Net impairment losses on financial and contract assets

For the Year, net impairment losses on financial and contract assets were approximately RMB5.8 million, representing a decrease of RMB8.4 million compared to net impairment losses of approximately RMB14.2 million for the previous year.

Other Expenses

For the Year, other expenses[(2)] were approximately RMB19.8 million, representing an increase of RMB7.0 million compared to the previous year, mainly due to higher foreign exchange losses from financial expenses. Other expenses during this Year mainly include: (i) financial expenses — handling charges of approximately RMB1.2 million; (ii) financial expenses — foreign exchange losses of approximately RMB16.6 million; and (iii)losses through fair value changes of mutual funds of approximately RMB1.8 million.

(1) Other income and gains excluded gains or losses from changes in fair value of equity investments.

(2) Other expenses excluded gains or losses from changes in fair value of equity investments.

Profit or Loss through Fair Value Changes of Equity Investments

For the Year, 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 RMB53.2 million through fair value changes, as compared to the profit of RMB31.0 million for the previous year. Forever Opensource is primarily engaged in providing open source software technology services for enterprise customers and community, cloud platform, recruitment and crowdsourcing services, etc. for software developers. 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 December 31, 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 amounted to RMB117.4 million representing 4.13% 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 amounted to RMB4.3 million representing 0.15% 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 amounted to RMB8.7 million representing 0.31% 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 amounted to RMB8.9 million representing 0.31% of our total assets. The gain/(loss) (including unrealized gain/(loss)) from the Group's investment in the shares of Forever Opensource, CNBM Technology, Shenzhen Hopeland and Helios Energy Limited for the Year were RMB(51.0) million, RMB(1.9) million, RMB1.5 million and RMB(1.8) million, respectively. During the Year, 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.

Finance Cost

Finance cost mainly comprised of interest expenses for interest-bearing bank loan. For the Year, the finance cost was RMB11.9 million, which represented a decrease of RMB6.1 million compared to the previous year. This was mainly due to a decrease of interest-bearing bank loan in the Year, resulting in a decrease in interest expenses compared to the previous year.

Income Tax Expenses

The total income tax expenses for the Year were RMB8.7 million, which were RMB35.8 million for the previous year. The decrease in income tax expenses was mainly due to the fair value changes and the significant decline in revenue from the railway sector during the Year.

Profit for the Year

For the Year, the profit attributable to owners of the parent of the Company amounted to RMB48.5 million as compared to the profit of RMB74.5 million for the previous year, decreased by 34.9%. The decrease was mainly attributable to the relatively significant loss from the changes in the fair value of financial assets during the Year.

Inventory Turnover Days

The inventories of the Group mainly comprised of products and spare parts related to the railway communication. For the Year, the inventory turnover days were 296 days (the previous year: 211 days). For the Year, the revenue from the railway sector decreased significantly as compared to that in the previous year, resulting in a significant increase in inventory turnover days.

Trade Receivables Turnover Days

For the Year, the trade receivables turnover days were 325 days (the previous year: 344 days). For the Year, the trade receivables of the Group decreased as compared to the previous year, resulting in a decrease in trade receivable turnover days.

Trade Payables Turnover Days

For the Year, the trade payables turnover days were 247 days (the previous year: 237 days).

Liquidity and Financial Resources

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. As of December 31, 2022, the Group's current ratio (current assets divided by current liabilities) was 1.9 (as of December 31, 2021: 1.8). The Group's financial position remains healthy.

As of December 31, 2022, the Group was in a net cash position[(3)] of RMB177.3 million (as at the end of the previous year: RMB33.4 million), increased by RMB143.9 million compared to the end of the previous year. As at December 31, 2022, the Group's gearing ratio[(4)] was -10.7%, decreased by 7.4 percentage points from -3.3% as at the end of the previous year.

Contingent Liabilities

As at December 31, 2022, the Group had no material contingent liability.

Charges on Group Assets

As at December 31, 2022, except for the pledged deposits of approximately RMB130.2million (as at December 31, 2021: RMB30.3 million), the Group pledged a building with a net carrying amount of approximately RMB196.7 million, real estate with an appraised value of approximately RMB71.2 million, trade receivables with a carrying amount of RMB150.0 million, and equity in two subsidiaries 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 December 31, 2022, the Group had no other assets charged to financial institutions.

IMPORTANT EVENTS SUBSEQUENT TO THE PERIOD

There was no important event affecting the Company nor any of its subsidiaries from December 31, 2022 to the date of this announcement.

EMPLOYMENT AND EMOLUMENT POLICIES

As at December 31, 2022, the Group had 228 full-time employees. The emolument policy of the employees of the Group is set up by the Board on the basis of individual role, responsibilities and performance of the individual concerned, and the performance of our Group and market conditions.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the Year.

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

(4) 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed the listed securities of the Company.

CORPORATE GOVERNANCE

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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 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 our financial reporting process and internal control systems.

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

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

SCOPE OF WORK OF MAZARS CPA LIMITED

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

PUBLICATION OF THE 2022 ANNUAL REPORT

The 2022 annual report of the Company containing all the information as required under Appendix 16 to the Listing Rules will be dispatched to the shareholders and available on the Company's website at www.its.cn and the Stock Exchange's website at www.hkexnews.hk in due course.

ACKNOWLEDGEMENT

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

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

Beijing, March 31, 2023

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