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 liabilty)

Stock Code: 1900

2022
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liao Jie *(chairman of the Board)*
Mr. Jiang Hailin *(chief executive officer)*

Independent Non-executive Directors

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

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Mr. Jiang Hailin
Suite 102, 1st Unit, 8th building
1 Balizhuang Beili, Haidian District
Beijing
China

Mr. Leung Ming Shu *(FCCA, FCPA)*
Flat 1, 3/F, Block A
Ventris Place
19–23 Ventris Road
Happy Valley
Hong Kong

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
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
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 Industry"	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 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 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)

Financial Highlights

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.

Financial Summary

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

1. BACKLOG INFORMATION

	Year ended December 31,				
RMB'000	**2022**	2021	2020	2019	2018
New contracts signed	**623,060**	759,976	982,899	1,001,014	1,148,084

	As at December 31,				
RMB'000	**2022**	2021	2020	2019	2018
Backlog	**594,977**	729,131	797,034	840,148	978,122

2. FINANCIAL PERFORMANCE

	Year ended December 31,				
RMB'000	**2022**	2021	2020	2019	2018
Revenue	**714,424**	740,293	930,536	1,033,190	923,966
Gross profit	**259,263**	267,323	191,511	206,620	164,635
Profit/(loss) attributable to owners of parent	**48,490**	74,519	(177,104)	(50,977) (restated)	(116,278)

3. FINANCIAL POSITION

	As at December 31,				
RMB'000	**2022**	2021	2020	2019	2018
Total assets	**2,841,190**	3,055,589	3,483,207	3,947,644 (restated)	4,105,634
Net assets	**1,895,533**	1,854,446	1,837,384	1,994,480 (restated)	2,030,689
Net cash position	**177,346**	33,425	(183,820)	(269,678)	(269,198)[1]

Notes:

(1) Net cash position as at December 31, 2018 refers to cash and cash equivalents plus pledged deposits minus interest-bearing bank borrowings.

(2) Details of the above financial information are set out in Management Discussion and Analysis section on page 10 to page 16.

4. FINANCIAL RATIOS

RMB'000	2022	2021	2020	2019	2018
	For the year ended/As at December 31,				
Sales cycle ratios:					
Trade receivables turnover days (days)(1)	**325**	344	328	333	409
Contract assets/contract liabilities turnover days (days)(2)	**-30**	-3	20	82	114
Combined trade receivables and contract assets/contract liabilities turnover days (days)	**295**	341	348	415	523
Other ratios:					
Trade payables turnover days (days)(3)	**247**	237	171	230	251
Current ratio (times)(4)	**1.9**	1.8	1.5	1.6	1.9
Gearing ratio (%)(5)	**-10.7%**	-3.3%	8.0%	-5.6%	-17.4%
Return on assets (%)(6)	**1.7%**	2.4%	-5.1%	-1.3% (restated)	-2.8%
Return on equity (%)(7)	**2.6%**	4.0%	-9.6%	-2.6% (restated)	-5.7%

Notes:

(1) Trade receivables turnover days refers to average trade receivables divided by revenue multiples 365 days.

(2) Contract assets/contract liabilities turnover days refers to average contract assets minus contract liabilities divided by revenue multiples 365 days.

(3) Trade payables turnover days refers to average trade payables divided by cost of sales multiples 365 days.

(4) Current ratio refers to current assets divided by current liabilities.

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

(6) Return on assets refers to profit attributable to owners of parent divided by total assets as at balance sheet date.

(7) Return on equity refers to profit attributable to owners of parent divided by total equity as at balance sheet date.

(8) Details of the above financial information are set out in Management Discussion and Analysis section on page 10 to page 16.

Chairman's Statement

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

In 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 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 17 to the consolidated financial statements on Page 166.

LIAO JIE
Chairman

Beijing, March 31, 2023

Management Discussion and Analysis

REVENUE

By Industry Sectors

For the Year, the Group generated revenue as follows:

	For Year ended December 31, 2022 RMB'000	2021 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 RMB'000	2021 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.

Management Discussion and Analysis

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.

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

Management Discussion and Analysis

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.

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 (24,989,900 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.

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

Management Discussion and Analysis

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, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. As at 31 December 2022, the Group's current interest-bearing bank borrowings amounted to RMB248.5 million (as at December 31, 2021: RMB279.7 million), which bore interest at fixed rates, at the People's Bank of China loan prime rate, and at the People's Bank of China loan prime rate minus certain basis points, respectively. As at December 31, 2022, the Group's non-current bank borrowings amounted to RMB0 (as at 31 December 2021: RMB35.0 million).

All interest-bearing bank borrowings of the Group are denominated in RMB except for interest-bearing bank borrowings of RMB48.2 million (as at December 31, 2021: RMB0) which are denominated in Myanmar kyat. The Group mainly borrows and holds cash and cash equivalents in RMB, Myanmar kyat, US dollars, and Hong Kong dollars.

Details of the Group's interest-bearing bank borrowings for the year ended December 31, 2022 are set out in note 28 to the consolidated financial statements on page 184.

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.

FINANCIAL POLICY

The Group pursues a prudent financial policy with strict control over cash and risk management. Surplus cash reserves are used to generate income by investing in low-risk financial products without affecting the Group's business operations or capital expenditure. As of 31 December 2022, the Group did not use any derivative financial instruments to hedge its risks.

(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.

Management Discussion and Analysis

EXCHANGE RATE EXPOSURE AND HEDGING

The Group operates in Mainland China, Hong Kong, and Myanmar, and as of 31 December 2022, its revenue, costs, and expenses are mainly denominated in RMB, Myanmar Kyat, HK$, and US$. Therefore, the Group is exposed to potential foreign exchange risks due to fluctuations in exchange rates between them. In addition, the Group's principal operating assets are located in Mainland China, Hong Kong, and Myanmar and are denominated in local currencies or in US$. As a result, the majority of the Group's assets and liabilities are denominated in RMB, HK$, Myanmar Kyat, or US$, and the Group's reporting currency is RMB. This situation also exposes the Group to potential foreign exchange risk when translating these assets and liabilities at each reporting date.

During the year under review, the Group did not enter into agreements or purchase instruments to hedge the Group's exposure to exchange rate risk, but will continue to monitor the Group's foreign exchange risk and consider prudent measures where appropriate.

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 RMB130.2 million (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 RMB154.3 million, equity in four subsidiaries, a subsidiary's right to receive payment and any other receivables under the Power Purchase Agreement and the Group's machinery and equipment with a carrying amount of RMB251.4 million 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 report.

Report of the Directors

The Board presents its report together with the audited consolidated results of the Group for the year ended December 31, 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is mainly a provider of products, specialised solutions and services related to infrastructure technology in the PRC and overseas. Details of the activities of the subsidiaries of the Company are set out in note 1 to the consolidated financial statements on pages 118 to 120.

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended December 31, 2022 are set out on page 110 of this annual report.

The Board recommended that no dividend will be declared for the year ended December 31, 2022.

BUSINESS REVIEW

The business review of the Group as at December 31, 2022 is set out under the section headed "Management Discussion and Analysis" of this annual report on pages 10 to 16.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Uncertainty in relation to public spending on transportation infrastructure

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

Risk of project delays

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

Financial risks

The results of the Group are subject to various kinds of financial risks. Please refer to note 43 to the financial statements of the Company for the year ended and as at December 31, 2022 on pages 200 to 203 for the discussion of such risks.

Report of the Directors

KEY RELATIONSHIPS

Employees

Please refer to the section headed "Environmental, Social and Governance Report — 3 PEOPLE" on page 64 of this annual report for the discussion on the Group's relationships with its employee.

Customers

The nature of the Group's business requires a high level of collaboration with its customers for successful implementation of projects, therefore, it is essential for the Group to maintain a close relationship with each of its customers. The Group's customers are primarily owners and/or operators of public transportation. During the year ended December 31, 2022, the Group has maintained good relationship and did not have any material dispute with its customers.

Suppliers

Our suppliers are mainly suppliers of equipment and electronic devices and components. We maintain stable and close relationships with our suppliers, which allows us to obtain the equipment, parts and materials we need for implementation of our clients' projects in a timely and reliable manner. During the year ended December 31, 2022, the Group has maintained good relationship and did not have any material dispute with its suppliers.

ENVIRONMENTAL POLICIES

Please refer to the section headed "Environmental, Social and Governance Report — 6 SUSTAINABILITY" on page 81 of this annual report for the environmental policies of the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China and Myanmar. Our establishment and operations shall comply with relevant laws and regulations in the mainland China and Myanmar. During the year ended December 31, 2022 and up to the date of this report, we have complied with all the relevant laws and regulations in the mainland China and Myanmar.

PROPERTY AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements on pages 160 to 161.

SHARE CAPITAL

Details of the movement in the Company's share capital during the year ended December 31, 2022 are set out in note 30 to the consolidated financial statements on page 186.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Company and the Group for the year ended December 31, 2022 are set out in note 44 to the consolidated financial statements on pages 204 to 205 and consolidated statement of changes in equity on pages 114 to 115 respectively. As at December 31, 2022, the Group's distributable reserve is RMB1,186,587,000.

Report of the Directors

CHARITABLE DONATIONS

The Company and its subsidiaries made charitable donations of RMB34,961 during the year ended December 31, 2022.

DIRECTORS

The Directors who held office as at December 31, 2022 and the date of this annual report are:

	Last Re-election Date
Executive Directors	
Mr. Liao Jie *(Chairman)*	May 26, 2022
Mr. Jiang Hailin *(Chief Executive Officer)*	May 26, 2022
Independent Non-executive Directors	
Mr. Ye Zhou	June 2, 2021
Mr. Wang Dong *(CICPA, CIMA, AAIA, CGMA)*	June 2, 2021
Mr. Zhou Jianmin	June 16, 2020

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

Biographies of Directors and senior management of the Company are set out on pages 99 to 103 of this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

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

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Report of the Directors

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

Save as disclosed below, as at December 31, 2022, none of the Directors and Chief Executive Officer had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director	Nature of interest	Securities[3]	Approximate percentage of shareholdings as at December 31, 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 owns18,853,876 Shares, which are part of the 645,912,777 Shares in which Fino Trust is deemed to be interested.

(3) (L) denotes long positions.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 30 to the consolidated financial statements, no contracts of significance in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2022.

PERMITTED INDEMNITY PROVISIONS

The Articles of the Company provide that the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty. Such provisions were in force during the financial year ended December 31, 2022 and remained in force as of the date of this Annual Report. The Company has also arranged appropriate director and officer liability insurance in respect of legal action against Directors.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' SERVICE CONTRACTS

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

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

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

The Company will also periodically review and assess its human resource requirements and the prevailing market trend and make appropriate adjustments. Details of the remuneration of the Directors are set out in note 9 to the consolidated financial statements on pages 155 to 156.

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 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. Details of the said schemes are set out under the section headed "Pre-IPO Share Incentive Scheme, Share Option Scheme and Share Award Scheme" in this annual report.

Report of the Directors

RETIREMENT BENEFIT SCHEME

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

PRE-IPO SHARE INCENTIVE SCHEME, 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 have been conditionally granted by Holdco under the Pre-IPO Share Incentive Scheme.

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

2. Share Option Scheme

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

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

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

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

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

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

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

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

Movement of the options granted under the Share Option Scheme during the year ended December 31, 2022 is as follows:

Grantee	Grant date[1]	Vesting start date	Expiry date	Outstanding as at January 1, 2022	Exercised during the year ended December 31, 2022	Lapsed or cancelled during the year ended December 31, 2022	Outstanding as at December 31, 2022	Exercise price per share (HK$)
Mr. Jiang Hailin	18/01/2012	April 19, 2012	Note (2)	77,203	–	77,203	–	1.05
(Executive Director,	18/01/2012	July 19, 2012	Note (2)	77,203	–	77,203	–	1.05
Chief Executive Officer)	18/01/2012	October 19, 2012	Note (2)	77,203	–	77,203	–	1.05
	18/01/2012	January 19, 2013	Note (2)	77,203	–	77,203	–	1.05
	18/01/2012	April 19, 2013	Note (2)	154,592	–	154,592	–	1.05
	18/01/2012	July 19, 2013	Note (2)	154,592	–	154,592	–	1.05
	18/01/2012	October 19, 2013	Note (2)	154,592	–	154,592	–	1.05
	18/01/2012	January 19, 2014	Note (2)	154,592	–	154,592	–	1.05
	18/01/2012	April 19, 2014	Note (2)	231,981	–	231,981	–	1.05
	18/01/2012	July 19 2014	Note (2)	231,981	–	231,981	–	1.05
	18/01/2012	October 19, 2014	Note (2)	231,981	–	231,981	–	1.05
	18/01/2012	January 19, 2015	Note (2)	232,725	–	232,725	–	1.05
Sub-total				1,855,848	–	1,855,848	–	

Grantee	Grant date[1]	Vesting start date	Expiry date	Outstanding as at January 1, 2022	Exercised during the year ended December 31, 2022	Lapsed or cancelled during the year ended December 31, 2022	Outstanding as at December 31, 2022	Exercise price per share (HK$)
Mr. Liao Jie[3]	18/01/2012	April 19, 2012	Note (2)	1,694,612	–	1,694,612	–	1.05
(Executive Director,	18/01/2012	July 19, 2012	Note (2)	1,694,612	–	1,694,612	–	1.05
Chairman)	18/01/2012	October 19, 2012	Note (2)	1,694,612	–	1,694,612	–	1.05
	18/01/2012	January 19, 2013	Note (2)	1,694,612	–	1,694,612	–	1.05
	18/01/2012	April 19, 2013	Note (2)	3,393,298	–	3,393,298	–	1.05
	18/01/2012	July 19, 2013	Note (2)	3,393,298	–	3,393,298	–	1.05
	18/01/2012	October 19, 2013	Note (2)	3,393,298	–	3,393,298	–	1.05
	18/01/2012	January 19, 2014	Note (2)	3,393,298	–	3,393,298	–	1.05
	18/01/2012	April 19, 2014	Note (2)	5,091,984	–	5,091,984	–	1.05
	18/01/2012	July 19, 2014	Note (2)	5,091,984	–	5,091,984	–	1.05
	18/01/2012	October 19, 2014	Note (2)	5,091,984	–	5,091,984	–	1.05
	18/01/2012	January 19, 2015	Note (2)	5,108,282	–	5,108,282	–	1.05
Sub-total				40,735,874	–	40,735,874	–	
Employees of the Group	18/01/2012	April 19, 2012	Note (2)	964,083	-	964,083	–	1.05
	18/01/2012	July 19, 2012	Note (2)	964,083	-	964,083	–	1.05
	18/01/2012	October 19, 2012	Note (2)	964,083	-	964,083	–	1.05
	18/01/2012	January 19, 2013	Note (2)	964,083	-	964,083	–	1.05
	18/01/2012	April 19, 2013	Note (2)	1,455,506	-	1,455,506	–	1.05
	18/01/2012	July 19, 2013	Note (2)	1,455,506	-	1,455,506	–	1.05
	18/01/2012	October 19, 2013	Note (2)	1,455,506	-	1,455,506	–	1.05
	18/01/2012	January 19, 2014	Note (2)	1,455,506	-	1,455,506	–	1.05
	18/01/2012	April 19, 2014	Note (2)	1,946,918	-	1,946,918	–	1.05
	18/01/2012	July 19, 2014	Note (2)	1,946,918	-	1,946,918	–	1.05
	18/01/2012	October 19, 2014	Note (2)	1,946,918	-	1,946,918	–	1.05
	18/01/2012	January 19, 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**	**–**	

Notes:

(1) The closing price of the Shares immediately before the grant date of share options was HK$1.05.

(2) Expiry date of these share options shall be the earlier of: (i) the date on which the share option lapses in accordance with the Share Option Scheme or (ii) the date falling ten (10) years from the date of acceptance by the grantee.

(3) The total number of Shares to be issued upon exercise of the share options granted to Mr. Liao Jie would exceed 1% of the Shares in issue in the 12–month period up to and including the date of the grant. Such further grant of share options to Mr. Liao Jie was approved by Shareholders in an extraordinary general meeting on February 29, 2012.

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.

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 year ended December 31, 2022 is as follows:

Grantee	Grant date	Vesting start date	Expiry date	Outstanding as at January 1, 2022	Vested during the year ended December 31, 2022	Lapsed or cancelled during the year ended December 31, 2022	Outstanding as at December 31, 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:

(1) Mr. Luo Haibin is the President of the Company and the President and director of certain wholly-owned subsidiaries of the Company.

(2) 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.

(3) 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 year ended December 31, 2022.

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

As at the December 31, 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]	Beneficiary owner	Long position	645,912,777	38.54%
Best Partners[2]	Interest of controlled corporation	Long position	645,912,777	38.54%
Fino Investment 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%
Joyful Business Holdings Limited[5]	Beneficiary owner	Long Position	105,758,203	6.31%

Notes:

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

As at December 31, 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 is deemed to be controlled by Fino Investments Limited and Tesco Investments Limited. Our Director Mr. Liao Jie is 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, 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.

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

Report of the Directors

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended December 31, 2022.

EVENTS AFTER THE REPORTING PERIOD

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

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES

Disposal of 51% Equity Interests in Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd.

On September 29, 2022, Jiangsu Zhongzhi Transportation Technology Co., Ltd.* (江蘇中智交通科技有限公司") ("**Vendor**"), a subsidiary indirectly and wholly owned by the Company, and Beijing Xingyuan Real Estate Group Co., Ltd.* (北京興源控股集團有限公司) ("**Purchaser**") entered into the Agreement pursuant to which the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to acquire from the Vendor, 51% equity interest in the Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd.* (江蘇中智瑞信物聯科技有限公司) ("**Disposal**"). The consideration of the Disposal is approximately RMB57.9 million. The Closing Conditions of the Disposal have been satisfied and the Closing Date is October 21, 2022.

As one or more of the applicable percentage ratios with respect to the Disposal and the transactions contemplated under it was more than 5% but all of the applicable percentage ratios were less than 25%, the Disposal constituted a disclosable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Please refer to the announcement of the Company dated September 29, 2022 for further details.

SIGNIFICANT INVESTMENT

Subscription of Private Equity Fund

On December 14, 2022, Tibet Intelligent Aviation Transportation Technology Co., Ltd. (西藏智航交通科技有限公司) ("**Subscriber**"), a subsidiary indirectly and wholly owned by the Company, entered into a subscribe agreement with Guangzhou Zhuoyi Asset Management Co., Ltd. (廣州拙一資產管理有限公司) and Huatai Securities Co., Ltd. (華泰證券股份有限公司), pursuant which the Subscriber agreed to subscribe for the Liaoyuan No. 3 Private Securities Investment Fund (拙一燎原3號私募證券投資基金) ("**Private Equity Fund**") in a principal amount of RMB20,000,000. The subscription price has been settled on January 9, 2023.

As the highest applicable percentage in respect of the subscription of the Private Equity Fund is more than 5% but less than 25%, the subscription of the Private Equity Fund constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rule. Please refer to the announcement of the Company dated December 14, 2022 for further details.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2022, the aggregate sales to the Group's five largest customers, in aggregate represented approximately 54.5% of the Group's total revenue and sales to the Group's largest customer amounted to approximately 42.8% of the Group's total revenue.

For the year ended December 31, 2022, the aggregate purchases attributable to the Group's five largest suppliers, in aggregate represented approximately 33.1% of the Group's total purchases and purchases attributable to the Group's largest supplier amounted to approximately 12.5% of the Group's total purchases.

For the year ended December 31, 2022, none of the Directors nor any of their associates or any Shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any interest in the five largest suppliers or customers.

BANKING FACILITIES AND OTHER BORROWINGS

Details of the bank facilities and other borrowings of the Group as at December 31, 2022 are set out in note 28 to the consolidated financial statements on page 184.

SUFFICIENCY OF PUBLIC FLOAT

According to information that is publicly available to the Company and within the knowledge of the Board, as at December 31, 2022, the Company has maintained sufficient public float as required under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

RHY Lease

Reference is made to the announcement of the Company dated January 29, 2021. As disclosed in such announcement, Beijing RHY Technology Development Co., Ltd.* (北京瑞華赢科技發展股份有限公司) ("Beijing RHY"), a connected person of the Company, entered into the lease agreement and property management agreement (the "2021 RHY Lease") with Beijing Hongrui Dake Technology Co., Ltd.* (北京宏瑞達科科技有限公司) ("Hongrui Dake"), a subsidiary of the Company, pursuant to which Hongrui Dake has agreed to lease and Beijing RHY has agreed to rent the certain premises with a total floor area of 1,700 sq.m. 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.

The 2021 RHY Lease was early terminated on September 30, 2022 and replaced by the 2022 RHY Lease (as defined below). The annual cap under the 2021 RHY Lease for the year ended December 31, 2022 is RMB5,162,800 and the actual transaction amount for the nine months ended September 30, 2022 under the 2021 RHY Lease is approximately RMB3,703,000.

Reference is made to the announcement of the Company dated September 30, 2022. As disclosed in the announcement on September 30, 2022, Hongrui Dake, entered into (i) a lease agreement (the "2022 RHY Lease"); and (ii) a property management service agreement (the "2022 RHY Property Management Service Agreement"), with Beijing RHY. Pursuant to the 2022 RHY Lease, Hongrui Dake has agreed to lease the certain premises with a total floor area of 1,163.16 sq.m. ("Hongrui Dake Properties") to Beijing RHY for a lease term of three years commencing on 1 October 2022. Pursuant to the 2022 RHY Property Management Service Agreement, Hongrui Dake has agreed to provide property management services and other ancillary services to Beijing RHY in respect of the Hongrui Dake Properties for a term of three years commencing on 1 October 2022.

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 each of the 2021 RHY Lease, the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The approved annual caps for the 2022 RHY Lease and the 2022 RHY Property Management Service Agreement for the year ended December 31, 2022 were approximately RMB3,429,000 and RMB1,071,000, respectively. The rental income and property services fee and other fees from Beijing RHY to Hongrui Dake for the year ended December 31, 2022 were approximately RMB3,429,000 and RMB1,032,000, respectively.

The independent non-executive Directors have reviewed the above-mentioned continuing connected transactions and have confirmed that during the year ended December 31, 2022, the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Mazars CPA Limited, the Company's auditor has confirmed that the above-mentioned continuing connected transaction has complied with the matters as set out in rule 14A.56 of the Listing Rules.

Report of the Directors

RELATED PARTIES TRANSACTIONS

The Group was involved in a number of related party transactions during the year ended December 31, 2022, which have been disclosed in note 38 to the consolidated financial statements on pages 193 to 194. Certain of such related party transactions also constituted connected transactions under the Listing Rules and the Group has complied with the requirements under Chapter 14A of the Listing Rules.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries subsisted at December 31, 2022 or any time during the year ended December 31, 2022.

NON-COMPETITION DEED

As disclosed in the Prospectus, the independent non-executive Directors will review, on an annual basis, the compliance by the controlling Shareholders with the non-competition undertakings under the Non-competition Agreement (as defined in the Prospectus). The independent non-executive Directors have conducted such review for the year ended December 31, 2022 and found that the Non-competition Agreement has been fully complied with.

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has complied with the code provisions contained in the CG Code for the year ended December 31, 2022.

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

AUDIT COMMITTEE

The Group's annual report for the year ended December 31, 2022 has been reviewed by the Audit Committee. Information on the work of the Audit Committee and its composition are set out in the Corporate Governance Report on pages 31 to 41.

AUDITORS

The financial statements for the year ended December 31, 2022, were audited by Mazars CPA Limited who will retire as the auditors of the Company and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

There was no change in the auditor of the Company in the preceding three years.

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

Beijing, March 31, 2023

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company had adopted the code provisions contained in the code of corporate governance practices (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has complied with the code provisions contained in the CG Code for the year ended December 31, 2022.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company for the year ended December 31, 2022.

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD

Board Responsibilities

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

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

Board Members

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

Details of the Directors' biographical information are contained in the section headed "Director and Senior Management" of this annual report.

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

Corporate Governance Report

Independent Non-executive Directors

Three members of the Board are independent non-executive Directors, which meets the minimum requirement under the Listing Rules. Mr. Wang Dong, an independent non-executive Director during the year ended December 31, 2022 up to the date of this report, has appropriate financial management expertise in compliance with Rule 3.10 of the Listing Rules.

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

Terms

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

Board Meetings

During the year ended December 31, 2022, there were eight Board meetings held, at which the Directors approved, among other things, the audited consolidated results of the Group for the year ended December 31, 2021 and the unaudited consolidated results of the Group for the six months ended June 30, 2022.

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

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

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

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

Attendance Record

Code Provision C.5.1 of the Corporate Governance Code stipulates that the Board should meet regularly and meetings should be held at least four times a year at approximately quarterly intervals. During the year ended December 31, 2022, the Board convened a total of eight Board meetings and there were two meetings for the Audit Committee, one meeting for the Remuneration Committee and one meeting for the Nomination Committee based on the need of the operation and business development of the Company. Details of attendance are as follows:

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	General meetings
Executive Directors					
Mr. Liao Jie *(Chairman)*	8/8	N/A	N/A	N/A	1/1
Mr. Jiang Hailin *(Chief Executive Officer)*	8/8	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Ye Zhou	8/8	2/2	1/1	1/1	1/1
Mr. Wang Dong *(CICPA, CIMA, AAIA, CGMA)*	8/8	2/2	1/1	1/1	1/1
Mr. Zhou Jianmin	8/8	2/2	1/1	1/1	1/1

The Chairman and the Chief Executive Officer

The Code Provision C.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Throughout the year ended December 31, 2022, Mr. Liao Jie has been the Chairman and Mr. Jiang Hailin has been the Chief Executive Officer. Accordingly, the Company complied with Code Provision C.2.1 at all times during the year ended December 31, 2022.

Corporate Governance Report

BOARD COMMITTEES

Audit Committee

As at December 31, 2022 and the date of this report, the Audit Committee comprised three independent non-executive Directors, being Mr. Wang Dong, Mr. Zhou Jianmin and Mr. Ye Zhou, with Mr. Wang Dong being the chairman of the Audit Committee. The members of the Audit Committee confirm that they are not a former partner or affiliated to the Company's existing auditing firm nor do they have any financial interest in the Company's existing auditing firm.

The primary functions of the Audit Committee are to:

(a) be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and regulations. The audit committee should discuss with the auditor, the nature and scope of the audit and reporting obligations before the audit commences;

(c) develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

(d) monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the committee should focus particularly, on any changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from audit, the ongoing concern assumptions and any qualifications, compliance with accounting standards and compliance with the Listing Rules and other legal requirements to financial reporting;

(e) to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) to review the Company's financial controls, internal control and risk management systems;

(g) to discuss the risk management and internal control systems with the management and to ensure that management has discharged its duty to have an effective systems;

(h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(j) to review the Company's financial and accounting policies and practices;

(k) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(m) to report to the Board on the matters set out in the Code Provisions;

(n) to consider other topics, as defined by the Board;

(o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

(p) to act as the key representative body for overseeing the issuer's relations with the external auditor.

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

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

A summary of the work performed by the Audit Committee during the year ended December 31, 2022 is set out as follows:

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

Remuneration Committee

As at December 31, 2022 and the date of this annual report, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Ye Zhou, Mr. Wang Dong and Mr. Zhou Jianmin, with Mr. Ye Zhou being the chairman of the Remuneration Committee.

The primary functions of the Remuneration Committee are to:

(a) evaluate and make recommendations to the Board on the policy and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such policies;

(b) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

(c) conduct reviews and approve performance-based remuneration by reference to corporate goals and objectives resolved by directors from time to time;

(d) review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(e) review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

(f) ensure that no director or any of his or her associates is involved in deciding his own remuneration and advise shareholders on how to vote with respect to service contracts of directors that require shareholders' approval under rule 13.68 of the Listing Rules.

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

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

A summary of the work performed by the Remuneration Committee during the year ended December 31, 2022 is set out as follows:

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

Nomination Committee

As at December 31, 2022 and the date of this annual report, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Zhou Jianmin, Mr. Ye Zhou and Mr. Wang Dong, with Mr. Zhou Jianmin being the chairman of the Nomination Committee.

The primary functions of the Nomination Committee are to:

(a) review the structure, size and composition of the Board regularly and make recommendations to the Board regarding any proposed changes; and

(b) identify, select or make recommendations to the Board on the selection of individuals nominated for directorships to fill vacancies in the Board.

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

A summary of the work performed by the Nomination Committee during the year ended December 31, 2022 is set out as follows:

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

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in the code provision A.2.1 of the CG Code.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

According to the CG Code C.1.4, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of the directors.

All Directors have participated in appropriate continuous professional development and refreshed their knowledge and skills during the year. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development for the year ended December 31, 2022:

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

ACCOUNTABILITY AND AUDIT

Auditor's Remuneration

The Auditor's remuneration amounted to RMB1,530,000 was incurred for the audit of the Group's consolidated financial statement for the year.

During the year, the Group incurred the following service fees to Mazars CPA Limited and its member firm for the provision of non-audit related services to the Group:

	RMB
Interim report	70,000
Audit of financial statements of a subsidiary	60,000
Taxation services for a subsidiary	30,000

Directors' Responsibilities for Financial Statements

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

Auditor's Statement

The statement of the Company's auditor, Mazars CPA Limited, on its reporting responsibilities in respect of the consolidated financial statements of the Group for the year ended December 31, 2022 is set out on pages 108 to 109.

Internal Control and Risk Management

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

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

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

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

Corporate Governance Report

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

COMPANY SECRETARY

Mr. Leung Ming Shu, the Company Secretary, is an employee of the Group. During the year ended December 31, 2022, Mr. Leung has complied with Rule 3.29 of the Listing Rules in relation to taking of relevant professional training.

BOARD DIVERSITY POLICY

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

The Board believes that independent non-executive directors can enhance the effectiveness and decision-making capabilities of the Board by providing the Board and the management of the Company with independent opinions, objective judgments, and constructive challenges.

The final decision is based on the candidates' capabilities and the value to be brought to the Board, among others, with due consideration given to the benefits of diversity and the requirements of the Board, rather than focusing on a single aspect.

Following a review over the composition of the Board, the Board recognizes that the board diversity represents an important factor in maintaining the competitive advantage of the Company, and measures should be taken to identify female candidates to enhance gender diversity among the members of the Board. Subject to compliance with the above provisions, we will continue to strive for increased representation of women on the Board and will appoint at least one female representative to the Board by 31 December 2024.

EMPLOYEE DIVERSITY

The Group had 56 female and 172 male employees, respectively, accounting for approximately 24.56% and 75.44% of the total headcount, respectively.

The Group's recruitment strategy is to hire employees suitable for positions and achieve diversity among all employees (including senior management) in terms of gender, age, cultural and educational background, professional experience, skills, and knowledge. As of December 31, 2022, the number of female employees of the Group accounted for approximately 24.56% of the total headcount, demonstrating it has achieved gender diversity among employees.

SHAREHOLDER RIGHTS

Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended December 31, 2022.

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

Procedures for proposing a person for Election as a Director

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

Communications with Shareholders and Investors

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

The notice of the 2022 annual general meeting of the Company (the "**AGM**") will be sent to Shareholders at least 20 clear business days before the AGM.

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

March 31, 2023

Environmental, Social and Governance Report

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Environmental, Social and Governance Report

ABOUT THIS REPORT

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

Scope of Coverage

The following table illustrates that the scope of coverage of this report comprises China ITS (Holdings) Co., Ltd. and its main domestic and overseas subsidiaries and offices. It added Myanmar Hlawga GGE Power Plant Company Limited (for convenience of presentation, together with Myanmar Ahlone Power Plant Company Limited, the "Myanmar Power Plant") which is invested to be constructed and formally operated in Myanmar, and removed Chengdu Chuanda Luan Technology Co., Ltd (成都川達路安科技有限公司), in which the Company exited its investment, and Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd. which is not a major subsidiary of the Company upon the disposal of 51 equity interest, this year compared with the previous reporting year.

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

Time Range

The Company's ESG report is an annual report and this report is for the period from January 1, 2022 to December 31, 2022.

Basis of Preparation

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

Environmental, Social and Governance Report

STRENGTHENING ESG RESPONSIBILITY MANAGEMENT

Vision of ESG Management

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

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

Corporate Vision

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

Corporate Value

Integrity, Professionalism, Innovation and People

Environmental, Social and Governance Report

ESG Governance

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

Representation of the Board

In 2022, the Company adopted continuous measures to continually achieve the mission vision of making traffic more safe, more efficient, more convenient and more environmentally friendly. The Company was further involved in the national "The Belt and Road" cooperation Initiative to steadily promote high-quality development of "The Belt and Road". We embrace the national "3060" dual carbon goal, continue to promote sustainable business practices and perform our corporate social responsibilities in order to better capture the opportunities brought by the development of the industry and create more integrated value for employees, customers, stakeholders and our society.

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

Providing High-quality Services. We strictly control the quality of products and dedicate ourselves to building good customer relationships. We adopted big data, cloud platform and other technologies to develop industry- leading railroad communication system operation and maintenance platform, through which we can better meet customers' needs for consumption upgrade; actively explore the infrastructure construction market in countries along the "Belt and Road" Initiative to serve more customers; and set up various complaint mechanisms and complaint methods to listen to customers' demands.

Contributing to Ecological and Environmental Protection. As a non-production high-technology company, we actively practice the concept of energy saving and consumption reduction, create a green and environment- friendly business model and strives to be the faithful practitioner of the "resource-saving" society. We have developed emergency response plans to actively address climate and environmental risks; and comply with local laws and regulations overseas to protect the local environment when establishing presence in overseas markets. We conduct refined and quantifiable field visits on environmental control to factories in accordance with the relevant requirements of Environmental Conservation Department of Myanmar.

Environmental, Social and Governance Report

Achieving Mutual Benefit and Win-win. Adhering to the principles of mutual benefit and win-win cooperation, we actively integrate and share the industry's advantageous resources, form a community with various stakeholders, make profits for the shareholders, bring benefit to the customers, and allow employees to share the results of corporate development. We provide sufficient training and learning opportunities for our employees through internal training such as Tiancheng College and one class per week.

In addition, we are clearly conscious of the fact that it shall be our practical social responsibility to contribute to the public welfare of the community. Adhering to the development concept of "benevolence", we will give back to society with responsibility and public welfare, establish a good corporate image, upgrade corporate culture and enhance the sense of honor of our employees. In the future, we will continually make intensive cultivation in the railroad business segment and infrastructure construction segment, and continue to sell products and professional solutions to meet the needs of our customers through our own technical and service advantages, so as to empower railroad transportation and build blocks for the infrastructure construction in countries along the "Belt and Road" Initiative. We will continue to adjust the sustainable development management strategy and promotion methods according to the expectations of stakeholders and the actual operation of the Company to improve the Company's sustainable development level.

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

Summary of ESG Governance Structure

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

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

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

ESG Governance Structure of the Company

Decision-making organization **The Board**	Responsible for overall ESG governance Supervising and reviewing ESG performance
Coordination organization **ESG Task Group**	Implementing decisions of the decision-making organization Communicating and coordinating on ESG related issues Organizing the preparation of ESG report
Executive organization **Various functional departments, subsidiaries**	Executing ESG work plans Collecting and reporting ESG related information Performing ESG management

Assessment of the Importance of Issues

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

Process of Importance Assessment

1) Identify ESG issues related to the Company by analyzing the HKEX ESG Reporting Guide and the issues disclosed by peers;

2) Invite important stakeholders to assess the importance of the identified issues, among which the internal stakeholders assess such issues mainly from the perspectives of the Company's long-term development strategy, management upgrading, investment priority, and competitive advantages, while external stakeholders assess them from the perspectives of impact on the Company's evaluation and decision-making, as well as on the interests of themselves to produce the first draft of the importance matrix by integrating the assessment of both internal and external stakeholders;

3) Prioritize issues to be reviewed by the management;

4) Solicit feedbacks on the report for the period from internal and external stakeholders after the reporting period to prepare for the next report.

Environmental, Social and Governance Report

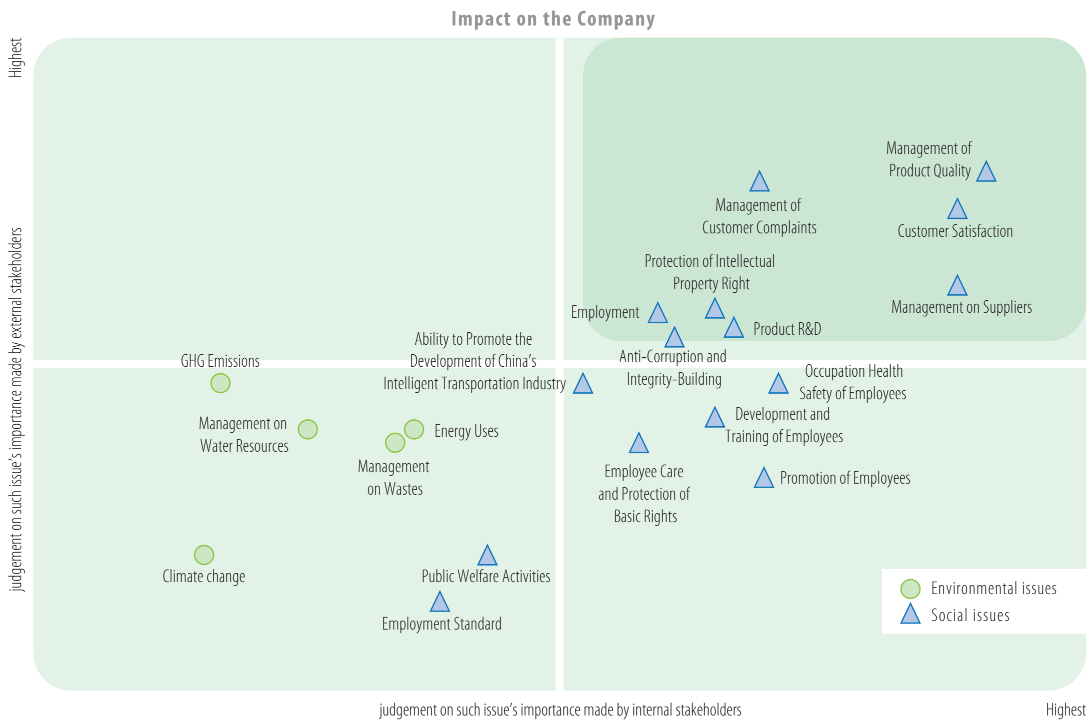
The Information of Stakeholders and Communicating

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

Stakeholders	Expectations of Stakeholders	Mechanisms of Communication and Participation	Responses from the Company
Investors	• Increase of the Company's market value and profitability • Continuously improve the Company's environmental and social responsibility performance	General meetings, information disclosure, company website	• Issue reports regularly, disclosing information truthfully and thoroughly, invest effort in making achievements and creating profits • Improve corporate governance and risk management level, convene general meetings, enhance investor relations management and strive to improve environmental and social responsibility management
Customers	• high-quality products • Safeguard customer's legitimate interests	Sign contracts and agreements, customer's satisfaction survey	• Provide high-quality products and services • Establish a sound customer service system and customer opinion feedback and complaints mechanism
Employees	• Uphold employees' remuneration and benefits • Care for safety and health of employees • Offer equal promotion and development opportunities • improve the Communication mechanism; engage in company management	Employment contracts, employee's satisfaction survey	• Strictly observe provisions within employment contracts, improve the remuneration and benefits system • Offer safe and healthy working environment • Offer development paths for employees, and organise staff training • Offer equal communication channel
Governments	• Observe the law, operate in compliance with the regulations, and in line with national policies	Engage in relevant governmental meetings	• Strictly observe relevant laws and regulations, continuously enhance corporate compliance management, and give respond to national policies

Stakeholders	Expectations of Stakeholders	Mechanisms of Communication and Participation	Responses from the Company
Suppliers	• Honest, fair and just cooperation, mutual benefits and win-win scenarios to promote industry development	Sign contracts and agreements, and hold tender and bidding, and supplier meetings regularly	• Actively perform the contracts and agreements by adhering to open and transparent business principles, adopt open and transparent procurement model, and develop an accountable supply chain
Peers	• Fair competition, cooperation with integrity, transparent and open information • Comply with industry standards, and advancement of industry innovation	Exchanges with relevant research institutes, associations, mainstream media related to the industry	• strengthen communication and cooperation with peers; jointly create a healthy and orderly competitive environment • Participate in industry innovations and researches and appraisal of outstanding enterprises, achieve mutual benefits, win-win and mutual improvement, and put forward proposals for industry standards

Priority Matrix of Issues



Environmental, Social and Governance Report

1 PROFESSIONALISM

1.1 Strictly Guaranteeing Product Quality

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

The Company develop the following quality management systems:

- The delivered project is required to be 100% self-inspected. The project self-inspection report shall be submitted by the person in charge of project quality (engineering supervision) within one week after 80% of the project is completed, including hardware & software quality inspection reports, site photos of hardware quality, project memo, data script, etc..

- Special quality managers are appointed by the Technical and Quality Department of the Company based on the actual situation of the project to carry out random inspections on completed projects in various regions. The sampling rate of key projects shall not be less than 50%, and the sampling rate of general projects shall not be less than 20%. The passing score for quality inspection is 90 out of 100, and any problems affecting safe operation of equipment during the hardware inspection must be rectified.

- Establish a database of legacy issues for each project, and track, record, and close-loop management of all project legacy issues.

- The three authorization systems for high-risk operations (customer authorization, technology authorization, management authorization) must be strictly implemented, and technical solutions that affect the operation of all existing network equipment must be sent to the person in charge of the corresponding product line for review in advance. The technical solutions for major operations are sent advanced by one week in advance, while the general operations are 3 days in advance.

- Strictly follow the accident reporting system. In case of communication interruption, relevant persons in charge of project and market are required to be notified within 30 minutes, and relevant personnel in the corresponding Huawei office should also be notified.

Strict quality control of software products

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

- The Company has formulated various quality standards such as *Data Network Product Software Quality Management Specification, Optical Network Product Software Quality Management Specification, Access Network Product Software Quality Management Specification, and GSM-R Network Product Software Quality Management Specification*, which require product quality management regulations in all major links from product R&D to delivery.

- In the evaluation process of each stage of product development, in addition to following the ISO quality management system standards ISO9001, ISO14001, OHSAS18001, ISO20000, ISO27001, the Company also follows the overall product R&D evaluation standards, technical evaluation standards, market evaluation standards and input-output evaluations as well as the internal requirements of the Company such as risk factors evaluation standards and controllability evaluation standards.

- The Company has established a full-time quality management team, including technical experts and business experts, and set up quality assurance personnel to monitor the entire product life circle. They would match the evaluation results with target management, performance output, and track feedback and improvement, to promote the product quality effectively by the evaluation process and evaluation results.

- The Company has developed a quality assurance process management information system that meets the actual requirements of the Company, and timely discovered quality risks, summarized the quality assurance results and problems, and formed a closed-loop quality management system that can be continuously improved.

Strict service quality control over construction projects

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

During the year, the Company continued to improve and upgrade the quality management system for construction project services through various measures, such as establishing a project quality group, formulating technical disclosure procedures, quality control procedures and technical management pre-control, establishing a construction quality control system, determining various quality detection methods, determining quality assurance measures during the construction process, and strictly following technical assurance measures.

The projects of the Company are classified as new construction and delivery projects and maintenance projects:

- For new construction and delivery projects, the Company has reorganized the project delivery management process and quality management regulations. The basic process of project delivery includes: project disclosure (checking equipment contracts and bidding documents) → project survey → stock preparation, shipment, receipt, inspection, and distribution → equipment acceptance → equipment inspection and testing → equipment demonstration station installation → equipment hardware installation → equipment single station commissioning → output of equipment single station commissioning report → project static testing and acceptance → closure of static problem database → project joint debugging and testing → project dynamic testing and acceptance → closure of dynamic problem database → trial operation guarantee → completion document submission → on-site training. In addition, the requirement for timely filing of process documents is strengthened. From the beginning to the end of the project, the project manager is required to collect and submit the following materials in turn: bidding documents, contracts, design drawings, project assignments, project disclosure meeting minutes, arrival receipt, construction plan, weekly report on project progresses, testing and self-inspection reports, acceptance check-in forms and reports, project completion materials, project quality inspection reports, and project summaries. At the same time, the Company has established its own cloud storage and requires all process documents to be uploaded to the cloud storage for filing.

- For maintenance projects, the Company issued a new version of the Administration Regulation on Maintenance Delivery Services in early 2022, which classified the services into: basic services (fault handling, technical support, cutover protection), holiday standby, network inspection, skills training, spare parts service, and cutover operations. For each service, more detailed specifications and requirements have been established to ensure that the service process is standardized and has a higher quality assurance. In addition, in 2022, the Company refined the status statistics requirements for network equipment, updated the format of the weekly report on maintenance services with additional conditional formatting and table protection to minimize human error in filling out the report. At the same time, the Company strengthened the timeliness requirements for submitting on-site service reports and content checks, and increased the weighted percentage of regional KPIs.

In view of the outbreak of COVID-19 pandemic after the May Day and National Day holidays in 2022, the Company strengthened the on-duty work of customer networks during the pandemic, ensuring the safety of customer networks.

In the future, the Company will continue to improve its service quality in strict accordance with the established project quality standards and systems, and ensure that the pass rate of all projects reaches 100%.

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

1.2 Customer Relationship Building

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

Management of Customer Satisfaction

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

1. Written survey: A written survey on customer is conducted every semi-annually to solicit customers' opinions and suggestions, by means of the Customer Satisfaction Survey Form, which is distributed to and then re-collected from customers by the Engineering Department based on its list of customers to be surveyed. The Engineering Department collates and classifies opinions and suggestions received from customers, before forwarding related matters to various departments for feedback;

2. Telephone interview: The Company conducts telephone interview once a month and customers complete the Customer Satisfaction Survey Form, covering customers' suggestions for and complaints about our service quality, among others;

3. E-mail survey: The Company conducts an e-mail survey every quarter. Customers complete the Customer Satisfaction Survey Form and the Engineering Department collects and classifies such forms.

By the end of 2022, the Company had 23 major projects under construction (including Huzhou-Hangzhou Expressway GSM Project (湖杭G網), Nanchang-Jingdezhen-Huangshan High-Speed Railway Anhui Section (GSM) (昌景黃安徽(G網)), Shanghai Bureau TMIS (Transportation Management Information System) Expansion (上海局TMIS網擴容), Data Network Project for Intercity Railway Along The South Yangtze River (南沿江數據網項目), Jinhua-Ningbo Railway Transmission Power GSM Project (甬金鐵路傳輸電源G網), Shantou-Shanwei Base Station (汕汕基站), Guangzhou-Shanwei High-speed Railway Transmission (廣汕傳輸), Xiangyang-Chongqing Railway GSM Transformation (襄渝G網改造), Beijing-Guangzhou High-Speed Railway DAS OTN Upgrade (京廣高鐵達速改造OTN), Beijing-Guangzhou High-Speed Railway DAS Data Network Upgrade (京廣高鐵達速改造數據網), Xiangyang-Chongqing Railway GSM Transformation (襄渝G網改造), Huangshi-Huangmei Expressway Transmission Access (黃黃傳輸接入), Nanchang-Jingdezhen-Huangshan High-Speed Railway Jiangxi Section Transmission (昌景黃江西傳輸), Longchuan-Zhangping Railway New Comprehensive Video System (龍漳線新增綜合視頻系統), Fuzhou-Xiamen-Zhangzhou High-speed Railway Transmission Access Project (福廈傳輸接入項目), Xingguo-Quanzhou Railway Transmission GSM (興泉鐵路傳輸G網), E-mi Base Station (峨米基站), Chongqing East Ring Railway (重慶東環線), Taiyuan Bureau GSM-R Core Network Update And Transformation (太原局GSM-R核心網更新改造), Jining-Tongliao Railway GPON Transmission (集通GPON傳輸), Yinchuan-Lanzhou High-speed Railway Transmission Access (中蘭傳輸接入), 450 Transformation for Beijing-Guangzhou Railway in the jurisdiction of Zhengzhou Bureau (鄭州局管內京廣線450改造), and Beijing-Binhai Intercity Railway (京濱城際)), and conducted 32 customer satisfaction surveys covering 20 projects, accounting for 87% of the total projects, with a customer satisfaction rate of 100%.

In 2022, the Company further standardized the process and actions of project delivery and maintenance services, and the delivery quality was further guaranteed. With a customer-centric approach, the Company stayed on duty to ensure network security for customers during the holiday and the pandemic, which was recognized by customers.

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

Management of customer complaints

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

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

- 400-hotline complaints: We have set up a 400 telephone technical support and complaint channel to ensure that we can promptly understand customers' demands.

For customer complaints, our handling steps are:

1. Listen to customer's opinions: Listen fully and patiently to customers comments and suggestions, so that customers can fully express their demands, and carefully record complaints;

2. Analyze causes of complaints: Understand the causes of customers complaints and conduct comprehensive analysis of complaints to determine whether customer complaints are established;

3. Offer a solution: If it is verified that customer complaints are caused by our products, we will offer a feasible and satisfied solution within 3 days based on specific complaints;

4. Track compliant feedback: After resolving complaints, we will provide tracking service to know whether customers are satisfied with the solution. Continuous improvement and solution are required if customers still have dissatisfaction.

During the year, there were no complaint filed by customers directly through 400-hotline, and a number of projects received commendations from customers.

Management of customer privacy

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

1.3 Actively Protecting Intellectual Property Rights

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

Innovation is an important guarantee for improving the Company's core competitiveness. Therefore, a review over the annual plan for intellectual property management constitutes an important part of the Company's annual management plan, and the Company will upgrade intellectual property management to the level of corporate development strategy and regard it as an important part of the Company's medium and long-term strategy.

The Company adopted a three-level management system of intellectual property rights under the leadership of the general manager of the Company. The general manager of the Company is responsible for formulating its intellectual property strategy that is commensurate with its current conditions and manifests potential in line with its medium and long-term development strategy. The Company has an intellectual property management department, which formulates various intellectual property management regulations, coordinates intellectual property management tasks by dividing the management scope and responsibilities of the position, and guide, supervise and inspect the intellectual property management work of the relevant functional departments of the Company. In addition, this department shall organize and establish intellectual property file management, and take charge of the applications of intellectual property rights and other external work acting on behalf of the Company. Furthermore, each functional department or organization of the Company including the R&D department, production department, marketing department and component production subsidiaries is mainly responsible for the generation, application, maintenance and management of intellectual property rights within the scope of their own work.

Intellectual property management positions of the Company coordinate and cooperate with all departments, and intellectual property management is integrated into the Company's R&D, marketing, personnel administration, brand building and other aspects. At the end of each year, the Company formulates the next year's intellectual property management work plan, and breaks down the plan into departments such as R&D, marketing, personnel administration and brand building, and integrates intellectual property management into daily work evaluation.

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

Based on the Company's intellectual property rights status and development status, and in accordance with the Company's medium- and long-term development strategy, an annual intellectual property plan that is in line with the Company's actual situation is developed, with responsibilities assigned to departments and individuals, and regular reviews of intellectual property management work are conducted. Every year, personnel are organized to participate in relevant training and examinations, and examination results are recorded as departmental and individual assessment indicators.

In addition, in order to encourage and promote the smooth development of intellectual property work, the Company occasionally conducts publicity and training of intellectual property protection to employees, and spreads the importance and significance of intellectual property protection to each employee. For those who make outstanding contributions to the formation, protection, and management of intellectual property rights and transformation of scientific and technological achievements, or who make outstanding achievements in effectively preventing infringement and safeguarding the legitimate rights and interests of the Company's intellectual property rights, the Company will grant rewards and remuneration, promotion, better pay grade, title evaluation and other material and spiritual rewards according to the specific regulations of the government and the Company.

As of the end of the reporting period, the Company had obtained one licensed invention patent, 11 licensed utility model patents, 39 licensed software copyrights.

2 INNOVATION

2.1 Continuously Strengthening Product R&D

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

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

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

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

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

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

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

Integrated video surveillance system (IVSS)

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

The application of the system in various road bureaus has greatly improved the safety of railways and nodes, and effectively guaranteed traffic safety.

Zhixun cloud

Beijing Zhixun Cloud Technology Co., Ltd. (北京智訊雲技術有限公司) (hereinafter referred to as "Zhixun Cloud") was established in 2016, and has its own software R&D team. With more than ten years of railway communication operation and maintenance experiences in the Group's service department, Zhixun Cloud utilizes big data, cloud platform and other technologies to commit itself to the research and development of railway communication system operation and maintenance platform, as well as to reduce the maintenance cost of railway communication equipment, which leads to more convenient and efficient operation and maintenance of railway communication equipment.

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

- The transmission network module monitors the performance of each board of the equipment in real time, and early warning notification is delivered to address abnormal values or fluctuations without triggering any abnormal alarms. When possible board failures are predetermined, the backup board mobilizes resources in advance to minimize the repair time.

- The GSM-R module extracts various parameters of the GSM-R network to monitor the train position in real time, and automatically analyzes abnormal conditions of network coverage, switch, interference, etc. Early warning is delivered to assist users discover network hazards in advance.

- The data network module connects with the router device using the SNMP protocol, and automatically extracts data information such as configuration and performance, realizing maintenance and practical functions such as equipment resource management, IP address analysis, traffic analysis, and compliance inspection. Early warning will be delivered in case of abnormal conditions, enabling users to discover network hazards in advance.

In 2022, in light of customer requirements, Zhixun Cloud expanded and optimized the functions of the existing software modules on the one hand, to make its functions more in line with actual operation and maintenance, so that the efficiency of customer network maintenance can be greatly improved and the labor cost of railway communication network operation and maintenance can be reduced by the adoption of such the intelligent operation and maintenance software platform. On the other hand, there are new road bureaus that conducted deployment application and research projects, laying a foundation for further promotion and application next year.

➢ Transmission modules

1) Version updating: Following in an in-depth study of the CORBA interface and protocol, the underlying database tables can be optimized, enabling faster and more stable device configuration data, performance data, and alarm data transmitted by the network management, while the functions and user experiences are improved, which provides necessary guarantee for large-scale access to customer lines in the future.

2) Development of decentralized and functional modules and completion of corresponding deployment: We have developed and deployed new functions, which have received recognition and feedback from road bureaus and workshops, promoting the software's benign cycle and iteration.

3) Full understanding of customer needs: We worked closely with customers to jointly complete the development of research topics, laying a solid foundation for further promotion and application in 2023.

➢ Data network module

1) Optimization of some functional modules: Based on actual customer operation and maintenance requirements, we optimized IP address management, report accounting, etc., supporting the rapid query and unified analysis of network faults by the operation and maintenance department of the network management center, realizing information sharing of data network resources, improving data network operation and maintenance efficiency, and greatly reducing the workload of operation and maintenance personnel.

2) Development of new VPN business traffic analysis: With reference to the technical standards for traffic analysis and maintenance regulations of the Beijing Communication Center (北京通信中心) and relevant customer operation and maintenance opinions, the development of data network VPN business traffic analysis has been completed, providing favorable conditions for participating in the bidding of various road bureaus' infrastructure projects involving data network access traffic analysis systems.


数据网资源管理系统
IP核查结果
1080
问题IP数量统计


数据网资源管理系统
端口流量分析
VPN流量分析
入流量带宽利用率排行
出流量带宽利用率排行
互联端口统计表
业务端口统计表

In the future, the Company will continue to develop the existing modular functions of transmission, GSM-R and data network in depth to provide customers with more efficient and convenient operation and maintenance services. In terms of breadth, we will continue to expand into new areas, such as digital adjustment systems, dynamic ring systems, video surveillance, PMIS, travel services and other fields that cater to the customer's business side, and provide customers with more comprehensive services to ensure the security of railway communication networks by mining and analyzing commensurate data that is collected on an ongoing and massive basis.

During the operation of Ahlone Power Plant and the renovation process of Hlawga Power Plant, the Company has taken the following measures in terms of talent cultivation and institutional norms:

1) Localization: The Company has vigorously trained and cultivated local Myanmar university students. Through three years of effort, a large number of staff have been trained who are competent for their jobs in the Company;

2) Scientific approach: The Company has invited experts to provide online guidance to conduct work supervision and guidance through video under the circumstances of the pandemic, so as to carry out our work in a scientific manner;

3) Institutionalization: The Company strictly adheres to the relevant systems formulated by the China Electricity Council, which have been scientifically proven through decades of practice in China's power industry.

2.2 Leading Industry, Promoting Development

With the corporate vision of "focusing on the research and development of intelligent operation and maintenance management and data analysis systems for railway communication networks to support the railway operation and maintenance services", China ITS thoroughly analyzes the existing network maintenance status and bottlenecks of customers, conducts extensive customer network maintenance demand surveys by leveraging the network construction and maintenance experience of the Group's service departments, to understand the pain points of customer network maintenance and address their urgent needs. Based on customer network maintenance requirements, Zhixun Cloud has developed many functional applications such as transmission networks, GSM-R trains, GSM-R networks and other modules, which have been deployed on demand in several networks of road bureaus, improving network security and maintenance efficiency. The functional applications have received positive feedback, and the Company has collaborated with a number of road bureau customers on project development.

The Company plans to continue optimizing the existing module functions and continuously expend new fields in the future. By continuously and extensively collecting corresponding data and conducting data mining and analysis, the Company will provide customers with more comprehensive services and ensure the safety of railway communication networks. At the same time, the Company will open the data platform access and share data, which can be used by customers in related professions and fields, to continuously create value for the platform and customers.

The Company will continue to improve its own strength. Meanwhile, the Company will continue to promote the development of the intelligent transportation industry in China and gradually establish its leading position in the industry by virtue of its achievements and reputation in the intelligent transportation industry.

Environmental, Social and Governance Report

3 PEOPLE

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

3.1 Employment and Rights

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

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

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

As of December 31, 2022, the Company had a total of 228 employees, all of whom were full-time employees. Employee-related indicators of the Company for 2022 are shown as follows:

Employee type	Number of employees as at the end of 2022 (persons)
Male employees	172
Female employees	56
Beijing-based employees	128
Non-Beijing-based employees	100
Employees at or under 30 years of age	23
Employees at 31-35 years of age	42
Employees at 36-40 years of age	79
Employees at or over 40 years of age	84
Employees with postgraduate diplomas	20
Employees with undergraduate diplomas	130
Employees with junior college degrees or below	78
Grassroots employees	176
Mid-level managers	44
Senior managers	8

Employee type	Employee turnover rate in 2022
Male employees	27.91%
Female employees	17.86%
Beijing-based employees	21.88%
Non-Beijing-based employees	30.00%
Employees at or under 30 years of age	69.57%
Employees at 31-35 years of age	38.10%
Employees at 36-40 years of age	18.99%
Employees at or over 40 years of age	13.10%

Our Myanmar Power Plant in Yangon, Myanmar, abides by the local labor laws and effectively protects labor rights and interests in compliance with the Workers' Compensation Law, the Wage Payment Law, the Vacation Law (1951, revised in 2014), the Labor Organization Law, Social Security Law, Minimum Wage Law, Labor Dispute Resolution Law and other local laws and regulations. During operation, there has been no incident of discrimination against local workers in Myanmar Power Plant.

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

Remuneration and benefits system

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

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

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

Channels of communication

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

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

In 2022, the Company had no labour disputes caused by violations of laws and regulations, child labour or forced labour, or any social insurance violations or defaults.

3.2 Training and Development

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

In 2022, the Company uses various online and offline resources to continuously improve and optimize the curriculum system at all lines and levels. The Company organized and optimized its internal training programs, such as Tiancheng College and to ensure the benign inheritance of the Company's knowledge and the in-depth training of talents. In 2022, the total training hours of our employees were 8,904 hours, including 39.05 average hours for our employees, 43.95 average hours for male employees, 24.00 average hours for female employees, 33.82 average hours for grassroots employees, 50.91 average hours for middle-level employees, and 27.00 average hours for senior management. The total training coverage rate is 71.50%, of which 78.49% of trained employees are male employees, 50.00% of trained employees are female employees, 70.45% of trained employees are grass-roots employees, 79.55% of trained employees are middle-level employees, and 50.00% of trained employees are the senior management.

Our Myanmar Power Plant in Yangon, Myanmar, carried out multi- level training for staff at different levels to help staff improve their performance, realize scientific and environmentally friendly operation of power plants, further ensure high power generation efficiency and low failure rate, and meet the growing demand for electricity in Myanmar.

The employee training program at the Myanmar Power Plant can be mainly divided into the following categories:

1) Technical training for all employees: A total of 200 hours of technical training were conducted during the time slot of 6:30 PM to 9:30 PM, which consisted of lectures and practical sessions. The training examination is linked to salary and bonuses.

2) Safety training: Practical fire safety training is conducted once a month to link the use of equipment to fire safety and to keep fire equipment always available.

3) Corporate management: System training

The scope of training at Myanmar Power Plant covers all staff, and senior engineers and commanders are responsible for lesson preparation and lectures giving. The specific forms of training are diversified: including topic seminars for junior staff to improve their technical level, repair and maintenance level and operation level; interactive discussion-style teaching, through which staff can analyze and discuss according to the actual situation, and troubleshoot specific problems.

3.2.1 Internal training

The Company's internal training projects include offline middle-level training camp "Tiancheng College" and special online training for skill enhancement on each business line "Weekly Class":

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

In 2022, Tiancheng College adopted the offline format and launched an offline learning session covering 100 employees, helping the Company's executives at the middle and senior levels to consolidate their management foundations and fully raise their management capabilities.

Weekly Class: Weekly class is a training program designed for all employees. Through weekly learning, employees gradually develop learning habits and improve their learning abilities. In 2022, the training and learning focused on communication skills and logical thinking, which are two important skills.

New business training: New business training is designed for business department personnel. Based on the skill requirements of the new business developed by the Company, the Company organizes business specialists to share product knowledge and operation skills for the new business within the Company.

Technical service department training: the technical service department training was aimed at newly recruited freshmen in 2022, the content of which was Huawei's communication specialty and knowledge. The training time span lasted 21 days with a total of 6 freshmen trained. Their specialties involve transmission network, data network, and access network. The content includes professional theoretical knowledge, equipment product knowledge and experimental operation. After the training, comprehensive assessments such as written test, experiment, and defense will be conducted, and qualified candidates were assigned with due regions and mentors, so that they can quickly undertake the project delivery work.

3.2.2 External Exchange

External talent exchange projects:

College consigned training: The Company will reimburse tuition fees for important talent to pursue higher education at universities, and utilize external resources to cultivate important talents for the Company.

In 2023, CIC will build a three-dimensional online and offline training system, introduce more excellent courses, train more lecturers, and carry out more long-term talent development projects. At the same time, CIC keeps close to the Company's business, popularizes basic product knowledge, consolidates basic capabilities, and cements a solid foundation for business development.

3.2.3 Promotion of Employees

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

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

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

3.3 Health and Safety

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

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

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

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

Occupational health

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

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

- **Family-friendly measures:** Give flexible working hours to pregnant and lactating employees, provide employees with maternity and paternity leave higher than required by law.

- **Safety and health training and advocacy:** All employee induction training content covers occupational safety and health; headquarters and its subsidiaries hold safety production activities and training from time to time; the theme of employee activities is centered around sports and healthy life.

- **Safety risk assessment in the workplace:** Check the safety measures of the office building and the project sites on a regular basis, especially assess the safety risk of the water and electricity facilities, and carry out inspections to prevent fire, theft and others.

By reference to the power plant operation rules in China, as well as in accordance with the Environmental Protection Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, Labor Law of the People's Republic of China, Production Safety Law of the People's Republic of China, Emergency Response Law of the People's Republic of China, and other legal documents, our Myanmar Power Plant in Yangon, Myanmar strictly abides by and fully implements all production safety documents formulated by China Electricity Council, including the requirements for welding work and working at height. Myanmar Power Plant has formulated occupational health and safety systems, including occupational safety and health management, distribution, use and management of personal protection products, and occupational hazard notices and warning. The Company strictly implements the occupational health and safety system, and is committed to safeguarding the occupational health of our employees and production safety. Our Myanmar Power Plant has taken the following occupational health and safety measures:

1) safety training and fire safety examinations for all employees;

2) maintaining insurances with insurers for all employees;

3) maintaining communication with public security, fire, environmental protection and municipal departments in Yangon;

4) engaging in friendly exchanges and establishing good relationship with the local communities in Myanmar.

Safety Education at Power Plant

Strict implementation is the key to occupational health and safety system. Our Myanmar Power Plant has established a reward and punishment system for occupational health and safety, with clear rewards and punishments. In 2022, there were more than 20 rewards and more than 10 punishments. No major safety accidents occurred in the Myanmar Power Plant in 2022.

The safety management of workers in on-site engineering

- **Establish a safety management organization and allocate full-time safety management personnel:** Our project department has established a project safety leadership group with project managers as the chief safety officer, on-site safety officers, project technical leaders and project team leaders as its members, responsible for from start to completion of the whole process of safe production.

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

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

  — Make clear stipulations on the responsibilities, rights and benefits of the responsible persons at all levels, functional departments and various types of construction personnel in the process of construction;

  — The Safety Production Responsibility Letter is stipulated in accordance with the job responsibility system of management personnel and implemented and signed level by level, so as to meet the requirement of "Supervisor is responsible; Person who is on duty is responsible", and investigate related responsibilities as required.

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

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

  — Pre-job education and training must be combined with the characteristics of the project and safety technology must be disclosed to all in-service employees with a focus and specific cases, so that safety education could play an essential and important role. resolutely put an end to "the fake, the exaggerated, the impractical" and other articles.

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

To safeguard production safety, our Myanmar Power Plant in Yangon, Myanmar, has also formulated stringent policies for factory operation and management for the purposes of risk prevention and control related to public affairs, including:

- Emergency Plan for Natural Gas Leakage Accidents
- Treatment Plan for Explosion and Leakage of Pressure-Bearing Parts of Boilers and Pressure Vessels and Pressure Pipelines
- On-site Treatment Plan for Fire Accidents in Hazardous Chemicals
- Warehouses Cable Fire Incident Action Plan
- Disposal Plan for Fire Accidents in Centralized Control Rooms
- On-site Treatment Plan for Hazardous Chemical Leakage Accidents
- On-site Disposal Plan for Waste Oil and Sewage Incident
- Sealed Space Operation Safety Management Standards
- Natural Gas Safety Management Standards
- Fire Safety Management Standards
- Management Standards for Major Accident Prevention Measures
- Major Hazard Safety Management Standards
- Work Safety Standards to Prevent Personal Injury and Death

In 2022, the Company did not violate any relevant laws and regulations that have a significant impact on the Company. The number and rate of work-related deaths in the Company from 2020 to 2022 are shown in the table below.

	2022	2021	2020
The number of work-related death (Persons)	0	0	0
Work-related death rate	0	0	0
The number of working days lost by employees due to work-related injuries (days)	0	0	0

In the future, the Company will continue to implement the quality plan management policy, including management enhancement, quality assurance, dedicated service, and customer satisfaction. With the goal of customer satisfaction, we will enhance management, cultivate the quality awareness of engineering and service personnel, and improve the quality of engineering delivery and service products, all of which are aimed at building a first-class engineering and service team.

3.4 Care and Cohesion

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

- **Employee birthday party:** The Company organizes birthday parties for its employees on a regular basis and mobilizes the work enthusiasm of the employees as well as creates an atmosphere of unity, mutual assistance and fraternity.

- **Sweet pantry and employee dormitory:** The Company has considerately established a pantry and coffee house where are equipped with direct drinking water equipment and also provided employee dormitories for colleagues who work overtime. Employees can take a break from work, which improves the comfort and happiness level of employees.

Women's Day

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

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

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

4 INTEGRITY

4.1 Eliminating Corruption in Accordance with Law and Regulations

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

In 2022, CIC made earnest efforts in anti-corruption and integrity-building, strictly abiding by the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and other laws and regulations. In order to prevent corruption, bribery, extortion, fraud, money laundering and other illegalities, the Company has constantly improved its internal anti-corruption supervision mechanism, and strengthened integrity publicity and education on employees, so as to enhance the vigilance of employees against corruption. As a result, a good atmosphere of discipline and law compliance, integrity and self-discipline, and honesty and trustworthiness is formed.

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

- In terms of the internal anti-corruption supervision mechanism, the Company implements the relevant requirements of the regulatory agencies on anti-corruption work, effectively exerts the effective role of internal linkage meetings, makes full use of internal supervision resources such as audit, law, financial accounting and risk, and continuously improves internal anti-corruption supervision mechanism from senior management to key positions to clarify and implement the anti-corruption responsibilities of personnel in various departments. Procurement and related procurement employees are responsible for their own integrity and self-discipline, and all members of the Company supervise the integrity and self-discipline involved in procurement. Regarding the integrity risks and blind spots of supervision and restriction that may exist in the internal control management, the Company has established a scientific investigation plan, carried out the investigation by relying on the information network platform of the Company, and formulated corresponding anti-corruption measures according to the investigation results.

- In terms of strengthening integrity education among employees, the Company is committed to increasing employees' awareness of professional ethics and anti- corruption, further increases efforts to education on integrity and conducts relevant training to enhance employees' awareness of risk prevention of corruption, so as to create an atmosphere of integrity. The Company increases training on combating corruption and upholding integrity in the departments involved in purchasing so as to improve their anti- corruption awareness. The Company requires its employees to carefully study the relevant anti-corruption regulations in the Employee Handbook: Employees must not use their positions for personal fraud and bribery, and severe punishment will be imposed on those who commit serious misconduct.

- In view of possible corruption in its economic business processes, the Company has adopted supervision and control procedures at critical points, with continuous improvement of the approval process regarding the reimbursement of marketing expenses. In addition, we have properly concentrated or decentralized power to form an effective system of checks and balances so as to avoid any corrupt practice.

- The Company has set up a special complaint department to accept corruption reports from within the Company. The acceptance and investigation process of the reports are strictly confidential, avoiding disclosing the personal information of the reporters and complying with its own professional norms and ethics.

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

- The supplier should warrant that it will reject any request for bribes by employees of the purchaser and will file a signed complaint to competent departments of the purchaser. The supplier shall be deemed to offer bribes to the purchaser if it entertains any request for bribes by employees of the purchaser instead of rejecting or reporting the same;

- The supplier should warrant that it will not engage in any economic relations with employees or relatives of the purchaser and shall declare any affiliation if have. In the event of any de facto affiliation, the supplier should warrant that it will no longer engage in any business with the purchaser;

- The supplier should also guarantee adherence to the principle of good faith during the contractual performance, ensuring the truthfulness and accuracy of the documents, information and data it provided for the purchaser. The supplier should warrant that it will not collude with employees of the purchaser to falsify business results. The supplier shall guarantee that abide by the commitments made to the purchaser, the contracts, agreements and memoranda signed by the two parties, and do not conceal any information that may affect the interests of the purchaser.

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

In terms of the procurement process, the Company has also set up a mechanism of checks and balances between the front-end and back-end of various departments such as market, product, procurement, and delivery, in order to prevent corruption and bribery and establish a process of mutual supervision and constraint. In addition, the Company has implemented an internal audit system, under which dedicated staff are assigned to review internal compliance of the Company.

The Myanmar Power Plant strictly abides by the local laws and regulations in Myanmar and have a stringent audit system and financial system in place to ensure financial transparency. The phone numbers and emails of the Company's financial directors and general managers are made available to facilitate supervision and reporting. Any employee involved in corruptions in violation of relevant laws and regulations will be reported to the public security authorities; and others will be dismissed after criticism and education.

In 2022, the Company did not find any significant risks relating to corruption and was not subject to any confirmed corruption cases involving the Company or any corruption litigation against the Company or any of its employees. In the future, the Company will continue to place priority on anti-corruption and integrity, strengthen supervision of anti- corruption department, expand the scope of external supervision, establish a sound internal audit system, and provide a green guarantee for the healthy development of the Company.

4.2 Conducting Compliant Procurement to Ensure Quality

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

In order to meet the requirements of the Company's development, regulate the behavior of the Company and related cooperation units, guide the cooperation units to improve service awareness, in accordance with the relevant laws and regulations of the *Contract Law of People's Republic of China* and relevant regulations relating to the Company, under the principles of complementary advantages, equality and voluntary, CIC has formulated the Supplier Management Measures. In addition to the main supplier, Huawei Technologies Co., Ltd., the Company's suppliers also include cable suppliers, cabinet suppliers, computer suppliers, etc.

In the process of selecting suppliers, our Myanmar Power Plantin Yangon, Myanmar, fully takes the ESG performance of the suppliers into consideration. For example, in order to avoid serious negative impacts on the environment and production caused by transformer oil leakage accidents, in the procurement process, Myanmar Power Plant cooperated with companies with good ESG assessment results when selecting suppliers. For example, in the process of selecting transformer suppliers, we selected a large-scale transformer supplier with good ESG assessment results. In practice, the transformer performed well, which fully avoided negative environmental and social impacts, and ensured the safe and stable operation of the Myanmar Power Plant. When purchasing spare parts of gas turbine equipment, we will choose enterprises with good performance in environmental and social responsibilities, such as GE, ETHOS, etc.

As at the end of 2022, the Company had 130 suppliers. Among which, China ITS (Holdings) Co., Ltd. had a total of 51 suppliers, including 25 in Northern China, 10 in Eastern China, 4 in Central China, 6 in Southern China, 2 in Southwest China, 4 in Northwest China; and the Myanmar Power Plant had 79 suppliers, including 15 in Northern China, 6 in Northeast China, 35 in Eastern China, 3 in Central China, 14 in Southern China, 4 in Southwest China, and 2 in Northwest China.

Access of suppliers

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

Bidding for the project

For general products, the Company will conduct bidding in the supplier database at the beginning of each year, and the evaluation criteria include the supplier's product quality, price and cooperation status in the previous year;

For the single bidding of non-general products, the Company determines the qualified bidding of suppliers according to the process screening criteria introduced by new suppliers, and investigates the suppliers in terms of environmental protection according to the needs of users. The suppliers shall have the certification certificate of environmental license.

Performance process management of suppliers

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

Annual assessment of suppliers

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

The Company conducts an assessment of its suppliers on a semi-annual basis, which are carried out by employees from various department, including marketing staff (representing some of the clients' opinions) , technical staff (from the perspective of technical practicality), project delivery staff (from the perspective of service quality) and business staff (from the perspective of market pricing). In addition to routine audit and assessment, the Company has established a supplier elimination mechanism, whereby suppliers with negative customer evaluations, poor quality, or fraudulent qualifications will be subject to a one-vote veto.

Green procurement

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

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

5 BENEVOLENCE

As a responsible social citizen, CIC adheres to the development philosophy of "Benevolence", actively participates in community public welfare undertakings, assumes corporate social responsibilities and obligations, feeds back the society with responsibilities and public welfare, and establishes a good corporate image, sublimates the corporate culture, and improves employees' sense of honor. In 2022, the Company invested MMK 10,626,300 overseas for charitable and public welfare purpose.

In view of the establishment of Ahlone Power Plant and Hlawga Power Plant in Yangon, Myanmar, the Company pays close attention to the interests and needs of local communities in Myanmar, while advancing infrastructure construction and meeting electricity demand. During the construction of the Ahlone Power Plant project, hundreds of jobs were created for local communities. Ahlone Power Plant and Hlawga Power Plant have created job opportunities for local residents by recruiting 45 and 50 Burmese employees during the operation. The company is responsible for the meals for its employees, with a dedicated staff canteen serving breakfast, lunch, and dinner free of charge. Employees are also encouraged to provide feedback to the canteen for improvement.

In addition, we co-organize certain activities with local communities every year. We have established a good relationship with local authorities by donating daily necessities to them during certain major festivals in Myanmar for distribution to underprivileged local residents.

In 2022, we donated schoolbags, stationery, rice, edible oil, and other supporting items to an monastic school for orphans in Hlaing Thar Yar Town, Yangon. During the Thingyan festival in Myanmar, we also donated food and provided funds to build a 70-square-meter preaching hall in the local community. We also celebrated the Katheon festival.

Preaching Hall

6 SUSTAINABILITY

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

6.1 Clean Energy and Green Production

In 2020, Myanmar Ahlone Power Plant Company Limited, an overseas subsidiary of China ITS has successfully obtained a power production license from the Ministry of Electricity and Energy (MOEE) of Myanmar and has started the construction and upgrading of a combined cycle steam and natural gas power plant with the latest technology in Yangon City, Myanmar. Configured with a gas turbine, a waste heat boiler and a steam turbine, the power plant has a total installed capacity of 183MW, including 120MW from the gas turbine and 63MW from the steam turbine, with a design rated output of 151.54MW. The Ahlone Power Plant was officially put into operation after inspection and acceptance by the Ministry of Electric Power in Myanmar on January 18th, 2021.

Gas turbine

Waste heat boiler

Environmental, Social and Governance Report

The Ahlone Power Plant project undertaken by China ITS, which is in line with the Myingyan Independent Power Plant (IPP) program of the Government of the Union of Myanmar, has eased the shortage of power supply caused by the rapid development of the local economy, and guaranteed 24/7 power supply for local households, manufacturing, service industries and other industries.

In 2021, with the consent of the Ministry of Electric Power in Myanmar, the Company formed a joint venture (Myanmar Hlawga GGE Power Plant Company Limited) with a local Myanmar company to jointly develop the rehabilitation project of the 123MW Hlawga Power Plant in Myanmar, which achieved single-cycle power generation in the first half of 2022.

In addition to the daily operation of the power plant, Myanmar Ahlone Power Plant Company Limited, a subsidiary of China ITS located in Yangon, Myanmar also attaches importance to the local environment, society and corporate governance. In order to strengthen its credibility, on 10 August 2020, being the beginning of the plant design and construction, the Ahlone Power Plant engaged Myanmar Survey Research Co. Ltd. to conduct a detailed and quantifiable on-site environmental control survey from 10 August 2020 in accordance with the relevant requirements of the Myanmar Environmental Protection Agency. Myanmar Survey Research Co. Ltd., which is a certified service provider of environmental and social impact assessment reports in Myanmar authorized by the Ministry of Natural Resources and Environmental Protection of Myanmar and operates legally and in compliance with the law, officially submitted its environmental impact assessment report on the company to the Myanmar Environmental Protection Agency on 25 February 2022, after more than one year of assessment.

6.2 Creating Green Office and Eliminating Waste

Use of energy

Energy is an important material foundation for national economic and social development. Energy shortage has become an important factor restricting the sustainable development of the national economy. CIC attaches great importance to issues related to energy use, and actively promotes energy conservation, reduction of energy consumption and emissions reduction. The Company takes the establishment of an energy-saving culture as the lead to enable employees to develop a good habit of saving electricity, water and protecting the environment. The Company's administrative department cooperates with property management and maintenance to ensure better implementation and management of energy-saving work.

Energy consumed by the Company during its operation mainly involved the use of gasoline for business vehicles and the use of electricity in office areas. Table of use of gasoline and electricity by the Company in 2022 are as follows:

Energy consumption and intensity of China ITS (domestic)

	2022		2021	
Energy type	**Energy use**	**Intensity**	**Energy use[1]**	**Intensity**
Gasoline (tonne)	25.00	–	28.03	–
Electricity	666,810.89 KWh	132.21 KWh/m^2	745,581.39 KWh	138.88 KWh/m^2
Integrated energy consumption[2]	966,119.27 KWh	4,237.37 KWh/person	1,081,165.95 KWh	4,190.57 KWh/person

Energy and resource consumption of Myanmar Power Plant (overseas)

Energy type	2022	2021
Gasoline (tonne)	8.42	5.26
Electricity (KWh)	38,804,800.00	24,253,000.00
Integrated energy consumption (MWh)	4,152,923.51	2,595,577.16
Natural gas (standard cubic)[3]	380,160,000.00	237,600,000.00

1 The data relating to domestic gasoline consumption and emission of certain waste gases and greenhouse gases for 2021 have been restated.

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

3 The power generation by Ahlone Power Plant and Hlawga Power Plant in 2022 has increased as compared with that of 2021, resulting in a higher increase in relevant energy consumption and pollutant emissions.

In strict compliance with local laws, regulations and rules related to energy use in Myanmar, such as the Myanmar National Electrification Plan (NEP), the Myanmar Energy Master Plan (2015), the Electricity Law (2014) and its rules, and the Petroleum and Petroleum Products Law (2017), the Myanmar power plant formulates an internal operation management system, a reward and punishment system and conducts assessment according to rules to maintain water system and ensure that it can operate within the range of design parameters. The gas fuel of the power plants is fed through the main national gas pipeline of Myanmar. The lubricating oil used by the unit is added into pump valves of the gas turbine and steam turbine at the time of installation, and it does not need to be replaced or will not leak within ten years of operation, which can effectively control environmental risks.

Energy saving and environmental protection

Adhering to the principle of "Energy Conservation, Reduction of Energy Consumption, Protection of the Environment and Harmonious Development", CIC carries out proactive publicity within the Company, strictly implements austerity and green office, and practices the philosophy of green development to prevent extravagance and waste and reduce unreasonable consumption behavior. As a non-production and non-manufacturing high- technology company, CIC has been committed to practicing the philosophy of energy conservation and consumption reduction, creating a green and environment-friendly business model and striving to be the faithful practitioner of the "resource- saving" society.

In 2022, the Company adopted the following measures to save energy:

➢ Save electricity for lighting: offices and other public areas make the best use of natural light during the day to reduce the use of lighting lamps; reduce the number of lamps in places with low lighting requirements, such as public areas, corridors and aisles, and prevent the occurrence of "lamps which burn day and night";

➢ Save electricity for air conditioning: control the air-conditioning temperature of the office, conference room and other office areas. The temperature should not be lower than 26℃ in summer and not higher than 25℃ in winter. The security guards should conduct patrol inspection on whether the window is closed when the air conditioning is turned on. Based on practical research from the Company's property department, which finds that maintaining low-temperature operation at 19℃ at night is more power-efficient than shutting down at night and starting in the morning, while employees feel more comfortable working in the morning;

➢ After work and during weekends and holidays, security guards should patrol the building every hour, switching off lights in unoccupied office areas at once; only one elevator shall be open, the other one is open as the case may be;

➢ When purchasing computers, printers, refrigerators, etc., priority is given to low-power models;

➢ In order to save gasoline consumption and reduce the cost of vehicles, the Company's administrative department centrally manages the allocation of vehicles and registers the mileage and fuel consumption of each vehicle before each trip so as to ensure overall observation and control of gasoline consumption;

- During the year, the property department increased the number of inspections in the building between 17:00 and 22:00, shortened the time interval between two adjacent inspections, and dealt with the non-essential power use situation immediately, so as to control the waste of electricity and energy in a more timely and effective manner. During the year, the property department made toilet open for use through location during the holiday of more than 2 days, and disconnected all the non-essential power supply to reduce the waste of non-essential electricity and water resources;

- The Company's free commuter shuttle bus which runs at fixed time and place, goes directly to the subway entrance, with two times per daily, including morning and evening. Employees are encouraged to commute to work by company shuttle bus.

By 2022, the Company has achieved a 10% reduction in energy consumption on the basis of 2021, mainly contributed by gasoline consumption by vehicles for official uses. The company has also achieved the targets of saving fuel by 15%,saving electricity by 10% and reducing per capita energy consumption by 10% on the basis of 2021. In the future, the Company will promote the use of new energy-saving and environment-friendly products in administrative offices, regional offices and other daily workplaces, encourage the use of energy-saving facilities and appliances, and eliminate products that do not meet the national energy-saving standards.

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

Myanmar Power Plant has taken the following energy conservation and efficiency improvement measures:

1) improving combustion efficiency;

2) scientific ratio of natural gas to air;

3) improving boiler efficiency;

4) improving condenser vacuum; and

5) improving steam turbine efficiency.

In addition, Myanmar Power Plant has developed and implemented an operational management system, scientific testing system, maintenance management system and daily warehouse equipment management system in an effort to improve power generation efficiency. The thermal consumption of the gas turbine at each of the Ahlone Power Plant and the Hlawga Power Plant reached 7,533BTU/kWh and 9,297BTU/kWh, respectively. In 2022, the Ahlone Power Plant added a mechanical cooling tower, which increased the vacuum of the condenser from 88 to 92 and lowered the water temperature from 36℃ to 32℃. This has made significant achievements in energy saving, with the power output of the steam turbine increasing by 1.5MW, and the thermal efficiency improving by 1%. The Ahlone Power Plant also improved the insulation efficiency of the gas turbine to prevent steam leakage, leading to an improved performance of the system in preventing water leakage, gas leakage, and heat leakage. In the future, Myanmar Power Plant will continue to implement measures to improve energy efficiency, such as cleaning pollutants inside the condenser and improving heat exchange efficiency.

Mechanical Cooling Tower

Water resources management

In terms of water resources management, the Company adheres to strengthen employees' awareness of water saving, develops water recycling as appropriate, and improves water resource utilization efficiency; meanwhile, the Company strictly complies with laws and regulations related to water resources formulated by the State and a special qualification commissioner is responsible for water saving management and supervises the implementation. During the operation of the Company, water resources are mainly used for drinking and cleaning. During the year, the Company did not have any problems in obtaining suitable water sources. Table of use of water resource by the Company in 2022 are as follows:

Water consumption and intensity of China ITS

	2022	2021
Total water consumption domestic (m^3)	852.63	700.52
Total water consumption abroad (Myanmar Power Plant)	3,200,000.00	2,000,000.00
Intensity of water consumption domestic (m^3/m^2)	0.17	0.13
Intensity of water consumption abroad (Myanmar Power Plant) (m^3/m^2)	6,400	4,000

In 2022, the Company adopted the following measures to improve the utilization efficiency of water resources:

- Enhance inspection management: The property department strengthened the inspection by maintenance staff inside the building in order to avoid running, emitting, dripping and leaking and other phenomena as far as possible. Upon identification of any other issues, they will make immediate reports and take emergency treatment measures until the arrival of professionals for thorough repairs;

- Timely troubleshooting. In case of any running, emitting, dripping and leaking and other phenomena, deal with it as soon as possible, analyze the cause of the troubles and formulate a maintenance plan; If need the construction party's cooperation, such maintenance staff should actively contact them to repair and restore the original condition as soon as possible;

- Cultivate awareness of water conservation. The Company organized educational training on saving water to enhance its employees' awareness of saving water. All leaders set a good example and took consciously more care of water facilities and equipment with staff, improving the water resource utilization efficiency;

- Strengthen water recycling. Under reasonable circumstances, increase the recycling and reuse of water resources. For example, the cleaners can flush the toilet with water used during the cleaning process.

In 2022, based on the actual situation of the Company, we have achieved the target of water saving by 5% on the basis of 2021 by replacing the barreled water in the public areas with a purified water system in the pantry room. The leakage rate of the pipeline network was controlled at 100%. In the future, the Company will raise employees' awareness of water conservation, and encourage them to participate in propaganda to make every employee aware of water conservation, and will give incentives or rewards to the employees who have made remarkable achievements in water conservation. During the year, the Company did not encounter any issue in sourcing water that is fit for purpose.

The water usage of the Myanmar Power Plant, a subsidiary of the Company, is divided into two parts: chemical water and cooling water. Chemical water is used for producing steam in the boiler and is sourced from the Yangon River. It is used in small amounts after undergoing reverse osmosis treatment. Cooling water is used in the water boiler, and the main water consumption occurs in the mechanical cooling system, which is used to remove 50% of the combustion heat generated during natural gas combustion. The cooling water adopts an internal circulation mode, and the replenishment water is sourced from the Yangon River and undergoes precipitation and filtration treatment before usage.

In 2022, the Myanmar Power Plant has implemented a water conservation system that emphasizes water conservation and prevents the occurrence of "running, leaking, dripping, and wasting", achieving excellent water conservation results. The Company has also established an incentive system, with a bonus of RMB20,000 to incentivize employees who contribute to water conservation efforts.

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

6.3 Controlling Emissions, Reducing Pollution

Solid wastes generated during the operation of the Company mainly come from the office process, including waste papers, ink cartridges, toner cartridges, batteries, etc.. Amongst, ink cartridges, toner cartridges and batteries may cause environmental pollution. The table of the Company's hazardous and non-hazardous solid wastes emission and per capita intensity in 2022 is as follows:

Emission volume of wastes and intensity of China ITS

	2022		2021	
Wastes	Emission volume of wastes (Kg)	Per capita intensity (Kg/person)	Emission volume of wastes (Kg)	Per capita intensity (Kg/person)
Ink cartridge	140.90	0.62	158.20	0.61
Toner cartridge	118.20	0.52	138.50	0.54
Fluorescent tube	12.40	0.05	14.50	0.06
Battery	46.90	0.21	53.30	0.21
Paper	3,428.00	15.04	4,060.00	15.74
Domestic waste	10,000.00	43.86	8,000.00	31.01

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

➢ Dispose of waste reasonably: hazardous solid waste is delivered to a qualified third-party unit for processing; non-hazardous solid waste is collected and delivered to a waste paper recycling station.

➢ Reduce paper usage: promote paperless office and reduce unnecessary printing content; paste a sign in relation to saving paper, energy conservation and environmental protection in the printing room to remind printer users, and promote double-sided printing.

➢ Implement garbage classification: increase relevant training on waste sorting to enhance employees' awareness; set up clearly marked sorting bins on the floors for the collection of recyclables, kitchen waste, and other waste. The waste is handled by setting up different colored bins for preliminary sorting of waste, followed by the daily transportation by cleaning staff of the garbage to the garbage station in the park for secondary classification of the sorting bins, so as to avoid garbage confusion.

In 2022, according to the Beijing Administrative Regulation on Waste Sorting and the property requirements of the park, the property department continued to use sorting bins for garbage classification and posted garbage classification posters in the waste sorting areas within the building. The staff of the property department also provided on-site guidance and promotion to other employees during the peak hours of garbage collection. Through continuous promotion and on-site guidance, 100% waste separation and disposal has been basically achieved in the building. In the future, the Company will cooperate with companies with professional waste disposal capabilities and assist them in completing the further disposal and recycling of waste.

In 2022, there were no confirmed cases relating to any violation of environmental protection laws or regulations with a significant impact on the Company.

In 2022, the total domestic sewage discharged by the Company was 452.45 cubic meters. The exhaust gas and greenhouse gas emissions of the Company mainly came from the power generation process of the Myanmar Power Plant during the year, and a small part came from the business vehicle exhaust and office power consumption of the Company. The main emissions are shown in the table below:

Exhaust and greenhouse gases[4] emissions[5] and intensity of China ITS

Type	Unit	2022	2021
Sulphur dioxide	kg	68,182.37	42,614.23
NOx	kg	669,027.19	418,148.15
Particulate matter	kg	90,001.93	56,251.66
Direct GHG emissions	tonnes of Carbon Dioxide Equivalent	708,900.38	443,099.99
Indirect GHG emissions	tonnes of Carbon Dioxide Equivalent	24,081.63	15,251.63
Total GHG emissions	tonnes of Carbon Dioxide Equivalent	732,982.01	458,351.63
GHG emission intensity	tonnes of Carbon Dioxide Equivalent per RMB10,000 in business income	10.26	6.19

In strict compliance with local regulations and policies in Myanmar, such as the Constitution of the Republic of the Union of Myanmar (2008), the Myanmar Sustainable Development Strategy (2009) and Plan (2018–2030), the National Environment Policy of Myanmar (1994), Agenda 21- Myanmar, the National Biodiversity Strategy and Action Plan (NBSAP), the Prevention of Hazard from Chemical and Related Substances Law (2013), the Company's construction and operation of the Myanmar Power Plant is controlled in accordance with the standards of the Paris Agreement and the Chinese government, which is in conformity with requirements of the Myanmar government. In 2022, the Company neither received any government penalties or lawsuits due to environmental protection problems, nor did any environmental protection incidents occur. In the future, the Company will also continue to pay attention to environmental protection and continue to fulfill its social responsibilities in terms of the environment.

4 The calculation of GHG is as follows:
Direct GHG emissions: gasoline and natural gas consumption of the Company is multiplied by the corresponding emission factor. For the emission factor, please refers to ① China Energy Statistical Yearbook ② IPCC 2006;
Indirect GHG emissions: outsourcing power consumption of the Company is multiplied by the corresponding emission factor. For the emission factor, please refer to the Guidelines for Verification of Greenhouse Gas Emission Reports by Enterprises (Trial) by the Ministry of Ecology and Environment ;
Total GHG emissions: Sum of direct GHG emissions and indirect GHG emissions.

5 The Hlawga Power Plant was put into operation in 2022, resulting in an increase in exhaust and greenhouse gases emissions in 2022 as compared with 2021.

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

- For waste gas, the main emissions include NOX, SOX and CO2. Myanmar Power Plant project adopted the modern GE gas turbine, which reduced the emissions by taking effective technical means such as water absorption to treat oxide and nitrogen oxide emissions. In addition, the greenhouse gas CO2 is the inevitable emissions for power plants. Given the small number of Myanmar Power Plant and the shortage of electric power supply there, the CO2 emissions generated by power plants within the scope of Myanmar's commitment are deemed as reasonable emission and do not violate the Paris Agreement. The units of Myanmar Power Plant are operated and supervised under the GE requirements, which ensures the effective management of waste gas emissions and avoids the environmental risks to the surrounding environment of the construction project and risk of global climate change.

- For noise pollution, the noise level of GE units adopted by the power plant is controlled below 60dB, which is in full compliance with international standards and has no negative impact on the environment and human health. In addition, the power plant is strictly inspected during its internal operations, and the units are regularly repaired and maintained according to regulations to ensure that the units maintain stable and good operation. In 2022, Myanmar Power Plant strengthened communication with local competent authorities and residents, and constructed noise barriers to reduce noise pollution.

Communication Meeting on Environmental and Social Impact Assessment
(EIASIA Communication Meeting)

- For sewage, Myanmar Power Plant is equipped with a dedicated sewage treatment pool to treat the sewage and put the effluent water into recycling use. The operation of the power plant strictly abides by the environmental protection preparation conditions, follows the basic environmental protection requirements for power plant construction, and achieves zero discharge of sewage from Myanmar Power Plant through advanced and high-level equipment and design. Sodium chloride, sodium sulfate and other miscellaneous salt are properly treated by sewage treatment pools, dry mud machines and other equipment, and other wastes are treated regularly by the Yangon Municipal Environmental Protection Department.

Sewage Treatment System of the Ahlone Power Plant

- For waste, it mainly includes lubricating oil, filters, ink cartridges, toner cartridges, fluorescent tubes, batteries, paper and domestic waste. We strictly abide by local laws and regulations, and signed an agreement with the environmental protection department under the Yangon Municipal Government, pursuant to which the environmental protection department will be responsible for the regular removal and disposal of emissions.

6.4 Responding to Climate Change Actively

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

The Myanmar Power Plant of the Company is located in Yangon, Myanmar, which is vulnerable to natural disasters such as cyclones, earthquakes, floods, droughts, landslides and forest fires due to its geographical characteristics. While man- made disasters can be eliminated with the help of technologies and facilities in related sectors, the occurrence of natural disasters other than tropical storms is unpredictable. It is therefore essential to consider the risks and hazards associated with natural disasters and to make emergency plans. As a result, the Myanmar Power Plant have developed an extensive emergency plan for various incidents, including utility failures (power outages, pipeline failures, gas leaks, steam line breaks, ventilation problems, elevator failures, etc.), fires, earthquakes, storms, floods and other natural disasters. In response to the water supply difficulties caused by the dry season in Myanmar, we have implemented water conservation measures and drilled four wells to address the water shortage during the dry season. In addition, we have taken measures such as expanding the water intake for the canal to ensure the water supply for the power plant and power generation. At the same time, the Company will conduct regular induction training or courses related to emergency plans and procedures for all employees and staff.

Environmental, Social and Governance Report

APPENDIX

INDEX OF THE HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORTING GUIDE

ESG Reporting Guide		Content
Subject Area A. Environment		
Aspect A1: Emissions		
A1	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.	6 Sustainability 6.3 Controlling Emissions, Reducing Pollution
A1.1	The types of emissions and respective emissions data.	6.3 Controlling Emissions, Reducing Pollution
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.3 Controlling Emissions, Reducing Pollution
A1.3	Total hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.3 Controlling Emissions, Reducing Pollution
A1.4	Total non-hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.3 Controlling Emissions, Reducing Pollution
A1.5	Description of emission target(s) set and steps taken to achieve them.	6.3 Controlling Emissions, Reducing Pollution
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	6.3 Controlling Emissions, Reducing Pollution

ESG Reporting Guide		Content	
Aspect A2: Use of Resources			
A2	General Disclosure Policies on the efficient use of resources (including energy, water, and other raw materials).	6.2	Creating Green Office and Eliminating Waste
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	6.2	Creating Green Office and Eliminating Waste
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	6.2	Creating Green Office and Eliminating Waste
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	6.2	Creating Green Office and Eliminating Waste
A2.4	Description of whether there is any issue in sourcing water, that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	6.2	Creating Green Office and Eliminating Waste
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A	
Aspect A3: The Environment and Natural Resources			
A3	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	6	Sustainability
A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.	6	Sustainability
Aspect A4: Climate Change			
A4	General Disclosure Policies on identification and mitigation of significant climate- related issues which have impacted, and those which may impact, the issuer.	6.4	Responding to Climate Change Actively
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	6.4	Responding to Climate Change Actively

Environmental, Social and Governance Report

ESG Reporting Guide		Content
Subject Area B. Society		
Employment and Labour Practices		
Aspect B1: Employment		
B1	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3.1 Employment and Rights 3.4 Care and Cohesion
B1.1	Total workforce by gender, employment type (such as full-time or part-time), age group, and geographical region.	3.1 Employment and Rights
B1.2	Employee turnover rate by gender, age group and geographical region.	3.1 Employment and Rights
Aspect B2: Health and Safety		
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.3 Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	3.3 Health and Safety
B2.2	Lost days due to work injury.	3.3 Health and Safety
B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	3.3 Health and Safety 3.4 Care and Cohesion

ESG Reporting Guide		Content
Aspect B3: Development and Training		
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.2 Training and Development
B3.1	The percentage of employees trained by gender & employee category (e.g. senior management, middle management).	3.2 Training and Development
B3.2	The average training hours completed per employee by gender and employee category.	3.2 Training and Development
Aspect B4: Labour Standards		
B4	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to preventing child and forced labour.	3.1 Employment and Rights
B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.1 Employment and Rights
B4.2	Description of steps taken to eliminate such practices when discovered.	3.1 Employment and Rights
Operating Practices		
Aspect B5: Supply Chain Management		
B5	General disclosure Policies on managing environmental and social risks of the supply chain.	4.2 Conducting Compliant Procurement to Ensure Quality
B5.1	Number of suppliers by geographical region.	4.2 Conducting Compliant Procurement to Ensure Quality
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	4.2 Conducting Compliant Procurement to Ensure Quality
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4.2 Conducting Compliant Procurement to Ensure Quality
B5.4	Description of practices that promote the use of environmental preferable products and services when selecting suppliers, and how they are implemented and monitored.	4.2 Conducting Compliant Procurement to Ensure Quality

Environmental, Social and Governance Report

ESG Reporting Guide		Content	
Aspect B6: Product Responsibility			
B6	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	1.1	Strictly Guaranteeing Product Quality
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	1.1	Strictly Guaranteeing Product Quality
B6.2	Number of products and services relating to complaints received and how they are dealt with.	1.2	Customer Relationship Building
B6.3	Description of practices relating to maintaining and protecting intellectual property rights.	1.3	Active Protecting Intellectual Property Rights
B6.4	Description of quality assurance process and recall procedures of products.	1.1	Strictly Guaranteeing Product Quality
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	1.2	Customer Relationship Building
Aspect B7: Anti-Corruption			
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to anti-bribery, extortion, fraud and money laundering.	4.1	Eliminating Corruption in Accordance with Law
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4.1	Eliminating Corruption in Accordance with Law
B7.2	Description of preventive measures and whistle-blowing procedures and how they are implemented and monitored.	4.1	Eliminating Corruption in Accordance with Law
B7.3	Description of anti-corruption training provided to directors and staff.	4.1	Eliminating Corruption in Accordance with Law
Community			
Aspect B8: Community Investment			
B8	General disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5	Benevolence
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5	Benevolence
B8.2	Resources contributed (e.g. money or time) to the focus area.	5	Benevolence

Director and Senior Management

BOARD OF DIRECTORS

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

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

Name	Age	Title
Mr. Liao Jie	57	Chairman and executive Director
Mr. Jiang Hailin	54	Executive Director
Mr. Ye Zhou	55	Independent non-executive Director
Mr. Wang Dong	47	Independent non-executive Director
Mr. Zhou Jianmin	56	Independent non-executive Director

Executive Director

Mr. LIAO Jie (廖杰), 57, is the chairman of the Board (the "**Chairman**") and an executive Director, responsible for formulating strategy of the Company. He was appointed as the executive Director and the chief executive officer of the Company (the "**Chief Executive Officer**") on August 24, 2011 and was responsible for the overall business operations and mergers and acquisitions of the Company. On July 9, 2012, Mr. Liao has been elected as the Chairman and retired from his position as the Chief Executive Officer. Mr. Liao is also one of the controlling shareholders of the Company (the "**Controlling Shareholder**"), and serves as a director of China ITS Co., Ltd. ("**Holdco**", one of the Controlling Shareholders), Best Partners Development Limited ("**Best Partners**", one of the Controlling Shareholders), and Joyful Business Holdings Limited ("**Joyful Business**", one of the Controlling Shareholders). Mr. Liao has been appointed as a director of Visual China Group Co., Ltd. (formerly known as Far East Industrial Stock Co., Ltd., a company listed on the Shenzhen Stock Exchange, stock code: 000681, "**Visual China**") from May 9, 2014 and the chairman of Visual China from May 29, 2014. Mr. Liao became a director of Beijing RHY Technology Development Co., Ltd. (National Equities Exchange and Quotations of the PRC, stock code: 873761) in May 2002, responsible for strategic planning and operational management in the expressway segment and retired from the directorship when he started serving as a senior advisor of the Board of the Company on business strategy and operational direction of the Group in January 2008. Mr. Liao has served as the Chairman of Beijing RHY Technology Development Co., Ltd. since July 2020.

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

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

Director and Senior Management

Mr. JIANG Hailin (姜海林), 54, is an executive Director and the Chief Executive Officer, responsible for overall business operation of the Company. Mr. Jiang was appointed as the Director on February 20, 2008, and was then elected as the Chairman. On July 9, 2012, Mr. Jiang has been re-appointed as the Chief Executive Officer and therefore resigned from his position as the Chairman. He is also one of the Controlling Shareholders, a director of Holdco and Sea Best Investments Limited ("**Sea Best**", one of the Controlling Shareholders). Since he joined our Group in May 2002, Mr. Jiang has held various positions within our Group including (i) a director of Aproud Technology from August 2002 to February 2010 and again from November 2010 to October 2012, vice chairman of the board of directors of Aproud Technology from November 2012 to February 2016 and chairman of the board of directors of Aproud Technology since March 2016; (ii) chairman of the board of directors of Haotian Jiajie since March 2007; (iii) an executive director and general manager of Jiangsu Zhongzhi Transportation since December 2011; (iv) an executive director of Zhixun Tiancheng since November 2014; and (v) an executive director of Hongrui Dake from November 2015 to July 2019. In addition, Mr. Jiang has served as the director of Beijing RHY Technology Development Co., Ltd. (National Equities Exchange and Quotations of the PRC, stock code: 873761) from May 2002 to July 2014 and since July 2020.

Prior to joining our Group, Mr. Jiang was employed by China Ocean Shipping Company where he was responsible for the development of ground transportation logistics network, in particular, the development of the cargo movement monitoring systems for ground transportation in the China ITS industry. He has established his business relationship and network in the transport industry since 2000.

Mr. Jiang received a bachelor's degree in computing from Nankai University in July 1990 and an EMBA degree from Tsinghua University in July 2006. Mr. Jiang possesses a total of approximately 29 years of experience in general management and over 21 years of experience in the China ITS industry.

Independent Non-Executive Director

Mr. YE Zhou (葉舟), 55, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Ye was appointed as Director on July 15, 2016. Mr. Ye is and has been the chief executive officer of ULSee Inc. since 2014. Prior to his current position at ULSee Inc., from 1994 to 1996, he was a senior product engineer of General Motors Company. From 1996 to 1997, Mr. Ye was the director of wireless communication department of UTStarcom Holdings Corp. From 1997 to 2006, Mr. Ye was the vice president of Asia Pacific region of UTStarcom Holdings Corp. From 2007 to 2016, Mr. Ye was the chief executive officer of CyWee Group Ltd..

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

Mr. WANG Dong (王冬), 47, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. Mr. Wang was appointed as Director on June 21, 2018. Since October 2009, Mr. Wang has been acting as the chief financial officer of ORG Technology Co., Ltd. (Shenzhen Stock Exchange stock code: 002701, formerly known as ORG Packaging Co., Ltd.), of which he has also been serving as a director and deputy general manager since February 2014. Prior to joining ORG Technology Co., Ltd., Mr. Wang was the financial controller of our Company from January 2007 to September 2009, and worked at PricewaterhouseCoopers Zhong Tian LLP from July 1998 to December 2006 who was a senior manager of audit department when he left PricewaterhouseCoopers. Mr. Wang was also an independent director of Visual China Group Co., Ltd. (Shenzhen Stock Exchange, stock code: 000681) from June 2014 to October 2018. Visual China Group Co., Ltd. is an associate of Mr. Liao Jie and the controlling shareholders of the Company.

In addition, Mr. Wang has been appointed as (i) a director of Huangshan Novel Co., Ltd. (Shenzhen Stock Exchange, stock code: 002014) since January 2016; (ii) an independent director of Shaanxi Baoguang Vacuum Electric Device Co., Ltd. (Shanghai Stock Exchange, stock code: 600379) since May 2017; and (iii) a director of f Jiangsu Wortact Group Co., Ltd. (National Equities Exchange and Quotations of the PRC, stock code: 832139) since March 2023.

Mr. Wang is a member of the Chinese Institute of Certified Public Accountants, a member of Chartered Institute of Management Accountants, an associate member of Association of International Accountants and Chartered Global Management Accountant. Mr. Wang graduated with a bachelor's degree in Marketing from Shandong University of Finance and Economics and a Finance MBA degree from the Chinese University of Hong Kong. Mr. Wang has more than 24 years of experience in accounting and finance and 16 years of experience in business management.

Mr. Zhou Jianmin (周建民), 56, is an independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. Mr. Zhou is currently the co-chairman of the Center for Global Merger Acquisition and Restructuring of PBC School of Finance of Tsinghua University, and the executive vice president of the Shandong Chamber of Commerce in Beijing.

Mr. Zhou is also currently, and has been since March 1999, the chairman of the board of directors and the general manager of Jinan Jinri International Advertising Development Co., Ltd. Prior to these roles, Mr. Zhou served at Shandong Dafengche Industrial Co., Ltd., which he founded in December 1996, as a director and the general manager of this company from December 1996 to September 2018. Mr. Zhou was also the executive director and general manager at Beijing Dafengche Education Technology Development Co., Ltd. from December 2009 to September 2014.

Mr. Zhou has served as an executive director of Wudaokou Capital Company Limited from March 2014 to March 2016 and again since March 2020, and has served as the vice chairman of Chery Holding Co., Ltd. since December 2019.

In addition, Mr. Zhou has been appointed as (i) an independent director of Tungkong Inc. (Shenzhen Stock Exchange, stock code: 002117) since September 2021; (ii) an independent director of Kingland Technology Co., Ltd. (Shenzhen Stock Exchange, stock code: 000711) since January 2022; and (iii) an independent director of Henan Splendor Science & Technology Co., Ltd. (Shenzhen Stock Exchange, stock code: 002296) since February 2023.

Mr. Zhou graduated with a Bachelor of Arts degree in Chinese Language from Shandong University in July 1989 and obtained an EMBA degree from PBC School of Finance of Tsinghua University in August 2018. Mr. Zhou engaged in the advertising and education industries after his graduation before he founded Shandong Dafengche Industrial Co., Ltd.

Director and Senior Management

SENIOR MANAGEMENT

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

Name	Age	Position
Mr. Jiang Hailin	54	Chief Executive Officer
Mr. Luo Haibin	46	President
Mr. Mou Yi	56	Chief Financial Officer, general manager of Financial Management Department

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

Mr. LUO Haibin (羅海濱), 46, President. He is responsible for the business operation and daily management of the Company. Mr. Luo joined the Group in November 2007 and served as the general manager of the Central South area of Zhixun Tiancheng, responsible for the marketing in the Central South area. He then served as the general manager of the Department of Sales Management, general manager of the Marketing Department, vice general manager and general manager of Zhixun Tiancheng. He has been the legal representative and the president of Zhixun Tiancheng, responsible for the operational management of railway business of the Company since November 2014. Mr. Luo served as the vice president of the Company from February 2015 to March 2018, and has served as the president of the Company since March 2018. In addition, Mr. Luo has also held various positions within our Group, including (i) an executive director of Zhongtian Runbang since December 2014; (ii) a director and general manager of Aproud Technology since March 2016; (iii) an executive director of Beijing Zhongzhi Runbang Intelligent Railway Transportation Technology Co., Ltd. since March 2020 and its legal representative and manager since November 2020; and (iv) the legal representative, chairman of the board of directors of Beijing Zhixun Cloud Technology Co., Ltd. since October 2016 and its executive director and manager since September 2020, at which time he resigned as chairman of the board of directors.

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

Mr. Luo graduated from Beijing Information Science and Technology University of computer software specialty and received a master's degree in business administration from Tsinghua University in January 2022. Mr. Luo possesses approximately 22 years of experience in marketing and management.

Director and Senior Management

Mr. MOU Yi (牟軼), 56, is the Chief Financial Officer and general manager of Financial Management Department. He is responsible for overall financial management and investment of the Company. Mr. Mou was appointed as chief financial officer of the Company in March 2018, and has served as general manager of Financial Management Department since October 2009, being responsible for internal financial management. Mr. Mou served as the supervisor of Hongrui Dake from November 2015 to July 2019 and its legal representative, executive director, and manager since August 2019. He served as the director and general manager of Haotian Jiajie since August 2017. Each of Hongrui Dake and Haotian Jiajie is a wholly-owned subsidiary of the Company. Mr. Mou served as the director of Forever Opensource Co., Ltd., a company listed on Beijing Stock Exchange (stock code: 834415), since September 2017 and its vice chairman of the board of directors since December 2021. Since December 2018, he served as the director of Shenzhen Anxiao Investment Co., Ltd.. He also served as the director of Shenzhen Honglu Technology Co., Ltd. since February 2019. The Group owns approximately 22%, 10% and 10% equity interest in Forever Opensource Co., Ltd., Shenzhen Anxiao Investment Co., Ltd. and Shenzhen Honglu Technology Co., Ltd., respectively. Mr. Mou served as the director of Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd. (an associate of the Company) since October 2022.

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

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

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

Independent Auditor's Report

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To the shareholders of China ITS (Holdings) Co., Ltd.
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China ITS (Holdings) Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 110 to 205, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition on products and specialised solutions *Refer to notes 2.4 and 5 to the consolidated financial statements*	
The Group derives a significant portion of its revenue from products and specialised solutions for which revenue is recognised over time, using the input method to measure progress towards complete satisfaction of the performance obligations. The input method involved the use of significant judgement and estimates by management, including the scope of deliveries and services required, total budgeted cost and total contract revenue, etc. As a result, we considered this as a key audit matter.	Our key procedures, on a sample basis where applicable, in relation to the revenue recognition on products and specialised solutions included: — Obtaining an understanding of and assessing the design and implementation of the key internal controls over the revenue recognition cycle of the Group; — Reviewing the content of the contracts and interviewing the responsible personnel of the Group to understand the terms of the contracts and the scope of deliveries and services required; — Performing recalculation on revenue using budgeted cost estimates provided by the Group; — Reviewing the budgeted costs by checking the details against purchase contracts, etc. and discussing with management on changes in budgeted costs during the current year; — Checking purchase contracts, invoices, goods delivery notes and acceptance reports to ascertain the actual costs incurred to date; and — Comparing the gross profit in the current year to the prior year for existing contracts.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill *Refer to notes 2.4 and 16 to the consolidated financial statements*	
As at December 31, 2022, the carrying amount of goodwill amounted to RMB123.8 million. Management assessed the recoverable amounts of the goodwill, with the involvement of an independent professional valuer, which involved value in use calculations. As set out in note 3 to the consolidated financial statements, the value in use calculations involved exercise of significant judgements and estimations. As a result, we considered this as a key audit matter.	Our key procedures in relation to the impairment of goodwill included: — Reviewing the valuation reports from the valuer and discussing with the management and the valuer to understand the valuation basis and methodology used, and underlying assumptions applied; — Evaluating the objectivity, capabilities and competence of the valuer; — Examining the determination of the recoverable amount which is the value in use of cash-generating units to which goodwill has been allocated; — Assessing the reasonableness of the assumptions, methodologies and key inputs used in the value in use calculations; — Considering the result of sensitivity analysis on reasonably possible downside changes in key assumptions; and — Checking arithmetical accuracy of the calculations.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Allowance for impairment of trade receivables and contract assets *Refer to notes 2.4, 21 and 23 to the consolidated financial statements*	
The Group uses simplified approach to calculate the expected credit loss ("ECL") on trade receivables and contract assets. The establishment of provision matrix involves assessment of the Group's historical observed default rates and forecast economic conditions, which involved significant estimations. As a result, we considered this as a key audit matter.	Our key procedures in relation to the ECL included: — Discussing with management to understand judgement involved in estimating the ECL on trade receivables and contract assets; — Assessing the reasonableness of estimates used to determine the ECL by considering historical collection, default rate and subsequent settlement information; — Checking accuracy of ageing of trade receivables and contract assets; and — Checking arithmetical accuracy of the calculation of the ECL on trade receivables and contract assets.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, March 31, 2023

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

Yip Ngai Shing
Practising Certificate number: P05163

Consolidated Statement of Profit or Loss

Year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**714,424**	740,293
Cost of revenue	7	**(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	7	**(5,800)**	(14,158)
Other expenses		**(72,973)**	(12,814)
Finance costs	8	**(11,921)**	(18,037)
Share of loss of an associate		**(888)**	–
PROFIT BEFORE TAX	7	**102,456**	141,169
Income tax expense	11	**(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	13	**0.03**	0.05
Diluted	13	**0.03**	0.05

Consolidated Statement of Comprehensive Income

Year ended December 31, 2022

	2022 RMB'000	2021 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

At December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property and equipment	14	**501,617**	511,799
Investment properties	15	**71,150**	92,252
Goodwill	16	**123,759**	123,759
Other intangible assets	17	**106,273**	24,550
Investments in associates	19	**55,034**	1,000
Financial assets at fair value through profit or loss	24	**158,319**	193,102
Loan receivables	22	**–**	30,000
Prepayments, deposits and other receivables	22	**15,900**	720
Prepayment for acquisition of property and equipment		**–**	21,547
Total non-current assets		**1,032,052**	998,729
CURRENT ASSETS			
Inventories	20	**276,384**	405,007
Contract assets	23	**125,705**	261,064
Trade and bills receivables	21	**477,062**	632,640
Financial assets at fair value through profit or loss	24	**10,091**	10
Prepayments, deposits and other receivables	22	**468,257**	382,295
Amounts due from related parties	38(b)	**25,834**	27,706
Pledged deposits	25	**130,183**	30,269
Cash and cash equivalents	25	**295,622**	317,869
Total current assets		**1,809,138**	2,056,860
CURRENT LIABILITIES			
Trade and bills payables	26	**308,548**	308,321
Contract liabilities, other payables and accruals	27	**315,367**	501,015
Interest-bearing bank borrowings	28	**248,459**	279,713
Amounts due to related parties	38(b)	**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

Consolidated Statement of Financial Position

At December 31, 2022

	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	28	**–**	35,000
Deferred tax liabilities	29	**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	30	**294**	290
Reserves		**1,779,460**	1,772,424
		1,779,754	1,772,714
Non-controlling interests	18	**115,779**	81,732
Total equity		**1,895,533**	1,854,446

These consolidated financial statements on pages 110 to 205 were approved and authorised for issue by the Board of Directors on March 31, 2023 and signed on its behalf by

Liao Jie
Director

Jiang Hailin
Director

Consolidated Statement of Changes in Equity

Year ended December 31, 2022

	Note	Attributable to owners of the Company									
		Share capital	Share premium (Note 31)	Statutory reserve (Note 31)	Capital reserve (Note 31)	Asset revaluation reserve (Note 31)	Exchange fluctuation reserve (Note 31)	Retained earnings	Total	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022		**290**	**1,066,708***	**201,067***	**593,891***	**7,782***	**(141,941)***	**44,917***	**1,772,714**	**81,732**	**1,854,446**
Profit for the year		–	–	–	–	–	–	48,490	48,490	45,275	93,765
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	–	(46,659)	–	(46,659)	(12,404)	(59,063)
Total comprehensive (loss) income for the year		–	–	–	–	–	(46,659)	48,490	1,831	32,871	34,702
Disposal of subsidiaries	39	–	–	–	–	–	–	–	–	471	471
Transfer upon the forfeiture/lapse of share options	32	–	–	–	(24,273)	–	–	24,273	–	–	–
Grant fee received pursuant to share award scheme	30	4	1,210	–	–	–	–	–	1,214	–	1,214
Share award expenses	33	–	–	–	3,995	–	–	–	3,995	–	3,995
Transfer upon vesting of the share awards		–	1,852	–	(1,852)	–	–	–	–	–	–
Transfer from retained earnings		–	–	863	–	–	–	(863)	–	–	–
Capital injection from non-controlling interests		–	–	–	–	–	–	–	–	705	705
Total transactions with owners		4	3,062	863	(22,130)	–	–	23,410	5,209	1,176	6,385
At December 31, 2022		**294**	**1,069,770***	**201,930***	**571,761***	**7,782***	**(188,600)***	**116,817***	**1,779,754**	**115,779**	**1,895,533**

Consolidated Statement of Changes in Equity

Year ended December 31, 2022

		Attributable to owners of the Company									
		Share capital	Share premium (Note 31)	Statutory reserve (Note 31)	Capital reserve (Note 31)	Asset revaluation reserve (Note 31)	Exchange fluctuation reserve (Note 31)	Retained earnings	Total	Non-controlling interests	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021		290	1,066,708*	192,634*	593,840*	7,782*	(90,743)*	(39,358)*	1,731,153	106,231	1,837,384
Profit for the year		–	–	–	–	–	–	74,519	74,519	30,836	105,355
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	–	(51,198)	–	(51,198)	(37,166)	(88,364)
Total comprehensive (loss) income for the year		–	–	–	–	–	(51,198)	74,519	23,321	(6,330)	16,991
Derecognition of a subsidiary		–	–	(161)	–	–	–	–	(161)	–	(161)
Transfer upon the forfeiture of share options	32	–	–	–	(181)	–	–	181	–	–	–
Share award expenses	33	–	–	–	232	–	–	–	232	–	232
Transfer from retained earnings		–	–	8,594	–	–	–	(8,594)	–	–	–
Transfer		–	–	–	–	–	–	18,169	18,169	(18,169)	–
Total transactions with owners		–	–	8,433	51	–	–	9,756	18,240	(18,169)	71
At December 31, 2021		290	1,066,708*	201,067*	593,891*	7,782*	(141,941)*	44,917*	1,772,714	81,732	1,854,446

* These reserve accounts comprise the reserves of RMB1,779,460,000 (2021: RMB1,772,424,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**102,456**	141,169
Adjustments for:			
Depreciation		**40,596**	50,790
Amortisation		**10,007**	6,729
Share award expenses		**3,995**	232
Rehabilitation income		**(91,730)**	–
Rehabilitation cost, transferred from property and equipment		**3,466**	–
Loss on derecognition of a subsidiary		**–**	3,629
Gain on disposal of subsidiaries		**(27,740)**	–
Write-off of property and equipment		**134**	1,034
Gain on disposal of financial assets at fair value through profit or loss		**–**	(1,546)
(Reversal of impairment) Impairment of contract assets		**(2,349)**	3,515
Reversal of impairment of trade receivables		**(409)**	(11,820)
Impairment of financial assets included in prepayment, other receivables and other assets		**8,558**	22,463
Share of loss of an associate		**888**	–
Gain on transfer from inventories to investment properties		**(6,314)**	(5,857)
Changes in fair value of investment properties		**(415)**	740
Changes in fair value of financial assets at fair value through profit or loss		**54,492**	(30,953)
Dividend income from financial assets at fair value through profit or loss		**(1,518)**	(2,789)
Finance income		**(6,016)**	(6,913)
Finance costs		**11,921**	18,037
		100,022	188,460
Changes in assets and liabilities:			
Inventories		**(47,262)**	(46,526)
Contracts assets		**137,708**	131,717
Trade and bills receivables		**142,846**	143,477
Prepayments, deposits and other receivables		**(120,492)**	26,009
Amounts due from related parties		**1,872**	8,910
Pledged deposits		**(99,914)**	141,755
Trade and bills payables		**33,928**	2,837
Amounts due to related parties		**376**	2
Contract liabilities, other payables and accruals		**(66,562)**	(187,700)
Cash generated from operations		**82,522**	408,941
Interest received		**6,016**	11,423
Interest paid		**(11,921)**	(18,037)
Income tax paid		**(12,878)**	(13,880)
Net cash flows generated from operating activities		**63,739**	388,447

Consolidated Statement of Cash Flows

Year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property and equipment		**(39,884)**	(39,230)
Purchase of other intangible assets		**–**	(6)
Dividend received from investments		**1,518**	2,789
Prepayment for acquisition of unlisted investments	22	**(15,900)**	–
Prepayment for acquisition of property and equipment		**–**	(21,547)
Disposal of subsidiaries	39	**19,981**	–
Disposal of financial assets at fair value through profit or loss		**–**	19,099
Acquisition of financial assets at fair value through profit or loss		**(29,790)**	(2,297)
Net cash flows used in investing activities		**(64,075)**	(41,192)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant fee received pursuant to share award scheme	30	**1,214**	–
Proceeds from interest-bearing bank borrowings	34	**198,221**	233,899
Repayment of interest-bearing bank borrowings	34	**(219,975)**	(515,652)
Capital injection from non-controlling interests		**705**	–
Net cash flows used in financing activities		**(19,835)**	(281,753)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(20,171)**	65,502
Effect of foreign exchange rate changes, net		**(2,076)**	11,745
Cash and cash equivalents at beginning of year		**317,869**	240,622
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	**295,622**	317,869

Notes to Consolidated Financial Statements

Year ended 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..

Information about subsidiaries

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

Name	Place and date of incorporation/ registration	Place of operations	Kind of legal entity	Issued ordinary/ registered capital	Percentage of equity interest attributable to the Company indirectly	Principal activities
Zhongtian Runbang Information Technology Co., Ltd.	Mainland China December 8, 2014	Mainland China	Limited liability company	RMB50 million	100	Technology specialised services and sale of electronics
Beijing Hongrui Dake Technology Co., Ltd.	Mainland China October 17, 2014	Mainland China	Limited liability company	RMB196 million	100	Commercial properties leasing
Beijing Haotian Jiajie New Energy Co., Ltd.	Mainland China March 30, 2007	Mainland China	Limited liability company	RMB125 million	100	Communications specialised solutions and value-added operation and services
Beijing Aproud Technology Co., Ltd. ("Aproud Technology")	Mainland China February 15, 2001	Mainland China	Limited liability company	RMB280 million	100	Communications, surveillance specialised solutions and value-added operation and services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration	Place of operations	Kind of legal entity	Issued ordinary/ registered capital	Percentage of equity interest attributable to the Company indirectly	Principal activities
Beijing Zhixun Tiancheng Technology Co., Ltd.	Mainland China June 25, 2007	Mainland China	Limited liability company	RMB500 million	100	Communications specialised solutions
Jiangsu Zhongzhi Transportation Technology Co., Ltd.	Mainland China December 15, 2011	Mainland China	Limited liability company	US$30 million	100	Intelligent Transportation system service
Tibet Intelligent Aviation Transportation Technology Co., Ltd.	Mainland China June 8, 2017	Mainland China	Limited liability company	RMB10 million	100	Communications specialised solutions and value-added operation and services
Chengdu Zhongzhi Runbang Transportation Technology Co., Ltd.	Mainland China November 26, 2009	Mainland China	Limited liability company	RMB30 million	100	Communications specialised solutions and value-added operation and services
CEECGlobal Limited ("CEEC")	Hong Kong October 16, 2014	Myanmar	Limited liability company	HK$10,000	58	Sales of products and provision of specialised solutions for various segments of overseas electric power industry and communication industry
CIC Infrastructure Industry Investment Limited	Hong Kong April 23, 2012	Mainland China	Limited liability company	HK$100	58	Provision of purchasing service for inter-group company
CIC Information Technology Company Limited	Myanmar May 17, 2017	Myanmar	Limited liability company	US$550,000	58	Sales of products and provision of specialised solutions for various segments of overseas electric power industry and communication industry
Myanmar Ahlone Power Plant Company Limited	Myanmar January 17, 2020	Myanmar	Limited liability company	US$500,000	54	Power generation
Myanmar Hlawga GGE Power Plant Company Limited ("Hlawga")	Myanmar July 7, 2021	Myanmar	Limited liability company	US$500,000, of which US$200,000 was paid up	44	Power generation

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Although the Group has less than half of the ownership interests in Hlawga, the Group has determined that it has control over Hlawga because based on the agreements with the other shareholders of Hlawga, the Group has the right to appoint all of the directors of Hlawga and the other shareholders agree to act in concert with the Group in respect of the management and operating decisions of Hlawga.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. No debt securities were issued by the Company's subsidiaries.

2.1 BASIS OF PRESENTATION

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

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

2.2 CHANGES IN ACCOUNTING POLICIES

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

Amendments to IFRS16	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.

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

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.

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

Annual Improvements Project — 2018-2020 Cycle (continued)

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.

2.3 ISSUED BUT NOT EFFECTIVE IFRSs

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

Amendments to IAS 1	Disclosures of Accounting Policies [1]
Amendments to IAS 8	Definition of Accounting Estimates [1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction [1]
IFRS 17	Insurance Contracts [1]
Amendment to IFRS 17	Initial Application of IFRS 17 and IFRS 9 — Comparative Information [1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current [2]
Amendments to IAS 1	Non-current Liabilities with Covenants [2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback [2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

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

[2] Effective for annual periods beginning on or after January 1, 2024

[3] The effective date to be determined

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long-term interest of generally not less than 20% of the voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

Goodwill arising on an acquisition of an associate or a joint venture is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate or joint venture. Such goodwill is included in interests in associates or joint ventures. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for the Group's goodwill, plant and equipment and other intangible assets is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel service to the Group or to the parent of the Group.

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment and depreciation

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

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

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

Buildings	5 to 49.2 years
Power supply equipment	15 years (2nd hand)/25 years (new)
Computers and electronic equipment	3 to 5 years
Office equipment	3 to 5 years
Motor vehicles	5 years
Software	5 years
Leasehold improvements	Over the shorter of the expected life of the leasehold improvements and the lease terms

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

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

Other intangible assets (other than goodwill)

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

Research and development costs

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other intangible assets (other than goodwill) (continued)

Service concession arrangement

The Group recognises an intangible asset arising from a service concession arrangement when it has right to charge for use of the concession infrastructure. The intangible asset is measured initially at cost which comprises of the fair value of the fixed payment made/payable and services and goods provided to the grantor and other directly attributable expenditure. An intangible asset received as consideration for providing construction, upgrade or rehabilitation services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided.

Subsequent expenditure on the concession infrastructure is capitalised only when it increases the future economic benefits embodied in the specific intangible asset to which it relates. All other expenditure is recognised in profit or loss as the obligation falls due. Amortisation is calculated to write off the cost of the intangible asset using the straight-line method over the concession period of 10 years.

Customer relationships and non-compete agreements

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

Amortisation methods, useful lives and residual values, if any, are reviewed at each reporting date and adjusted if appropriate.

Leases

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

As lessee

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

As lessee (continued)

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

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

As lessor

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

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

As lessor — operating lease

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

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

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

Impairment of financial assets

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

General approach

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

The Group considers a financial asset in default when internal or external information indicates that the debtor is unlikely to pay its creditors, including the Group, in full before taking into account any credit enhancements held by the Group or there is a breach of financial covenants by the counterparty as historical experience indicates that the Group may not receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

General approach (continued)

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at amortised cost

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

(a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries and associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

(a) when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) Products and specialised solution business

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) Maintenance services

The Group provides maintenance services to its specialised solution customers.

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

(c) Power supply

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

(d) Service concession arrangement

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

Revenue from provision of electricity under service concession arrangement for Hlawga Power Plant is recognised over time when electricity is supplied to EPGE based on the monthly power meter readings.

Revenue from other sources

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

Other income

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

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

Contract assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract liabilities

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

Contract costs

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

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

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

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

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

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The assets of the scheme are held separately from that of the Group in an independently administered fund. These subsidiaries are required to contribute 16% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

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

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

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The Company's executive directors who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the CODM that make strategic decisions.

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue from contracts with customers

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

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

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

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

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

Deferred taxation on investment property

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of goodwill

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

Provision for expected credit losses on trade receivables and contract assets

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

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

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

Loss allowance for other financial assets

The Group's management estimates the loss allowance for financial assets included in prepayments, other receivables and other assets by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of financial assets included in prepayments, other receivables and other assets. Details of the key assumption and inputs used in estimating ECL are set out in note 43 to the consolidated financial statements.

Percentage of completion of products and specialised solutions

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Current income tax and deferred income tax

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

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

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..

4. OPERATING SEGMENT INFORMATION (continued)

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

Year ended December 31, 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 a subsidiary			**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**

4. OPERATING SEGMENT INFORMATION (continued)

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.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

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

(b) Non-current assets

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

(i) Disaggregated revenue information

Year ended December 31, 2022	Railway business RMB'000	Electric power business RMB'000	Total RMB'000
Type of goods or services			
Sale of products and provision of specialised solutions	**372,361**	**–**	**372,361**
Maintenance services	**27,273**	**9,013**	**36,286**
Rehabilitation services under a service concession arrangement	**–**	**91,730**	**91,730**
Power supply	**–**	**214,047**	**214,047**
Total revenue from contracts with customers	**399,634**	**314,790**	**714,424**
Geographical markets			
Mainland China	**399,634**	**–**	**399,634**
Overseas	**–**	**314,790**	**314,790**
Total revenue from contracts with customers	**399,634**	**314,790**	**714,424**
Timing of revenue recognition			
Goods and services transferred at a point in time	**91,495**	**–**	**91,495**
Goods and services transferred over time	**308,139**	**314,790**	**622,929**
Total revenue from contracts with customers	**399,634**	**314,790**	**714,424**

5. REVENUE (continued)

(i) Disaggregated revenue information (continued)

Year ended December 31, 2021	Railway business RMB'000	Electric power business RMB'000	Total RMB'000
Type of goods or services			
Sale of products and provision of specialised solutions	481,011	463	481,474
Maintenance services	70,260	–	70,260
Power supply	–	188,559	188,559
Total revenue from contracts with customers	551,271	189,022	740,293
Geographical markets			
Mainland China	535,021	–	535,021
Overseas	16,250	189,022	205,272
Total revenue from contracts with customers	551,271	189,022	740,293
Timing of revenue recognition			
Goods and services transferred at a point in time	39,634	–	39,634
Goods and services transferred over time	511,637	189,022	700,659
Total revenue from contracts with customers	551,271	189,022	740,293

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

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products and provision of specialised solutions	**146,652**	112,882
Maintenance services	**696**	7,681
	147,348	120,563
Revenue recognised from performance obligations satisfied in previous periods:		
Gross margin not previously recognised due to the contracts not signed	**2,819**	216

5. REVENUE (continued)

(ii) Performance obligations

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2022 are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**304,762**	557,044
More than one year	**290,215**	172,087
	594,977	729,131

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

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 (note 15)	**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 (note 39)	**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 (note 15)	**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. PROFIT BEFORE TAX

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

	2022 RMB'000	2021 RMB'000
Cost of inventories	**311,908**	426,240
Depreciation (note 14)	**40,596**	50,790
Amortisation of other intangible assets (note 17), included in cost of revenue	**3,747**	–
Amortisation of other intangible assets (note 17), included in selling, distribution and administrative expenses	**6,260**	6,729
	50,603	57,519
Staff costs (including directors' remuneration)		
Wages and salaries	**41,835**	40,516
Pension scheme contributions (defined contribution scheme)	**4,766**	4,733
Social insurance costs and staff welfare	**2,897**	2,883
Equity-settled share-based payment expenses	**3,995**	232
	53,493	48,364
Lease payments		
Short-term leases	**3,898**	4,904
Impairment (Reversal of impairment) of financial and contract assets, net		
Contract assets (note 23)	**(2,349)**	3,515
Trade receivables (note 21)	**(409)**	(11,820)
Financial assets included in prepayments, other receivables and other assets (note 22)	**8,558**	22,463
	5,800	14,158
Auditors' remuneration	**3,106**	3,425
Changes in fair value of investment properties (note 15)	**(415)**	740
Changes in fair value of financial assets at fair value through profit or loss, net	**54,492**	(30,953)
Direct operating expenses of investment properties	**687**	1,566
Rental income	**(19,635)**	(15,852)
Gain on disposal of subsidiaries (note 39)	**(27,740)**	–
Loss on derecognition of a subsidiary	**–**	3,629
Gain on disposal of financial assets at fair value through profit or loss	**–**	(1,546)
Research and development cost, included in selling, distribution and administrative expenses	**21,432**	27,159
Write-off of property and equipment	**134**	1,034
Exchange losses	**16,556**	8,193
Dividend income from financial assets at fair value through profit or loss	**(1,518)**	(2,789)

8. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on bank borrowings	**11,921**	18,037

9. DIRECTORS' REMUNERATION

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

	2022 RMB'000	2021 RMB'000
Fees	**1,484**	1,397
Other emoluments:		
Salaries, allowances and benefits in kind	**2,390**	2,307
Pension scheme contributions	**58**	53
	2,448	2,360
	3,932	3,757

During the year, no payments were made by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil). In addition, none of the directors of the Company waived their remuneration during the year (2021: none).

9. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

	2022 RMB'000	2021 RMB'000
Mr. Zhou Jianmin	**197**	185
Mr. Ye Zhou	**197**	185
Mr. Wang Dong	**197**	185
	591	555

(b) Executive directors

2022	**Fees RMB'000**	**Salaries, allowances and benefits in kind RMB'000**	**Pension scheme contributions RMB'000**	**Total RMB'000**
Mr. Jiang Hailin	**893**	**791**	**58**	**1,742**
Mr. Liao Jie	**–**	**1,599**	**–**	**1,599**
	893	**2,390**	**58**	**3,341**

2021	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Mr. Jiang Hailin	842	800	53	1,695
Mr. Liao Jie	–	1,507	–	1,507
	842	2,307	53	3,202

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2021: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2021: three) non-director highest paid employees for the year are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**2,260**	1,932
Pension scheme contributions	**167**	149
Equity-settled share-based payment expenses	**3,995**	232
	6,422	2,313

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

	Number of employees **2022**	2021
Nil to HK$1,000,000 (equivalent to RMB841,600)	**1**	2
HK$1,000,001 (equivalent to RMB841,601) to HK$1,500,000 (equivalent to RMB1,262,400)	**–**	1
HK$2,000,001 (equivalent to RMB1,683,202) to HK$2,500,000 (equivalent to RMB2,104,000)	**1**	–
HK$4,500,001 (equivalent to RMB3,787,205) to HK$5,000,000 (equivalent to RMB4,208,005)	**1**	–

During the year, no payments were made by the Group to the non-director highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil). In addition, none of the non-director highest paid employees of the Group waived their remuneration during the year (2021: none).

11. INCOME TAX

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

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

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.

11. INCOME TAX (continued)

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 (2021: nil) 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 (the "Unremitted earnings") because in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at December 31, 2022, the amount of the Unremitted earnings was around RMB673 million (2021: RMB730 million).

The major components of income tax expense are as follows:

	2022 RMB'000	2021 RMB'000
Current tax:		
PRC Enterprise Income Tax		
— Provision for the year	**3,945**	12,769
— Under-provision in prior years	**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 (note 29)	**(7,520)**	4,580
Income tax expense	**8,691**	35,814

11. INCOME TAX (continued)

Reconciliation of income tax expense

	2022 RMB'000	2021 RMB'000
Profit before tax	**102,456**	141,169
Income tax at applicable tax rate	**13,271**	26,608
Preferential tax rate entitled by certain subsidiaries	**4,571**	(4,983)
Income not taxable for tax	**(43,729)**	(34,622)
Expenses not deductible for tax	**15,852**	25,577
Under-provision in prior years	**25**	2,105
Unrecognised temporary differences	**3,417**	23,966
Recognition of previously unrecognised temporary differences	**–**	(3,172)
Loss attributable to an associate	**(222)**	–
Utilisation of previously unrecognised tax losses	**(327)**	(2,166)
Myanmar withholding tax	**5,179**	1,948
Tax losses not recognised	**10,654**	553
Income tax expense	**8,691**	35,814

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

12. DIVIDENDS

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

13. 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.

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

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 (note 33)	**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.

14. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Power supply equipment RMB'000	Computers and electronic equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Software RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Reconciliation of carrying amount — Year ended December 31, 2022									
At January 1, 2022	**263,788**	**239,069**	**531**	**2,276**	**1,037**	**–**	**2,481**	**2,617**	**511,799**
Additions	**2,026**	**55,437**	**397**	**154**	**1,717**	**–**	**277**	**849**	**60,857**
Transfer to profit or loss as rehabilitation cost	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,466)**	**(3,466)**
Written off	**–**	**–**	**(134)**	**–**	**–**	**–**	**–**	**–**	**(134)**
Disposal of subsidiaries (note 39)	**(2,977)**	**–**	**(19)**	**(10)**	**(11)**	**–**	**–**	**–**	**(3,017)**
Depreciation	**(16,560)**	**(21,497)**	**(298)**	**(914)**	**(784)**	**–**	**(543)**	**–**	**(40,596)**
Exchange realignment	**(1,519)**	**(21,615)**	**(44)**	**(90)**	**(558)**	**–**	**–**	**–**	**(23,826)**
At December 31, 2022	**244,758**	**251,394**	**433**	**1,416**	**1,401**	**–**	**2,215**	**–**	**501,617**
Reconciliation of carrying amount — Year ended December 31, 2021									
At January 1, 2021	292,196	324,372	1,287	2,874	674	66	3,033	–	624,502
Additions	4,430	30,525	153	445	1,032	28	–	2,617	39,230
Written off	–	–	(399)	(160)	(32)	(22)	(421)	–	(1,034)
Depreciation	(21,443)	(27,232)	(510)	(873)	(529)	(72)	(131)	–	(50,790)
Exchange realignment	(11,395)	(88,596)	–	(10)	(108)	–	–	–	(100,109)
At December 31, 2021	263,788	239,069	531	2,276	1,037	–	2,481	2,617	511,799

14. PROPERTY AND EQUIPMENT (continued)

	Building RMB'000	Power supply equipment RMB'000	Computers and electronic equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Software RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At December 31, 2022									
At cost	**318,092**	**294,101**	**3,835**	**6,182**	**11,288**	**738**	**4,301**	**–**	**638,537**
Accumulated depreciation and impairment	**(73,334)**	**(42,707)**	**(3,402)**	**(4,766)**	**(9,887)**	**(738)**	**(2,086)**	**–**	**(136,920)**
	244,758	**251,394**	**433**	**1,416**	**1,401**	**–**	**2,215**	**–**	**501,617**
At December 31, 2021									
At cost	319,843	263,602	10,375	6,256	10,865	744	4,023	2,617	618,325
Accumulated depreciation and impairment	(56,055)	(24,533)	(9,844)	(3,980)	(9,828)	(744)	(1,542)	–	(106,526)
	263,788	239,069	531	2,276	1,037	–	2,481	2,617	511,799

The Group's buildings comprised a building situated on leasehold land in Mainland China with lease term of 45 years and a building situated in Myanmar for power generation with operating right granted by the Myanmar government expiring in January 2026.

15. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
Carrying amount at January 1	**92,252**	73,260
Transfer from inventories	**14,865**	13,875
Net gain from fair value adjustment	**6,729**	5,117
Disposal of subsidiaries (note 39)	**(42,696)**	–
Carrying amount at December 31	**71,150**	92,252

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

The Group's investment properties were revalued by Savills Valuation and Professional Services Limited, an independent firm of professional valuer, on December 31, 2022 at RMB71,150,000 (2021: RMB92,252,000). Each year, when the Group decides to appoint an external valuer for the valuation of the Group's investment properties, selection criteria including market knowledge, reputation, independence and whether professional standards are maintained have been considered. The management of the Group has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting purpose.

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

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

	Fair value measurement at December 31, 2022 using			
	Quoted prices in active market (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**71,150**	**71,150**

	Fair value measurement at December 31, 2021 using			
	Quoted prices in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	92,252	92,252

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

15. INVESTMENT PROPERTIES (continued)

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

	2022 **RMB'000**	2021 RMB'000
At January 1	**92,252**	73,260
Transfer from inventories	**14,865**	13,875
Gain on transfer from inventories to investment properties in "other income and gains" (note 6)	**6,314**	5,857
Changes in fair value recognised in "other income and gains" (2021: "selling, distribution and administrative expenses") (note 7)	**415**	(740)
Disposal of subsidiaries (note 39)	**(42,696)**	–
At December 31	**71,150**	92,252

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

Valuation Technique	**Significant unobservable inputs**	**Weighted average** **2022**	2021
Income approach	Estimated rental value (per sq.m. and per month)	**RMB347**	RMB307–RMB401/ RMB33–RMB44
	Capitalisation rate	**7.64%**	6.5%/6.0%

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

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

16. GOODWILL

	2022 RMB'000	2021 RMB'000
At January 1 and December 31	**123,759**	123,759

Impairment testing of goodwill

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

- Aproud subgroup
- CEEC subgroup

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

	2022 RMB'000	2021 RMB'000
Aproud subgroup	**77,348**	77,348
CEEC subgroup	**46,411**	46,411
	123,759	123,759

Aproud subgroup

Aproud Technology and its subsidiaries (collectively "Aproud subgroup") are principally engaged in sale of communication products and specialised solutions in the railway business. The Group has engaged an independent professional valuer to assess the recoverable amount of Aproud subgroup as at December 31, 2022. The recoverable amount of Aproud subgroup has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 10.2% (2021: 10.9%). The cash flows beyond the five-year period are extrapolated using zero growth rate (2021: 0%).

16. GOODWILL (continued)

CEEC subgroup

CEEC and its subsidiaries (collectively "CEEC subgroup") are primarily engaged in investment, sales of equipment and provision of specialised solutions for various segments of electric power industry and power generation in Southeast Asia and Myanmar. The recoverable amount of CEEC subgroup has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 18.8% (2021: 16.5%). The growth rate used to extrapolate the cash flows beyond the five-year period is 0% (2021: 0%).

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

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

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

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

At the end of the reporting period, the Group assessed the recoverable amount of goodwill for Aproud subgroup and CEEC subgroup, with a result that no impairment loss was necessary for the year ended December 31, 2022 (2021: Nil).

The management considers that any reasonably possible change of the key assumptions on an individual basis would not cause additional impairment loss on goodwill allocated to Aproud subgroup/CEEC subgroup.

17. OTHER INTANGIBLE ASSETS

	Service concession arrangement RMB'000	Deferred development cost and software RMB'000	Customer relationships and non-compete agreements RMB'000	Total RMB'000
Reconciliation of carrying amount				
Year ended December 31, 2022				
At January 1, 2022	**–**	**4,102**	**20,448**	**24,550**
Additions	**91,730**	**–**	**–**	**91,730**
Amortisation	**(3,747)**	**(94)**	**(6,166)**	**(10,007)**
At December 31, 2022	**87,983**	**4,008**	**14,282**	**106,273**
Reconciliation of carrying amount				
Year ended December 31, 2021				
At January 1, 2021	–	4,660	26,613	31,273
Additions	–	6	–	6
Amortisation	–	(564)	(6,165)	(6,729)
At December 31, 2021	–	4,102	20,448	24,550
At December 31, 2022				
Cost	**91,730**	**17,910**	**36,376**	**146,016**
Accumulated amortisation and impairment	**(3,747)**	**(13,902)**	**(22,094)**	**(39,743)**
	87,983	**4,008**	**14,282**	**106,273**
At December 31, 2021				
Cost	–	18,785	36,376	55,161
Accumulated amortisation and impairment	–	(14,683)	(15,928)	(30,611)
	–	4,102	20,448	24,550

17. OTHER INTANGIBLE ASSETS (continued)

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.

18. MATERIAL NON-CONTROLLING INTERESTS

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

(a) CIC Infrastructure Industry Investment Limited

	2022	2021
Percentage of equity interest held by NCI	**42%**	42%

	RMB'000	RMB'000
Current assets	**580,915**	485,532
Current liabilities	**(354,593)**	(323,285)
Net assets	**226,322**	162,247
Carrying amount of NCI	**95,055**	68,144
Revenue, other income and gains	**80,368**	23,463
Costs, expenses and tax	**(29,231)**	(608)
Profit for the year	**51,137**	22,855
Other comprehensive income	**12,938**	12,713
Total comprehensive income	**64,075**	35,568
Profit for the year attributable to NCI	**21,477**	9,599
Total comprehensive income for the year attributable to NCI	**26,911**	14,939
Dividends paid to NCI	**–**	–
Net cash flows from:		
Operating activities	**14,346**	220
Investing activities	**–**	–
Financing activities	**–**	–

18. MATERIAL NON-CONTROLLING INTERESTS (continued)

(b) CEEC sub-group

	2022	2021
Percentage of equity interest held by NCI	**42%**	42%
	RMB'000	RMB'000
Current assets	**285,998**	160,351
Non-current assets	**412,489**	401,189
Current liabilities	**(657,642)**	(524,465)
Net assets	**40,845**	37,075
NCI within CEEC subgroup	**10,225**	3,771
Net assets attributable to owners of CEEC	**51,070**	40,846
Carrying amount of NCI	**21,449**	17,155
Revenue, other income and gains	**209,825**	189,023
Costs, expenses and tax	**(173,963)**	(132,723)
Profit for the year	**35,862**	56,300
NCI within CEEC subgroup	**5,565**	7,426
Profit for the year attributable to owners of CEEC	**41,427**	63,726
Profit for the year attributable to NCI	**17,399**	26,765
Other comprehensive loss	**(32,092)**	(145,159)
Adjustments for intragroup transaction	**–**	39,498
Total comprehensive income (loss)	**3,770**	(41,935)
NCI within CEEC subgroup	**6,454**	–
Profit for the year attributable to owners of CEEC	**10,224**	(41,935)
Total comprehensive income for the year attributable to NCI	**4,294**	(17,613)
Dividends paid to NCI	**–**	–
Net cash flows from (used in):		
Operating activities	**15,648**	102,106
Investing activities	**(55,006)**	(46,602)
Financing activities	**126,680**	(55,721)

18. MATERIAL NON-CONTROLLING INTERESTS (continued)

(c) Hlawga

	2022
Percentage of equity interest held by NCI	**55.55%**
Percentage of voting rights held by NCI (note 1)	**0%**

	RMB'000
Current assets	**29,815**
Non-current assets	**88,234**
Current liabilities	**(102,513)**
Net assets	**15,536**
Carrying amount of NCI	**8,630**
Revenue, other income and gains	**121,197**
Costs, expenses and tax	**(100,010)**
Profit for the year	**21,187**
Other comprehensive loss	**(6,919)**
Total comprehensive income	**14,268**
Profit for the year attributable to NCI	**11,769**
Total comprehensive income for the year attributable to NCI	**7,926**
Dividends paid to NCI	**–**
Net cash flows from (used in):	
Operating activities	**(12,678)**
Investing activities	**(89,390)**
Financing activities	**102,761**

19. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Unlisted shares, at cost	**1,000**	3,530
Addition (Fair value of the investment retained (note 39))	**55,922**	–
Share of results	**(888)**	–
Written off	**(1,000)**	–
Impairment losses	**–**	(2,530)
	55,034	1,000

Details of the material associate at the end of the reporting period are as follows:

Name of associate	Principal place of business and place of incorporation	Class of shares held	Proportion of value of issued/registered capital held by the Company — indirectly	Principal activities
Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd. (Note 39)	Mainland China	Issued capital	49%	Business of real estate development, industrial park operation and real estate sales

19. INVESTMENTS IN ASSOCIATES (continued)

Financial information of individually material associate

Summarised financial information of JZR IOT is set out below, which represents amounts shown in JZR IOT's financial statements prepared in accordance with IFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

At December 31, 2022	RMB'000
Gross amount	
Current assets	**293,542**
Non-current assets	**47,069**
Current liabilities	**(206,268)***
Non-current liabilities	**(22,029)**
Equity	**112,314**
Reconciliation	
Gross amount of equity	**112,314**
Group's ownership interests	**49%**
Group's share of equity	**55,034**

Year ended December 31, 2022	RMB'000
Gross amount (post acquisition)	
Revenue	–
Loss for the period	**(1,812)**
Other comprehensive income	–
Total comprehensive income	**(1,812)**
Dividends received from JZR IOT	–

* Included in the balance was a bank loan in the amount of RMB35,000,000 which was guaranteed by the Group to the portion of its interest (i.e. 49%) in JZR IOT. The bank loan was fully repaid in January 2023.

20. INVENTORIES

	2022 RMB'000	2021 RMB'000
Completed properties	–	175,687
Materials, parts and equipment	276,384	229,320
	276,384	405,007

21. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 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.

During the year, the Group discounted bills receivable to banks in exchange for cash with recourse in the ordinary course of business. The Group continues to recognise the full carrying amount of bills receivable and has recognised the cash received as secured bank borrowings and included in note 28 to the consolidated financial statements. At the end of the reporting period, the carrying amount of discounted bills receivable is RMB35,000,000 (2021: RMB56,890,000). The carrying amount of the associated liability is RMB35,000,000 (2021: RMB56,890,000).

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.

21. 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:

	2022 RMB'000	2021 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 RMB'000	2021 RMB'000
At January 1	**75,496**	87,384
Reversal of impairment (note 7)	**(409)**	(11,820)
Disposal of subsidiaries (note 39)	**(464)**	–
Written off	**(655)**	(68)
At December 31	**73,968**	75,496

21. TRADE AND BILLS RECEIVABLES (continued)

Impairment (continued)

The breakdown of the loss allowance is as follows:

	Expected credit losses			
At December 31, 2022	**Credit-Impaired RMB'000**	**Aproud Technology RMB'000**	**Entities other than Aproud Technology RMB'000**	**Total 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 RMB'000	Aproud Technology RMB'000	Entities other than Aproud Technology RMB'000	Total 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.

21. TRADE AND BILLS RECEIVABLES (continued)

Impairment (continued)

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	**32.72%**	**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

21. TRADE AND BILLS RECEIVABLES (continued)

Impairment (continued)

Entities other than Aproud Technology

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

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

At December 31, 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).

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Prepayments to suppliers for purchases of goods (net of loss allowance of RMB2,940,000 (2021: RMB6,914,000))	**236,950**	211,166
Prepayment for acquisition of unlisted equity investments (Note a)	**15,900**	–
Loan receivables (Note b) (net of loss allowance of RMB5,000,000 (2021: RMB4,869,000))	**92,578**	66,840
Tender deposits (net of loss allowance of nil (2021: RMB5,000,000))	**11,004**	12,250
Contract deposits	**5,347**	11,986
Advances to staff (net of loss allowance of RMB2,664,000 (2021: RMB2,664,000))	**12,012**	19,462
Interest receivable	**3,531**	5,611
Guarantee deposit	**–**	19,878
Consideration receivable for disposal of subsidiaries (note 39)	**37,479**	–
Tax refundable for export sale (of machinery)	**15,600**	15,600
Others (net of loss allowance of RMB68,262,000 (2021: RMB60,644,000))	**53,756**	50,222
	484,157	413,015
Less: Loan receivables — non-current (Note b)	**–**	30,000
Prepayment for acquisition of investments	**15,900**	–
Guarantee deposit — non-current	**–**	720
	468,257	382,295

Notes:

a. During the year, the Group entered into two investment agreements for the investments in unlisted equity and unlisted mutual funds respectively, details as below:

In December 2022, the Group entered into an investment agreement with several third parties to invest into a newly established private company in the PRC ("Target Company"). The Group will invest RMB7.5 million in the Target Company in exchange for 5.71% of the equity interest of the Target Company. The Group made the investment payment to the Target Company in December 2022 but it was still not a registered equity holder and not entitled to the rights and benefits of ownership of the equity interest of the Target Company as at December 31, 2022 until the completion of the official business registration procedures in early 2023, as stipulated in the investment agreement.

In December 2022, the Group entered into an investment agreement with a fund administrator pursuant to which the Group is committed to invest RMB8.4 million into a private equity fund (the "Fund") in exchange for 2.2105% share of the Fund's net assets. The Group made the investment payment of RMB8.4 million in December 2022. Pursuant to the agreement, the Group's entitlement will be effective on January 1, 2023.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes: (continued)

b. The balance comprises:

(i) Loan of RMB30,000,000 (2021: RMB30,000,000) to an independent third party which is repayable in July 2023, bears interest at a rate of 8% per annum and is secured by the pledge of the shares of Forever Opensource Software Inc. ("Forever Opensource");

(ii) Loan of RMB9,000,000 (2021: RMB12,600,000) to an independent third party which is repayable on demand (2021: repayable in 2022), bears interest at a rate of 10% per annum and is secured by the pledge of land use right and properties;

(iii) Loans of RMB8,910,000 (2021: RMB9,563,000) to independent third parties which bear interest at rates ranging from 7% to 8% per annum and are secured by personal guarantees; and

(iv) Unsecured loans of RMB49,668,000 (2021: RMB17,194,000) to independent third parties which are interest-free and repayable in 2023 (2021: 2022).

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

	2022 RMB'000	2021 RMB'000
At January 1	**80,091**	63,613
Impairment (note 7)	**8,558**	22,463
Written off	**(6,238)**	(5,985)
Disposal of subsidiaries (note 39)	**(3,545)**	–
At December 31	**78,866**	80,091

Financial assets included in prepayments, deposits and other receivables mainly represent contract deposits, tender deposits with customers, loan receivables and advances to staff. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of the counterparty and the historical loss record of the Group. The write-off was due to long outstanding of the balances and lost contact of the counterparties.

As at December 31, 2022 the Group performed impairment assessment on other receivables from various parties based on 12-month or lifetime ECL based on the assessed credit risk. As a result, the Group provided for a loss allowance amounting to RMB8,558,000 (2021: RMB22,463,000) in the current year.

23. CONTRACT ASSETS

	2022 RMB'000	2021 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 RMB'000	2021 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 RMB'000	2021 RMB'000
At January 1	**31,365**	27,850
(Reversal of impairment) Impairment (note 7)	**(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.

23. CONTRACT ASSETS (continued)

Impairment

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

At December 31, 2022	Credit-impaired RMB'000	Expected credit losses Aproud Technology RMB'000	Entities other than Aproud Technology RMB'000	Total 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%**

At December 31, 2021	Credit-impaired RMB'000	Expected credit losses Aproud Technology RMB'000	Entities other than Aproud Technology RMB'000	Total 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%

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 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

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**295,622**	317,869
Pledged or fixed deposits		
— Current deposits	**130,183**	30,269
	425,805	348,138
Less: Pledged and fixed deposits with/for		
— Maturity over 3 months	**(52,800)**	(5,500)
— Letter of guarantee for projects	**(5,559)**	(20,917)
— Bills payables	**(35,000)**	–
— Interest-bearing bank borrowings (note 28)	**(10,000)**	–
— Tenders	**(26,002)**	(454)
— Restricted cash	**(622)**	(341)
— Frozen under jurisdictional actions	**(200)**	(3,057)
Cash and cash equivalents	**295,622**	317,869

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

The cash and bank balances and pledged or fixed deposits of the Group denominated in RMB amounted to RMB307,481,000 in Mainland China as at December 31, 2022 (2021: RMB335,712,000). In Mainland China, RMB is not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. TRADE AND BILLS PAYABLES

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

	2022 **RMB'000**	2021 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.

27. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2022 **RMB'000**	2021 RMB'000
Contract liabilities (a)	**202,259**	285,829
Business advance deposits	**9,457**	50,346
Staff costs and welfare accruals	**14,569**	19,083
Other borrowings (b)	**9,578**	29,445
Other taxes payable	**35,847**	65,340
Accrued purchases	**6,547**	21,443
Others (b)	**37,110**	29,529
	315,367	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 in 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 year.

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

28. INTEREST-BEARING BANK BORROWINGS

	2022 Effective interest rate %	2022 RMB'000	2021 Effective interest rate %	2021 RMB'000
Current				
Short term bank loans — secured	**PBOC LPR-0.62/ PBOC LPR/ 10.0**	**207,206**	115% of PBOC LPR/ 3.5-5.8	216,109
Factoring loan	**3.65**	**4,221**		–
Bills receivable discounted or endorsed	**0-1.69**	**37,032**	0-5.9	63,604
		248,459		279,713
Non-current				
Long term bank loans — secured	**–**	**–**	115% of PBOC LPR	35,000
		–		35,000
		248,459		314,713

Analysed into:	**2022 RMB'000**	2021 RMB'000
Bank loans repayable:		
Within 1 year or on demand	**248,459**	279,713
After 1 year but within 2 years	**–**	22,500
After 2 years but within 5 years	**–**	12,500
	248,459	314,713

Notes:

(i) Current bank loans of RMB150.0 million as at December 31, 2022 (2021: RMB105.0 million) were secured by buildings of the Group with a carrying amount of RMB196.6 million (2021: RMB200.4 million), trade receivables of RMB150.0 million (2020: RMB151.0 million) and guaranteed by Jiang Hailin and Liao Jie.

(ii) Current bank loan of RMB9.0 million (2021: nil) was secured by a bank deposit of RMB10 million (2021: nil).

(iii) Bills receivable discounted or endorsed was guaranteed by Jiang Hailin and corporate guarantee of a subsidiary of the Company.

(iv) Current bank loan of RMB48.2 million (2021: nil) was secured by assignment of a subsidiary's rights to payment and any other receivable under Power Purchase Agreement ("PPA") dated on May 12, 2020, machinery and equipment of the Group with a carrying amount of RMB251.4 million and corporate guarantee of a subsidiary of the Group were charged at fixed interest rates at 10% per annum. The bank loan contains a repayment on demand clause, the loan was classified as current liability.

(v) Factoring loan was secured by a corporate guarantee of a subsidiary of the Company and the accounts receivable of RMB4.3 million.

As at December 31, 2022, the Group's bank loans charged at a fixed rate, floating interest rate at loan prime rate (1 year) set by the People's Bank of China ("PBOC LPR"), PBOC LPR less 62 basis point and 115% of PBOC LPR were RMB48.2 million (2021: RMB107.0 million), RMB109.0 million (2021: nil), RMB50.0 million (2021: nil) and nil (2021: RMB54.0 million) respectively.

29. DEFERRED TAX

The movements in deferred tax assets and liabilities for the year are as follows:

	Assets		Liabilities	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
At January 1	**17,022**	18,091	**26,385**	22,874
Charged/credited to profit or loss	**3,625**	(1,069)	**(3,895)**	3,511
Disposal of subsidiaries	**(2,371)**	–	**(2,371)**	–
Offsetting	**(18,276)**	(17,022)	**(18,276)**	(17,022)
At December 31	**–**	–	**1,843**	9,363

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accrued charges	**577**	501	**–**	–
Fair value adjustment on investment properties	**–**	–	**13,712**	15,876
Fair value adjustment on financial assets at fair value through profit or loss	**4,181**	570	**–**	3,619
Impairment of trade and bills receivables and contract assets	**441**	1,104	**–**	–
Recognition of revenue	**13,077**	12,617	**6,407**	6,890
Tax losses	**–**	2,230	**–**	–
	18,276	17,022	**20,119**	26,385
Offsetting	**(18,276)**	(17,022)	**(18,276)**	(17,022)
Deferred tax liabilities, net	**–**	–	**1,843**	9,363

29. DEFERRED TAX (continued)

Unrecognised deferred tax assets arising from:

	2022 RMB'000	2021 RMB'000
Before multiplied by the applicable tax rates:		
Deductible temporary differences	**109,252**	236,700
Tax losses	**54,440**	53,779
	163,692	290,479

The Group has tax losses of RMB12,923,000 and RMB41,517,000 arising in Mainland China (2021: RMB53,779,000) and Myanmar (2021: Nil) respectively that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in loss-generating subsidiaries and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

30. SHARE CAPITAL

	2022 HK$'000	2021 HK$'000
Authorised		
1,900,000,000 ordinary shares of HK$0.0002 each	**380**	380

Issued and fully paid (ordinary shares of HK$0.0002 each):	2022 No. of shares	 RMB'000	2021 No. of shares	 RMB'000
At January 1	**1,654,024,868**	**290**	1,654,024,868	290
New shares issued (a)	**21,833,128**	**4**	–	–
At December 31	**1,675,857,996**	**294**	1,654,024,868	290

(a) On June 30, 2022, the Company issued 21,833,128 ordinary shares to two connected award participants pursuant to the Share Award Scheme (note 33) and received a total grant fee of HK$1,419,000 (or RMB1,214,000) for the shares awarded.

31. RESERVES

Share premium

The balance of share premium represented the difference between the subscription price and nominal value of the Company's ordinary shares upon the Company issuing shares at a premium, less subsequent distributions.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

Statutory reserve

According to the PRC Company Law, subsidiaries of the Company in Mainland China are required to transfer 10% of their respective after-tax profits, calculated in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that the fund is maintained at a minimum level of 25% of the registered capital.

Capital reserve

The capital reserve of the Group consists of: (i) reserves arising from the reorganisation before the listing of the Company on the Stock Exchange; (ii) reserves arising from the share options and share awards granted by China ITS Co., Ltd. and the Company as set out in notes 32 and 33 to the consolidated financial statements; (iii) capitalised retained earnings to the capital of certain subsidiaries; and (iv) the difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received, on changes in the Group's interests in subsidiaries that do not result in the Group losing control.

Asset revaluation reserve

The balance represented the asset revaluation reserve of the Group's buildings included in property and equipment upon the transfer to investment properties in prior years.

Exchange fluctuation reserve

This reserve is dealt with in accordance with the accounting policies as set out in note 2.4 to the consolidated financial statements.

32. SHARE OPTION SCHEME

The Company conditionally adopted the share option scheme on June 18, 2010 and the share option scheme became effective as at the date of listing of the Company on July 15, 2010 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The board of directors may, at its absolute discretion, offer an option to eligible participants to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The total number of shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue.

On January 18, 2012, the board of directors resolved to grant share options under the Share Option Scheme to 191 grantees, which included executive directors, independent non-executive directors and certain employees of the Group to subscribe for an aggregate of 155,000,000 ordinary shares. A total of 155,000,000 share options would be vested over twelve quarterly installments from three months after the grant date provided these grantees remain in service at the respective vesting dates. The exercise price is HK$1.05 per share. There are no cash settlement alternatives.

The following share options were outstanding under the Share Option Scheme during the year:

	2022		2021	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At January 1	**1.05**	**60,064**	1.05	60,528
Forfeited/Lapsed during the year	**1.05**	**(60,064)**	1.05	(464)
At December 31	**–**	**–**	1.05	60,064

32. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Batches	Number of Options 2022 '000	2021 '000	Exercise Price HK$ per share	Exercise period
Batch 1	–	2,736	1.05	April 19, 2012 to January 18, 2022
Batch 2	–	2,736	1.05	July 19, 2012 to January 18, 2022
Batch 3	–	2,736	1.05	October 19, 2012 to January 18, 2022
Batch 4	–	2,736	1.05	January 19, 2013 to January 18, 2022
Batch 5	–	5,003	1.05	April 19, 2013 to January 18, 2022
Batch 6	–	5,003	1.05	July 19, 2013 to January 18, 2022
Batch 7	–	5,003	1.05	October 19, 2013 to January 18, 2022
Batch 8	–	5,003	1.05	January 19, 2014 to January 18, 2022
Batch 9	–	7,271	1.05	April 19, 2014 to January 18, 2022
Batch 10	–	7,271	1.05	July 19, 2014 to January 18, 2022
Batch 11	–	7,271	1.05	October 19, 2014 to January 18, 2022
Batch 12	–	7,295	1.05	January 19, 2015 to January 18, 2022
	–	60,064		

* The expiry date of these share options shall be the earlier of: (a) the date on which the share option is forfeited in accordance with the share option scheme and (b) the date falling ten years from the date of acceptance by the grantee.

All (2021: 464,000) share options were forfeited/lapsed during the year which resulted in the transfer from capital reserve to retained earnings amounting to RMB24,273,000 (2021: RMB181,000).

33. SHARE AWARD SCHEME

The Company adopted the share award scheme (the "Share Award Scheme") on September 16, 2021. The purposes of the Share Award Scheme are to recognise the contributions of eligible participants and to retain and motivate them to strive for the future development and expansion of the Group. The board of directors may from time to time at its absolute discretion select any eligible participants for participation in the Share Award Scheme and determine the number of awarded shares to be granted. The board of directors is entitled to impose any condition as it deems appropriate with respect to the entitlement of the selected participant to the awarded shares, provided that such condition is communicated to such selected participant at the same time as he/she is notified of his/her award.

The Share Award Scheme shall be subject to the administration of the board of directors and the trustee. Awarded shares may be acquired by the trustee (holding such awarded shares for the benefit of selected participants until vesting of the relevant award(s)) 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 of directors 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.

Any awarded shares shall vest in the relevant selected participants in accordance with the vesting schedule determined by the board of directors at its sole discretion, subject to (a) satisfaction of any vesting conditions specified in the grant letter; (b) the selected participant remaining an eligible participant at the time when the relevant awarded shares are scheduled to vest according to the relevant vesting schedule; and (c) the selected participant not having been summarily dismissed by the Group, not having been bankrupt or failed to pay his debts, not having been convicted for any criminal offence and not having been charged, convicted or held liable for any offence under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or any other similar applicable laws or regulations in force from time to time.

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:

33. SHARE AWARD SCHEME (continued)

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 vesting of the awarded shares is also subject to the conditions as set out in the Share Award Scheme and the following vesting conditions as specified by the board of directors in the relevant grant letters:

1. The selected participant remains as an eligible participant on and before the relevant vesting date in accordance with the vesting schedule;

2. The selected participant achieved his/her respective performance target(s) as specified in the relevant grant letter;

3. With respect to half of the awarded shares to be vested in each tranche, the selected participant has duly paid the grant fee of HK$0.13 per share, or RMB equivalent, to the Group (if applicable); and

4. The selected participant has completed the relevant filings and obtained the necessary approvals in respect of the transfer of the awarded shares by the trustee to himself/herself (if required).

The fair value of the awarded shares was HK$6,968,000 (equivalent to RMB5,684,000). The Binomial Model was used to estimate the fair value. Inputs to the model were as follows:

Grant date	December 15, 2021
Weighted average share price on grant date	HK$0.16
Exercise price	Grant fee of nil/HK$0.13
Risk-free rate	0.198% to 0.731%
Time to maturity	0.54 to 2.54 years
Expected volatility	47.145% to 69.612%
Dividend yield	0%

The expected volatility was determined based on the historic volatility of the Company's share price.

The Group recognised an expense of approximately RMB3,995,000 for the year ended December 31, 2022 (2021: RMB232,000) in relation to the awarded shares granted by the Company.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings	
	2022	2021
	RMB'000	RMB'000
At January 1	**314,713**	596,466
Changes from financing cash flows		
Proceeds from interest-bearing bank borrowings	**198,221**	233,899
Repayment of interest-bearing bank borrowings	**(219,975)**	(515,652)
Total changes from financing cash flows	**(21,754)**	(281,753)
Disposal of a subsidiary	**(44,500)**	–
At December 31	**248,459**	314,713

35. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bills receivable discounted or endorsed, factoring loan and bank borrowings are included in notes 25 and 28 to the consolidated financial statements respectively.

36. OPERATING LEASE COMMITMENTS

As lessor

The Group leases its investment properties and offices properties to certain independent third parties and related parties, with leases negotiated for terms of six months to three years (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.

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

	2022	2021
	RMB'000	RMB'000
Year 1	**23,869**	21,185
Year 2	**24,208**	8,759
Year 3	**20,977**	6,714
Year 4	**3,571**	7,031
Year 5 above	**–**	15,137
Undiscounted lease payments to be received	**72,625**	58,826

37. CAPITAL COMMITMENTS

As at December 31, 2022, the Group had the following capital commitments:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Equipment	–	67,508

38. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Group had the following major transactions with related parties during the year:

	2022 RMB'000	2021 RMB'000
Rental income and recharge of expenses (note)		
Beijing United Trust Technical Services Co., Ltd*	**1,821**	–
eSOON Information Technology Co., Ltd*	**1,459**	1,123
King Victory and its affiliates	**5,065**	5,115
Vision (China) Cultural Development Co., Ltd*	**1,189**	–

Note: The rental income and recharge of expenses arose from the rental of the Group's office buildings were based on prices mutually agreed by both parties.

38. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

As disclosed in the consolidated statement of financial position, the Group had the following outstanding balances with related parties:

	Notes	2022 RMB'000	2021 RMB'000
Due from related parties			
King Victory and its affiliates	(i)	**22,379**	17,708
Directors	(i), (ii)	**99**	928
Joint operation	(i)	**2,106**	9,070
Vision (China) Cultural Development Co., Ltd*	(i)	**1,250**	–
Total		**25,834**	27,706
Due to related parties			
Associate	(i)	**69**	–
Beijing United Trust Technical Services Co., Ltd*	(i)	**332**	–
eSOON Information Technology Co., Ltd*	(i)	**302**	327
		703	327

Notes:

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

(ii) Greatest outstanding amount during the year

	2022 RMB'000	2021 RMB'000
Directors		
Liao Jie	**228**	228
Jiang Hailin	**700**	700

(c) Compensation of key management personnel of the Group

	2022 RMB'000	2021 RMB'000
Fees	**1,484**	1,397
Salaries, bonuses, allowances and benefits in kind	**4,127**	4,239
Pension plan contributions	**170**	202
Equity-settled share-based payment expenses	**3,995**	232
Total compensation paid to key management personnel	**9,776**	6,070

* Translated for identification purposes

39. DISPOSAL OF SUBSIDIARIES

Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd.* ("JZR IOT")

On September 29, 2022, Jiangsu Zhongzhi Transportation Technology Co., Ltd.* ("JZTT"), the Company's subsidiary, entered into a sale and purchase agreement with a third party pursuant to which JZTT disposed of 51% equity interests in JZR IOT to that third party at a cash consideration of RMB57.9 million. Immediately after the disposal, JZTT holds 49% equity interests in JZR IOT and JZR IOT ceased to be a subsidiary and became an associate of the Company (Note 19).

Chengdu Chuan Da Lu An Technology Co., Ltd. ("Chengda Chuan Da Lu An")

On June 16, 2022, Chengda Chuan Da Lu An passed a shareholders' resolution pursuant to which the Group transferred all of its equity interests (51%) in Chengda Chuan Da Lu An to a third party individual at nil consideration.

	JZR IOT RMB'000	Chengda Chuan Da Lu An RMB'000	Total RMB'000
Net assets (liabilities) disposed of:			
Property and equipment (note 14)	**2,998**	**19**	**3,017**
Investment properties (note 15)	**42,696**	**–**	**42,696**
Inventories	**161,020**	**–**	**161,020**
Trade and bills receivables	**2,353**	**–**	**2,353**
Prepayments, deposits and other receivables	**91,537**	**7**	**91,544**
Cash and cash equivalents	**416**	**3**	**419**
Trade and bills payables	**(33,701)**	**–**	**(33,701)**
Contract liabilities, other payables and accruals	**(136,868)**	**(390)**	**(137,258)**
Interest-bearing bank borrowings	**(44,500)**	**–**	**(44,500)**
	85,951	**(361)**	**85,590**
Fair value of the investment retained	**(55,922)**	**–**	**(55,922)**
Release of non-controlling interests	**–**	**471**	**471**
Gain on disposal of subsidiaries	**27,850**	**(110)**	**27,740**
	57,879	**–**	**57,879**
Satisfied by:			
Cash consideration received	**20,400**	**–**	**20,400**
Cash consideration recorded in other receivables# (note 22)	**37,479**	**–**	**37,479**
	57,879	**–**	**57,879**

\# The consideration receivable will be due for settlement in two equal installments in April 2023 and October 2023 respectively

* Translated for identification purposes

39. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net inflow (outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	JZR IOT RMB'000	Chengda Chuan Da Lu An RMB'000	Total RMB'000
Cash consideration	**20,400**	**–**	**20,400**
Cash and cash equivalents disposed of	**(416)**	**(3)**	**(419)**
Net inflow (outflow) of cash and cash equivalents in respect of disposal of subsidiaries	**19,984**	**(3)**	**19,981**

40. CONTINGENT LIABILITIES

As at December 31, 2022, the Group did not have any significant contingent liabilities (2021: Nil).

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each category of financial instruments as at the end of the reporting period are as follows:

Financial assets

2022

	Mandatory financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	**–**	**477,062**	**477,062**
Financial assets included in prepayments, other receivables and other assets	**–**	**203,695**	**203,695**
Amounts due from related parties	**–**	**25,834**	**25,834**
Financial assets at fair value through profit or loss	**168,410**	**–**	**168,410**
Pledged deposits	**–**	**130,183**	**130,183**
Cash and cash equivalents	**–**	**295,622**	**295,622**
	168,410	**1,132,396**	**1,300,806**

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets (continued)

2021

	Mandatory financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	–	632,640	632,640
Financial assets included in prepayments, other receivables and other assets	–	147,569	147,569
Amounts due from related parties	–	27,706	27,706
Financial assets at fair value through profit or loss	193,112	–	193,112
Pledged deposits	–	30,269	30,269
Cash and cash equivalents	–	317,869	317,869
	193,112	1,156,053	1,349,165

Financial liabilities

	2022 Financial liabilities at amortised cost RMB'000	2021 Financial liabilities at amortised cost RMB'000
Trade and bills payables	**308,548**	308,321
Financial liabilities included in other payables and accruals	**62,692**	130,764
Interest-bearing bank borrowings	**248,459**	314,713
Amounts due to related parties	**703**	327
	620,402	754,125

Management has assessed that the fair values of financial instruments of the Group stated at amortised cost approximate to their carrying amounts largely due to the short-term maturities of these instruments.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management of the Group.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments measured at fair value as at December 31, 2022 and December 31, 2021:

At December 31, 2022	Fair value measurement using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Listed equity investments	**130,676**	**–**	**–**	**130,676**
Unlisted mutual funds	**–**	**28,478**	**–**	**28,478**
Unlisted equity investments	**–**	**–**	**9,256**	**9,256**
	130,676	**28,478**	**9,256**	**168,410**

At December 31, 2021	Fair value measurement using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Listed equity investments	185,347	–	–	185,347
Unlisted mutual funds	–	10	–	10
Unlisted equity investments	–	–	7,755	7,755
	185,347	10	7,755	193,112

The Group's policy is to recognise transfers into and out of different levels of fair value measurements as at the end of the reporting period in which the transfers occur.

During the year, 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.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Movements in Level 3 fair value measurements:

	RMB'000
At January 1, 2021	**6,684**
Fair value gain recognised in "other income and gains"	**1,071**
At December 31, 2021 and January 1, 2022	**7,755**
Fair value loss recognised in "other expenses"	**1,501**
At December 31, 2022	**9,256**

Description of the valuation techniques and inputs used in Level 2 fair value measurement

The unlisted mutual funds are valued based on quoted market prices from dealers or by reference to quoted market prices for similar instruments.

Description of the valuation techniques and inputs used in Level 3 fair value measurement

The fair values of unlisted equity investments have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation multiple and 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 and sales measures of the unlisted equity investments to measure the fair value.

Below is a summary of significant unobservable inputs to the valuation of Level 3 investments together with a quantitative sensitivity analysis as at December 31, 2022:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Market Approach	Average EV/Sales multiple of peers	2.15 (2021: 2.04)	1% increase/decrease in multiple would result in increase/decrease in fair value by RMB64,000 (2021: RMB75,000)
		Discount for lack of marketability	25% (2021: 24%)	1% increase/decrease in discount would result in decrease/increase in fair value by RMB31,000 (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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets at fair value through profit or loss, interest-bearing bank borrowings, cash and cash equivalents, and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, amounts due from/to related parties, financial assets included in prepayments, deposits and other receivables, trade and bills payables, and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial Instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its interest-bearing borrowings with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. If there had been a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the profit before tax would have decreased/increased by approximately RMB2,072,000 for the year ended December 31, 2022 (2021: RMB540,000).

Equity price risk

The Group is exposed to price risks arising from equity investments held under financial assets at fair value through profit or loss amounting to RMB168 million (2021: RMB193 million). The Group does not actively trade these investments. The sensitivity analysis has been determined based on the exposure to equity price risk. At the end of the reporting period, if the equity price had been 18% (2021: 18%) higher/lower while all other variables were held constant, the Group's profit would have increased/decreased by RMB30 million (2021: RMB35 million) due to change in the fair value of financial assets at fair value through profit or loss. The Group's sensitivity to equity price has not changed significantly from the prior year.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Substantially all of the Group's sales and purchases are denominated in RMB and Myanmar Kyat. The Group's certain bank balances are denominated in US$, HK$ and certain expenses of the Group are denominated in currencies other than RMB.

The following table demonstrates the sensitivity as at December 31, 2022 and December 31, 2021 to a reasonably possible change in the US$ and HK$ exchange rate, with all other variables held constant, of the Group's profit before tax.

	2022		2021	
	Increase/ (decrease) in exchange rate %	**Increase/ (decrease) in profit before tax RMB'000**	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000
If RMB weakens against US$	**5**	**(2,995)**	5	(18,045)
If RMB strengthens against US$	**(5)**	**2,995**	(5)	18,045
If RMB weakens against HK$	**5**	**40,439**	5	5,831
If RMB strengthens against HK$	**(5)**	**(40,439)**	(5)	(5,831)

Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of receivables are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. As the Group's major customers are PRC state-owned enterprises, the Group believes that they are of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure is spread over a diversified portfolio of customers, there is no significant concentration of credit risk.

The Group applies the simplified approach for impairment of trade receivables and contract assets, which is based on the provision matrix as disclosed in notes 21 and 23 to the consolidated financial statements respectively.

The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at December 31, 2022

	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**1 to 5 years RMB'000**	**Total RMB'000**
Trade and bills payables	**308,548**	**–**	**–**	**–**	**308,548**
Financial liabilities included in other payables and accruals	**62,692**	**–**	**–**	**–**	**62,692**
Amounts due to related parties	**703**	**–**	**–**	**–**	**703**
Interest-bearing bank borrowings	**–**	**61,742**	**161,289**	**34,800**	**257,831**
	371,943	**61,742**	**161,289**	**34,800**	**629,774**

As at December 31, 2021

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	308,321	–	–	–	308,321
Financial liabilities included in other payables and accruals	130,763	–	–	–	130,763
Amounts due to related parties	327	–	–	–	327
Interest-bearing bank borrowings	–	7,798	273,487	36,958	318,243
	439,411	7,798	273,487	36,958	757,654

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting period. Based on this forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the loan financing and additional capital from equity holders of the Company. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions regarding future events, they are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2022 and December 31, 2021.

The Group monitors capital using net debt to capital ratio, which is net debt divided by the capital. The Group's policy is to maintain the net debt to capital ratio below 20%. Net debt includes interest-bearing bank borrowings, and amounts due to related parties, less cash and cash equivalents and pledged deposits for interest-bearing bank borrowings. Capital includes equity attributable to owners of the parent. The net debt to capital ratios as at the end of the reporting periods were as follows:

	2022 **RMB'000**	2021 RMB'000
Interest-bearing bank borrowings	**248,459**	314,713
Amounts due to related parties	**703**	327
Less: Cash and cash equivalents	**(295,622)**	(317,869)
Pledged deposits	**(130,183)**	(30,269)
Net debt	**(176,643)**	(33,098)
Equity attributable to owners of the Company	**1,799,754**	1,722,714
Net debt to equity ratio	**(9.8%)**	(1.9%)

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**691,085**	691,085
Financial assets at fair value through profit or loss	**8,949**	10,751
Total non-current assets	**700,034**	701,836
CURRENT ASSETS		
Amounts due from subsidiaries	**1,065,138**	1,040,516
Amount due from a related party	**2,206**	–
Prepayment, deposits and other receivables	**3,339**	–
Cash and cash equivalents	**5,261**	3,382
Total current assets	**1,075,944**	1,043,898
CURRENT LIABILITIES		
Other payables and accruals	**35,318**	27,847
Amounts due to related parties	**125,630**	127,075
Total current liabilities	**160,948**	154,922
NET CURRENT ASSETS	**914,996**	888,976
Net assets	**1,615,030**	1,590,812
EQUITY		
Share capital	**294**	290
Other reserves (note)	**1,614,736**	1,590,522
Total equity	**1,615,030**	1,590,812

The statement of financial position was approved and authorised for issue by the board of directors on March 31, 2023 and signed on its behalf by

Liao Jie	**Jiang Hailin**
Director	*Director*

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

	Share premium RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2021	1,066,708	602,637	(44,800)	(27,847)	1,596,698
Profit for the year	–	–	–	1,723	1,723
Exchange differences related to foreign operations	–	–	(8,131)	–	(8,131)
Total comprehensive income (loss) for the year	–	–	(8,131)	1,723	(6,408)
Transfer upon the forfeiture of share options	–	(181)	–	181	–
Share award expenses	–	232	–	–	232
Total transactions with owners	–	51	–	181	232
At December 31, 2021 and January 1, 2022	1,066,708	602,688	(52,931)	(25,943)	1,590,522
Loss for the year	**–**	**–**	**–**	**(16,562)**	**(16,562)**
Exchange differences related to foreign operations	**–**	**–**	**35,571**	**–**	**35,571**
Total comprehensive income (loss) for the year	**–**	**–**	**35,571**	**(16,562)**	**19,009**
Transfer upon the forfeiture/lapse of share options	**–**	**(24,273)**	**–**	**24,273**	**–**
Grant fee received pursuant to share award scheme	**1,210**	**–**	**–**	**–**	**1,210**
Transfer upon vesting of the share awards	**1,852**	**(1,852)**	**–**	**–**	**–**
Share award expenses	**–**	**3,995**	**–**	**–**	**3,995**
Total transactions with owners	**3,062**	**(22,130)**	**–**	**24,273**	**5,205**
At December 31, 2022	**1,069,770**	**580,558**	**(17,360)**	**(18,232)**	**1,614,736**

Particulars of Properties

December 31, 2022

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Room C2201, C2202, C2203, C2205, Building 8 No.1 Zhong Guan Cun Dong Road, Haidian District, Beijing, the PRC	Office	Long-term lease	100%