China ITS (Holdings) Co., Ltd.

中国智能交通系统(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1900)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

HIGHLIGHTS OF 2023 INTERIM RESULTS

For the six-month period ended June 30, 2023 (the "**Period**" or the "**First Half of the Year**"), highlights of the results of China ITS (Holdings) Co., Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") are as follows:

- The Group recorded RMB357.1 million from the new contracts signed[(1)] as compared to RMB215.8 million for the same period last year, increased by 65.5%.
- Revenue of RMB346.1 million was generated as compared to the revenue of RMB243.6 million for the same period last year, increased by42.1%.
- As of June 30, 2023, the Group recorded RMB599.0 million from backlog as compared to RMB595.0 million as at the end of the previous year, similar with the end of the previous year.
- The Group generated gross profit of RMB136.7 million as compared to the gross profit of RMB115.9 million for the same period last year, increased by 17.9%, and recorded gross profit margin of 39.5% as compared to the gross profit margin of 47.6% for the same period last year, representing a decrease of 8.1 percentage points.
- The profit attributable to owners of the parent of the Company amounted to RMB55.1 million as compared to the loss of RMB6.0 million for the same period last year.

(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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six-month period ended June 30, 2023

		For the six-month period ended June 30,	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
REVENUE	*4*	**346,126**	243,634
Cost of revenue		**(209,465)**	(127,698)
Gross profit		**136,661**	115,936
Other income and gains	*5*	**23,174**	20,870
Selling, distribution and administrative expenses		**(55,993)**	(61,384)
(Impairment of) Reversal of impairment of financial and contract assets, net		**(13,866)**	7,596
Other expenses		**(7)**	(51,848)
Finance costs		**(5,880)**	(5,767)
Share of loss of an associate		**(295)**	–
PROFIT BEFORE TAX	*6*	**83,794**	25,403
Income tax expense	*7*	**(6,048)**	(3,935)
PROFIT FOR THE PERIOD		**77,746**	21,468
Attributable to:			
Owners of the Company		**55,106**	(5,959)
Non-controlling interests		**22,640**	27,427
		77,746	21,468
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		***RMB***	*RMB*
		Unaudited	Unaudited
Basic	*8*	**0.03**	0.00
Diluted	*8*	**0.03**	0.00

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended June 30, 2023

	For the six-month period ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
PROFIT FOR THE PERIOD	**77,746**	21,468
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**17,139**	(20,641)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**17,139**	(20,641)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**94,885**	827
Attributable to:		
Owners of the Company	**65,372**	(17,492)
Non-controlling interests	**29,513**	18,319
	94,885	827

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2023

	Notes	**June 30, 2023** *RMB'000* **Unaudited**	December 31, 2022 *RMB'000* Audited
NON-CURRENT ASSETS			
Property and equipment		**500,425**	501,617
Investment properties		**71,150**	71,150
Goodwill		**123,759**	123,759
Other intangible assets		**104,790**	106,273
Investments in associates		**54,739**	55,034
Financial assets at fair value through profit or loss		**205,626**	158,319
Prepayments, deposits and other receivables		**8,250**	15,900
Total non-current assets		**1,068,739**	1,032,052
CURRENT ASSETS			
Inventories		**227,007**	276,384
Contract assets	*11*	**210,531**	125,705
Trade and bills receivables	*10*	**426,812**	477,062
Financial assets at fair value through profit or loss		**3,678**	10,091
Prepayments, deposits and other receivables		**557,157**	468,257
Amounts due from related parties		**22,401**	25,834
Pledged deposits	*12*	**26,065**	130,183
Cash and cash equivalents	*12*	**323,855**	295,622
Total current assets		**1,797,506**	1,809,138

	Notes	**June 30, 2023** *RMB'000* **Unaudited**	December 31, 2022 *RMB'000* Audited
CURRENT LIABILITIES			
Trade and bills payables	*13*	**290,532**	308,548
Contract liabilities, other payables and accruals		**332,244**	315,367
Interest-bearing bank borrowings		**171,221**	248,459
Amounts due to related parties		**3,665**	703
Income tax payable		**74,813**	70,737
Total current liabilities		**872,475**	943,814
NET CURRENT ASSETS		**925,031**	865,324
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,993,770**	1,897,376
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,268**	1,843
Total non-current liabilities		**1,268**	1,843
Net assets		**1,992,502**	1,895,533
EQUITY			
Equity attributable to owners of the Company			
Share capital		**298**	294
Reserves		**1,846,912**	1,779,460
		1,847,210	1,779,754
Non-controlling interests		**145,292**	115,779
Total equity		**1,992,502**	1,895,533

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

1. CORPORATE AND GROUP INFORMATION

China ITS (Holdings) Co., Ltd. (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on February 20, 2008. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The Company's principal place of business in Hong Kong is at 8/F., Golden Star Building, 20–24 Lockhart Road, Wanchai. The principal executive office of the Company is located at Building 204, No. A10, Jiuxianqiao North Road, Chaoyang District, Beijing, 100015, the People's Republic of China (the "**PRC**").

The Company and its subsidiaries (the "**Group**") is mainly a provider of products, specialised solutions and services related to infrastructure technology in the railway and electric power sectors. The main businesses of the Group are (i) railway business and (ii) electric power business, details please refer to note 3 to the condensed consolidated financial statements.

2. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES

Basis of presentation

The unaudited interim condensed consolidated financial statements of the Group for the six-month period ended June 30, 2023 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2022. The unaudited interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousands, except when otherwise indicated.

Impact of new/revised International Financial Reporting Standards ("IFRSs")

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of following new/revised IFRSs that are effective for the Group's financial year beginning on January 1, 2023.

Amendments to IAS 1	Disclosures of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform
IFRS 17	Insurance Contracts
Amendment to IFRS 17	Initial Application of IFRS 17 and IFRS 9 — Comparative Information

The adoption of the new/revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the six-month period ended June 30, 2023 and prior years.

3. OPERATING SEGMENT INFORMATION

For management purpose, the Group has the following operating segments based on its business units.

(i) Railway business

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

(ii) Electric power business

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/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, exchange differences, changes in fair value of financial assets at fair value through profit or loss as well as head office and corporate income and expenses are excluded from this measurement.

For the six-month period ended June 30, 2023 (Unaudited)	Railway business *RMB'000*	Electric power business *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)*			
Sales to external customers	**210,801**	**135,325**	**346,126**
Segment results	**53,079**	**48,103**	**101,182**
Reconciliation:			
Finance income			**3,632**
Finance costs			**(5,880)**
Changes in fair value of financial assets at fair value through profit or loss			**5,375**
Gain on disposal of financial assets at fair value through profit or loss			**2,100**
Dividend income from financial assets at fair value through profit or loss			**83**
Corporate and other unallocated expenses			**(22,698)**
Profit before tax			**83,794**
Other segment information:			
Share of loss of an associate	**295**	**–**	**295**
Impairment of financial and contract assets	**13,866**	**–**	**13,866**
Depreciation and amortisation	**5,206**	**22,311**	**27,517**
Capital expenditure*	**633**	**7,407**	**8,040**

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

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

4. REVENUE

An analysis of revenue is as follows:

	For the six-month period ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Revenue from contracts with customers within IFRS 15	**346,126**	243,634

(i) Disaggregated revenue information

Segments	For the six-month period ended June 30, 2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Type of goods or services		
Sale of products and provision of specialised solutions	**191,570**	117,414
Maintenance services	**27,535**	12,436
Power supply	**127,021**	113,784
Total revenue from contracts with customers	**346,126**	243,634
Geographical markets		
Mainland China	**210,801**	129,850
Others	**135,325**	113,784
Total revenue from contracts with customers	**346,126**	243,634
Timing of revenue recognition		
Goods and services transferred at a point in time	**39,027**	29,462
Goods and services transferred over time	**307,099**	214,172
Total revenue from contracts with customers	**346,126**	243,634

5. OTHER INCOME AND GAINS

	For the six-month period ended June 30, 2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Changes in fair value of financial assets at fair value through profit or loss	**5,375**	–
Dividend income from financial assets at fair value through profit or loss	**83**	1,518
Finance income	**3,632**	2,094
Gain on disposal of financial assets at fair value through profit or loss	**2,100**	–
Gain on transfer from inventories to investment properties	**–**	4,917
Gross rental income	**10,137**	11,352
Others	**1,847**	989
	23,174	20,870

6. PROFIT BEFORE TAX

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

	For the six-month period ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Cost of inventories	**164,575**	102,620
Depreciation	**19,275**	18,106
Amortisation of intangible assets, included in selling, distribution and administrative expenses	**8,241**	3,730
	27,516	21,836
Wages and salaries	**18,448**	19,873
Pension scheme contributions (defined contribution scheme)	**2,067**	3,933
Social insurance costs and staff welfare	**2,370**	1,475
Equity-settled share-based payments	**796**	2,764
	23,681	28,045
Impairment (Reversal of impairment) of trade receivables	**7,939**	(9,753)
Impairment (Reversal of impairment) of contract assets	**410**	(1,283)
Impairment of financial assets included in prepayments, deposits and other receivables	**5,517**	3,440
Short-term lease payments	**5,419**	2,597
Changes in fair value of financial assets at fair value through profit or loss	**(5,375)**	51,449
Gain on disposal of financial assets at fair value through profit or loss	**(2,100)**	–
Rental income on investment properties	**(10,137)**	(11,352)
Gain on disposal of property and equipment	**–**	47
Exchange (gain) losses, net	**(1,789)**	379

7. INCOME TAX

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

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

A subsidiary of the Group in Tibet, China is subject to PRC Enterprise Income Tax at a rate of 9% (June 30, 2022: 9%) and subsidiaries in other areas of Mainland China are subject to PRC Enterprise Income Tax at a rate 25% (June 30, 2022: 25%) on their respective taxable income, except for those subsidiaries which are qualified as High and New Technology Enterprises and are entitled to 15% (June 30, 2022: 15%) preferential income tax rate.

No provision for Hong Kong profits tax has been made for the six-month period ended June 30, 2023 (June 30, 2022: nil), as the Group had no assessable profits arising in Hong Kong for the period.

Subsidiaries incorporated in Myanmar are subject to Corporate Income Tax at a rate 22% (June 30, 2022: 22%) on their taxable income. In addition, non-Myanmar incorporated subsidiaries are also subject to withholding tax in Myanmar at the rate of 2.5% (June 30, 2022: 2.5%) on the service income earned in Myanmar.

According to PRC tax regulations, from January 1, 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in 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 the above-mentioned withholding tax. As at June 30, 2023, no deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in mainland China (2022: nil) because in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

The major components of income tax expense are as follows:

	For the six-month period ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax:		
PRC Enterprise Income Tax	**680**	1,625
Myanmar Corporate Income Tax	**4,246**	–
Myanmar withholding tax	**1,155**	2,242
Under-provision (Over-provision) of PRC Enterprise Income Tax	**542**	(377)
Deferred income tax:		
Origination and reversal of temporary differences	**(575)**	445
Income tax expense	**6,048**	3,935

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

Basic earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the profit for the period attributable to owners of the Company of RMB55,106,000 (June 30, 2022: Loss of RMB5,959,000), and the weighted average number of 1,675,978,621 (June 30, 2022: 1,654,145,493) ordinary shares outstanding during the six-month period ended June 30, 2023.

Diluted earnings (loss) per share

The calculation of the diluted earnings (loss) per share is based on the profit for the period attributable to owners of the Company of RMB55,106,000 (June 30, 2022: Loss of RMB5,959,000), and the weighted average number of ordinary shares in issue during the six-month periods ended June 30, 2023 and 2022, as used in the basic earnings (loss) per share calculation, plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all the dilutive potential ordinary shares into ordinary shares, calculated as follows.

	For the six-month period ended June 30,	
	2023	2022
	Unaudited	Unaudited
Shares		
Weighted average number of shares in issue	**1,675,978,621**	1,654,145,493
Effect of deemed issue of shares under the Company's share award scheme for nil consideration	**6,440,337**	–
Weighted average number of shares in issue	**1,682,418,958**	1,654,145,493

No adjustment had been made to the basic loss per share presented for the six-month period ended June 30, 2022 as the outstanding share options and share awards had an anti-dilutive effect on the amount presented.

9. DIVIDENDS PROPOSED

No dividend was declared or proposed by the Company for the six-month period ended June 30, 2023 (June 30, 2022: nil).

10. TRADE AND BILLS RECEIVABLES

	June 30, 2023 *RMB'000* **Unaudited**	December 31, 2022 *RMB'000* Audited
Trade receivables	**461,904**	479,975
Impairment	**(81,629)**	(73,968)
	380,275	406,007
Bills receivable	**46,537**	71,055
	426,812	477,062

Trade receivables, which are non-interest-bearing, are recognised and carried at the original invoiced amount less any loss allowance. Trade receivables generally have credit terms ranging from 30 days to 180 days.

Bills receivables generally mature from 180 days to 270 days.

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

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

	June 30, 2023 *RMB'000* **Unaudited**	December 31, 2022 *RMB'000* Audited
Less than 6 months	**62,530**	45,962
6 months to 1 year	**147,663**	164,044
1 year to 2 years	**44,516**	49,814
2 years to 3 years	**59,542**	80,360
Over 3 years	**66,024**	65,827
	380,275	406,007

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

	June 30, 2023 *RMB'000* **Unaudited**	December 31, 2022 *RMB'000* Audited
At beginning of period/year	**73,968**	75,496
Impairment (Reversal of impairment)	**7,939**	(409)
Disposal of subsidiaries	**–**	(464)
Amount written off	**(278)**	(655)
At end of period/year	**81,629**	73,968

11. CONTRACT ASSETS

	June 30, 2023 *RMB'000* **Unaudited**	December 31, 2022 *RMB'000* Audited
Contract assets	**240,106**	154,721
Impairment	**(29,575)**	(29,016)
	210,531	125,705

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	June 30, 2023 *RMB'000* **Unaudited**	December 31, 2022 *RMB'000* Audited
Cash and bank balances	**323,855**	295,622
Pledged deposits		
— Current deposits	**26,064**	130,183
	349,919	425,805
Less: Pledged and fixed deposits for		
— Maturity over 3 months	**–**	(52,800)
— Letter of guarantee for projects	**(977)**	(5,559)
— Bills payables	**(25,000)**	(35,000)
— Interest-bearing bank borrowings	**–**	(10,000)
— Tenders	**–**	(26,002)
— Restricted cash	**(87)**	(622)
— Frozen under jurisdictional actions	**–**	(200)
Cash and cash equivalents	**323,855**	295,622

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

The cash and bank balances and pledged deposits of the Group denominated in RMB amounted to RMB179,409,000 (December 31, 2022: RMB307,481,000) in Mainland China as at June 30, 2023. In Mainland China, RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

13. TRADE AND BILLS PAYABLES

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

	June 30, 2023	December 31, 2022
	RMB'000	*RMB'000*
	Unaudited	Audited
Current or less than 1 year	**64,335**	193,357
1 to 2 years	**133,280**	82,316
Over 2 years	**92,917**	32,875
	290,532	308,548

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

In the First Half of the Year, the Group recorded RMB357.1 million from new contracts signed, representing an increase of 65.5% compared to the same period last year. The Group generated revenue of RMB346.1 million, representing an increase of 42.1% compared to the same period last year, and as of June 30, 2023, the Group recorded RMB599.0 million from backlog, similar with the end of the previous year. The Group generated gross profit of RMB136.7 million, representing an increase of 17.9% compared to the same period last year, and recorded gross profit margin of 39.5%, which was a decrease from 47.6% for the same period last year. The profit attributable to owners of the parent of the Company amounted to RMB55.1 million for the First Half of the Year as compared to the loss of RMB6.0 million for the same period last year.

BUSINESS AND FINANCIAL REVIEW

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

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

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

BUSINESS REVIEW

1. Upward trend of railway business

For the railway business, we witnessed an accelerated pace of railway investment and construction in the first half of 2023. Projects that were postponed due to the impact of the pandemic have expedited their bidding progress, resulting in intensive bidding projects. 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. The number of new contracts for the First Half of the Year has increased by 125.8% as compared with the same period last year. Furthermore, the railway projects under construction in the PRC resumed the normal delivery schedule, resulting in an increase of 62.3% in revenue in the First Half of the Year as compared to the same period last year.

2. Stable business growth in the electric power business

For the electric power business, the AHLONE 151,000-kilowatt power plant project, which was invested, constructed and operated by the Group in Yangon, Myanmar, and the 123,000-kilowatt power plant restoration project in Hlawga, Myanmar, realised a stable revenue for the First Half of the Year.

BUSINESS OUTLOOK

1. Railway Business

Healthy development of the railway market

In 2023, railway construction will remain stable, with an estimated total national railway investment exceeding RMB760 billion for the entire year, which is the highest value of railway investments in the past three years. As 2023 marks the midpoint of the 14th Five-Year Plan for railways, the planned railway construction will gradually include the development of communication and information systems, while several overseas railway rail transit lines also enter the phase of communication and information system construction.

In recent years, the PRC government has made continuous investments in railway communication and information systems, greatly improving the overall communication and information infrastructure. In the future, the government will continue with the intelligent and information-based development of railway communication and information systems. As the next-generation LTE-R technology is currently in the testing phase, it is expected that the LTE-R network construction projects will gradually proceed in 2024, presenting business opportunities for the Group.

Maintaining the advantages in existing railway business and keeping pace with market changes

The Group will continue with its efforts to maintain its competitive edge in the existing railway business, including maintaining a high market share and fairly good customer satisfaction rate. We will endeavour to maintain a more advantaged position in railway intelligent development and LTE-R construction. While actively expanding our customer base and embarking on new business operations, the Group will continue to redouble our investments in overseas railway markets.

2. *Electric Power Business*

Stable development of the electric power business

As regards power plant projects in our electric power business, the AHLONE 151,000-kilowatt power plant project, which was invested, constructed and operated by the Group in Yangon, Myanmar, officially commenced operations in January 2021. The first-phase contract with the Ministry of Electric Power in Myanmar is set to expire in January 2026. We are currently in negotiations with the Ministry of Electric Power in Myanmar for contract extension, with an expected extension of ten years based on the first-phase contract. Furthermore, the Hlawga 123,000-kilowatt power plant restoration project in Myanmar achieved combined cycle power generation in December 2022 and has a ten-year operating period. Both power plants are in a stable development phase.

Active expansion into new energy business

Building upon the steady development of our power plant projects, the Group is actively expanding into the new energy sector. Following the acquisition of the 55% equity interests in Beijing Jiujian Technology Co., Ltd.* (北京九建科技有限公司), which was completed in July 2023, we seek extensive opportunities for market cooperation and participation in the contract energy management business. The Group will be able to take advantage of the resources of Beijing Jiujian Technology Co., Ltd. in the industry to accelerate the Group's electric power business expansion, further enhancing its core competitiveness.

FINANCIAL REVIEW

Revenue

By Industry Sectors

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

	For the six-month period ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
Revenue by industry sectors		
Railway	**210,801**	129,850
Electric power	**135,325**	113,784
Total	**346,126**	243,634

(i) Railway

For the First Half of the Year, revenue of RMB210.8 million was recognised from the railway sector, representing an increase of RMB80.9 million compared to the same period last year, and increased by 62.3%. The sector recorded RMB229.9 million from new contracts signed, representing an increase of RMB128.1 million compared to the same period last year; and the amount of backlog as of the end of the Period was RMB592.2 million, representing a decrease of RMB2.8 million compared to the end of the previous year. The increase in revenue was primarily attributable to the fact that despite the significant impact of the COVID-19 pandemic on the railway communication market over the past three years, there have been steady growth in the railway fixed asset investments across the PRC since 2023 as the domestic production and daily life gradually recovered from the pandemic in the First Half of the Year, and that the Group was awarded a number of high-speed railway projects when opportunities arose. Furthermore, the railway projects under construction in the PRC resumed the normal delivery schedule, resulting in an increase of 62.3% in revenue in the First Half of the Year as compared to the same period last year.

(ii) Electric power

For the First Half of the Year, revenue of RMB135.3 million was recognised from the electric power sector, representing an increase of RMB21.5 million compared to the same period last year, and increased by 18.9%. The sector recorded RMB127.2 million from new contacts signed, representing an increase of RMB13.2 million compared to the same period last year.

The increase in revenue was mainly due to Hlawga Power Plant, a power plant joint venture in Myanmar, which realized combined cycle power generation in the second half of last year, resulting in a higher revenue in the First Half of the Year compared to the same period last year.

By Business Model

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

	For the six-month period ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
Revenue by business model		
Products and specialised solutions	**191,570**	117,414
Value-added operation and services	**154,556**	126,220
Total	**346,126**	243,634

(i) Products and specialised solutions

For the First Half of the Year, revenue of RMB191.6 million was recognised from the products and specialised solutions business, representing an increase of RMB74.2 million compared to the same period last year, and increased by 63.2%. The business recorded RMB224.3 million from new contracts signed, representing an increase of RMB129.3 million compared to the same period last year and the amount of backlog as of the end of the Period was RMB569.8 million, representing an increase of RMB10.2 million compared to the end of the previous year. The increase in revenue was primarily attributable to the fact that despite the significant impact of the COVID-19 pandemic on the railway market over the past three years, there have been steady growth in the railway fixed asset investments across the PRC since 2023 as the domestic production and daily life gradually recovered from the pandemic in the First Half of the Year, and that the Group was awarded a number of high-speed railway projects when opportunities arose. Furthermore, the railway projects under construction in the PRC resumed the normal delivery schedule, resulting in an increase of 63.2% in revenue in the First Half of the Year as compared to the same period last year.

(ii) Value-added operation and services

Revenue recognised from the value-added operation and services business for the First Half of the Year was RMB154.6 million, representing an increase of RMB28.4 million compared to the same period last year, and increased by 22.5%. The business recorded RMB132.8 million from new contracts signed, representing an increase of RMB12.0 million compared to the same period last year and the amount of backlog as of the end of the Period was RMB29.2 million, representing a decrease of RMB6.1 million compared to the end of the previous year.

Major reasons for the increase in revenue are as follows:

1. A higher revenue contributed by Hlawga Power Plant, a power plant joint venture in Myanmar, was recorded in the First Half of the Year compared to the same period last year because it realized combined cycle power generation in the second half of last year;

2. Revenue of RMB8.3 million from new power maintenance and repair projects was recognised; and

3. Revenue of RMB19.2 million from the value-added operation and service business in the rail business segment was recognised, representing an increase of RMB6.8million or 54.7% compared to the same period last year.

Gross Profit and the Gross Profit Margin

The Group generated gross profit of RMB136.7 million in the First Half of the Year, increased by 17.9% compared to the same period last year. Gross profit margin decreased from 47.6% for the same period last year to 39.5% for the First Half of the Year.

By Industry Sectors

	For the six-month period ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
Gross profit and the gross profit margin by industry sectors		
Railway	**46,227**	27,230
Gross profit margin %	**21.9%**	21.0%
Electric power	**90,434**	88,706
Gross profit margin %	**66.8%**	78.0%
Total	**136,661**	115,936
Gross profit margin	**39.5%**	47.6%

(i) Railway

For the First Half of the Year, gross profit of RMB46.2 million was recognised from the railway sector, representing an increase of RMB19.0 million compared to the same period last year. The gross profit margin was 21.9%, representing an increase of 0.9 percentage points compared to the same period last year. The increase in gross profit was mainly due to the significant increase in revenue from the sector for the First Half of the Year.

(ii) Electric power

For the First Half of the Year, gross profit of RMB90.4 million was recognised from the electric power sector, representing an increase of RMB1.7 million compared to the same period last year. The gross profit margin was 66.8%, representing a decrease of 11.2 percentage points compared to the same period last year. The decrease in gross profit margin was primarily due to the realization of combined cycle power generation during the second half of last year at Hlawga Power Plant, a power plant joint venture in Myanmar, which had a relatively lower gross profit margin.

By Business Model

	For the six-month period ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
Gross profit and the gross profit margin by business model		
Products and specialised solutions	**40,768**	23,348
Gross profit margin %	**21.3%**	19.9%
Value-added operation and services	**95,893**	92,588
Gross profit margin %	**62.0%**	73.4%
Total	**136,661**	115,936
Gross profit margin	**39.5%**	47.6%

(i) Products and specialised solutions

For the First Half of the Year, gross profit of RMB40.8 million was recognised from the products and specialised solutions business, representing an increase of RMB17.5 million compared to the same period last year. The gross profit margin was 21.3%, representing an increase of 1.4 percentage points compared to the same period last year. The increase in gross profit was mainly due to the significant increase in revenue from the business model for the First Half of the Year.

(ii) Value-added operation and services

Gross profit recognised from the value-added operation and services business for the First Half of the Year was RMB95.9 million, representing an increase of RMB3.3 million compared to the same period last year. The gross profit margin was 62.0%, representing a decrease of 11.4 percentage points compared to the same period last year. The decrease in gross profit margin was primarily due to the realization of combined cycle power generation during the second half of last year at Hlawga Power Plant, a power plant joint venture in Myanmar, which had a relatively lower gross profit margin.

Other Income and Gains

For the First Half of the Year, other income and gains[1] were RMB22.2 million, representing an increase of RMB1.4 million compared to the same period last year. For the First Half of the Year, other income and gains mainly include: (i) rental income of approximately RMB10.1 million; (ii) gains from changes in fair value of financial products held of RMB4.4 million; (iii) gains from redemption of financial products of RMB2.1 million; (iv) interest income of approximately RMB3.6 million; and (v) other income of approximately RMB1.9 million.

Selling, Distribution and Administrative Expenses

For the First Half of the Year, selling, distribution and administrative expenses were approximately RMB56.0 million, representing a decrease of RMB5.4 million compared to the same period last year, mainly due to a decrease of RMB3.5 million in wages and salaries expenses of the Group.

Net impairment losses on financial and contract assets

For the First Half of the Year, net impairment losses on financial and contract assets were approximately RMB13.9 million, as compared to the net reversal of impairment of RMB7.6 million for the same period last year.

Other Expenses

For the First Half of the Year, other expenses[2] were RMB0, as compared to RMB0.4 million for the same period last year.

Share of Loss of a Joint Venture/an Associate

For the First Half of the Year, share of loss of an associate was approximately RMB0.3 million, as compared to RMB0 for the same period last year.

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

Profit or Loss through Fair Value Changes of Equity Investments

For the First Half of 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 profit of RMB1.0 million through fair value changes, as compared to the loss of RMB51.4 million for the same period last year. Forever Opensource is primarily engaged in providing open source software technology services for enterprise customers and community, cloud platform, recruitment and crowdsourcing services, etc. for software developers. CNBM Technology is primarily engaged in value-added distribution of Huawei and other ICT products, sales of imported network products and sales of medical products. Shenzhen Hopeland is primarily engaged in RFID hardware and solution integrator business in the Internet of Things industry. Helios Energy Limited is primarily engaged in oil and gas exploration with operation in Texas, USA. As of June 30, 2023, 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 6.46% 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 RMB5.2 million, representing 0.18% of our total assets, (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 0.30% 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 RMB9.0 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 First Half of the Year were RMB(0), RMB0.9 million, RMB0 and RMB0.1 million, respectively. During the First Half of the Year, we received dividends of RMB0, RMB0.1 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 First Half of the Year, the finance cost was RMB5.9 million, basically flat with the same period last year.

Income Tax Expenses

The total income tax expenses for the First Half of the Year were RMB6.0 million, which were RMB3.9 million for the same period last year. The increase in income tax expenses was mainly due to the increase in revenue during the First Half of the Year.

Profit for the Period

For the First Half of the Year, the profit attributable to owners of the parent of the Company amounted to RMB55.1 million as compared to the loss of RMB6.0 million for the same period last year, mainly due to (i) the significant increase in revenue and gross profit in the First Half of the Year as compared to the same period last year; and (ii) the impact of market volatility, which resulted in the relatively significant loss from changes in fair value of financial assets in the same period last year, as compared to a gain on changes in fair value of financial assets in the First Half of the Year.

Inventory Turnover Days

The inventories of the Group mainly comprised of products and spare parts related to the railway communication. For the First Half of the Year, the inventory turnover days were 150 days (the same period last year: 227 days). For the First Half of the Year, the revenue from the railway sector increased significantly as compared to the same period last year, resulting in a significant decrease in inventory turnover days.

Trade Receivables Turnover Days

For the First Half of the Year, the trade receivables turnover days were 205 days (the same period last year: 328 days). For the First Half of the Year, the trade receivables of the Group decreased significantly as compared to the same period last year, resulting in a significant decrease in trade receivables turnover days.

Trade Payables Turnover Days

For the First Half of the Year, the trade payables turnover days were 175 days (the same period last year: 217 days). For the First Half of the Year, the revenue from the railway sector increased significantly as compared to the same period last year, resulting in a significant decrease in trade payables turnover days.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's principal sources of working capital included cash flow from operating activities, bank and other loans. As at June 30, 2023, the Group's current interest-bearing bank borrowings amounted to RMB171.2 million (as at December 31, 2022: RMB248.5 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.

All interest-bearing bank borrowings of the Group are denominated in RMB except for interest-bearing bank borrowings of RMB41.8 million (as at December 31, 2022: RMB48.2 million) 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.

As of June 30, 2023, the Group's current ratio (current assets divided by current liabilities) was 2.1 (as of December 31, 2022: 1.9). The Group's financial position remains healthy. As of June 30, 2023, the Group was in a net cash position(3) of RMB178.7 million (as at the end of the previous year: RMB177.3 million), increased by RMB1.4million compared to the end of the previous year. As at June 30, 2023, the Group's gearing ratio(4) was -9.9%, increased by 0.8 percentage points from -10.7% 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 financial products without affecting the Group's business operations or capital expenditure. For the six-month period ended June 30, 2023, the Group did not use any derivative financial instruments to hedge its risks.

EXCHANGE RATE EXPOSURE AND HEDGING

The Group operates in Mainland China, Hong Kong, and Myanmar, and for the six-month period ended June 30, 2023, 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 period 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.

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

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

Contingent Liabilities

As at June 30, 2023, the Group had no material contingent liabilities.

Charges on Group Assets

As at June 30, 2023, except for the pledged deposits of approximately RMB26.1 million (as at December 31, 2022: RMB130.2 million), the Group pledged a building with a net carrying amount of approximately RMB193.2 million, real estate with an appraised value of approximately RMB71.2 million, and equity in two 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 RMB266.0 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 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). Save as disclosed above, as at June 30, 2023, the Group had no other assets charged to financial institutions.

IMPORTANT EVENTS SUBSEQUENT TO THE PERIOD

There was no important event affecting the Group from June 30, 2023 to the date of this announcement.

SIGNIFICANT INVESTMENTS

Subscription of Private Equity Fund

On March 24, 2023, 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 Shanghai Jiuming Investment Management Co., Ltd.* (上海久銘投資管理有限公司), and China Merchants Securities Co., Ltd.* (招商證券股份有限公司), pursuant which the Subscriber agreed to subscribe for the Jiuming Zhuanxiang No. 10 Private Securities Investment Fund* (久銘專享10號私募證券投資基金) (the "**Private Equity Fund**") in a principal amount of RMB20,000,000 ("**Subscription Agreement**"). The subscription price has been settled on March 24, 2023.

As the highest applicable percentage ratio in respect of the subscriptions under the Subscription Agreement and the subscription agreement entered into on November 2, 2022 is, on an aggregated basis, 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 under Chapter 14 of the Listing Rules. Please refer to the announcements of the Company dated March 24, 2023 and April 4, 2023 for further details.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Acquisition of 55% Equity Interests in Beijing Jiujian Technology Co., Ltd.

On April 28, 2023, Beijing Haotian Jiajie New Energy Co., Ltd.* (北京昊天佳捷新能源有限公司) ("**Haotian Jiajie**") , a subsidiary indirectly and wholly owned by the Company, Mr. Jiang Chunqing (蔣春慶) ("**Vendor**") and Beijing Jiujian Technology Co., Ltd.* (北京九建科技有限公司) ("**Target Company**") entered into the Share Transfer Agreement, pursuant to which, Haotian Jiajie conditionally agreed to acquire, and the Vendor conditionally agreed to sell 55% of the equity interest of the Target Company at the total consideration of RMB16.50 million ("**Acquisition**"). The Completion of the Acquisition have been satisfied and the Completion Date is 19 July, 2023.

As the highest applicable percentage ratio calculated according to Rule 14.07 of the Listing Rules in respect of the Share Transfer Agreement exceeds 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. Please refer to the announcements of the Company dated April 28, 2023 for further details.

EMPLOYMENT AND EMOLUMENT POLICIES

As at June 30, 2023, the Group had 217 full-time employees. The emolument policy of the employees of the Group is set up by the Board on the basis of individual role, responsibilities and performance of the individual concerned, and the performance of our Group and market conditions.

In addition, the Company has adopted the Pre-IPO Share Incentive Scheme and the Share Option Scheme as an incentive for directors of the Company (the "Directors") and eligible employees. The Company has also adopted the 2021 Share Award Scheme as incentive for Directors, senior management and employees.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend (same period last year: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions contained in the Code of Corporate Governance Practices (the "**CG Code**") as set out in Part 2 of the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company has complied with all the code provisions in the CG Code for the Period.

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

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

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company on financial reporting matters including a review of the unaudited interim financial information of the Group for the Period.

PUBLICATION OF THE 2023 INTERIM REPORT

The 2023 Interim Report of the Company containing all the information as required under Appendix 16 to the Listing Rules will be dispatched to the shareholders and available on the Company's website at *www.its.cn* and the Stock Exchange's website at *www.hkexnews.hk* in due course.

ACKNOWLEDGEMENT

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

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

Beijing, August 29, 2023

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