



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

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1900

2023

Interim Report



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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

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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

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COMPANY WEBSITE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F
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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 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 by 42.1%.
- 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Jiu Jian 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 Jiu Jian Technology Co., Ltd. in the industry to accelerate the Group's electric power business expansion, further enhancing its core competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

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 contracts 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB'000	2022 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB'000	2022 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 approximately 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 RMB0.3 million, as compared to RMB0 for the same period last year.

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.

⁽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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 approximately 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 as of June 30, 2023. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

DIRECTORS' REPORT

The board of directors (individually, a “**Director**”, or collectively, the “**Board**”) of the Company presents its report together with the unaudited consolidated results of the Group for the Period.

INTERIM DIVIDEND

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

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices, the internal control and financial reporting matters of the Company, and the unaudited interim results of the Group for the Period together with the management of the Company.

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

Save as disclosed below, as at June 30, 2023, none of the Directors and chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “**SFO**”)) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), to be notified to the Company and the Stock Exchange:

Name of Director	Nature of interest	Securities ⁽³⁾	Approximate percentage of shareholdings as at June 30, 2023 ⁽³⁾
Mr. Liao Jie ⁽¹⁾	Interest of a controlled corporation	105,758,203 (L)	6.23% (L)
Mr. Jiang Hailin ⁽²⁾	Beneficial owner/Beneficiary of the Fino Trust	645,912,777 (L)	38.05% (L)

Notes:

- (1) Mr. Liao Jie is deemed to be interested in the 105,758,203 Shares held by Joyful Business, which is wholly-owned by Mr. Liao Jie.
- (2) Mr. Jiang Hailin was interested in all the Shares in which Fino Trust was interested as a beneficiary of Fino Trust. As the beneficial owner of Fino Investments Limited, Fino Trust is deemed to be interested in all the Shares in which Fino Investments Limited is interested. Mr. Jiang Hailin beneficially and directly owns 18,853,876 Shares, which are part of the 645,912,777 Shares in which Fino Trust is deemed to be interested.
- (3) (L) denotes long positions.

DIRECTORS' REPORT

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

As at the June 30, 2023, so far as is known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, the following persons had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity	Long position/ Short position	Number of Shares	Percentage to Company's issued share capital
Holdco ⁽¹⁾	Beneficial owner	Long position	645,912,777	38.05%
Best Partners ⁽²⁾	Interest of controlled corporation	Long position	645,912,777	38.05%
Fino Investments Limited ⁽³⁾	Interest of controlled corporation	Long position	645,912,777	38.05%
Tesco Investments Limited ⁽⁴⁾	Interest of controlled corporation	Long position	645,912,777	38.05%
Credit Suisse Trust Limited ⁽³⁾⁽⁴⁾	Trustee	Long position	645,912,777	38.05%
Joyful Business Holdings Limited ⁽⁵⁾	Beneficial owner	Long position	105,758,203	6.23%

Notes:

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

As at June 30, 2023, Holdco is entitled to exercise or control the exercise of the voting rights of a total of 645,912,777 Shares, representing the aggregate number of Shares held by all of the parties to the Shareholder Voting Agreements. Holdco is wholly-owned by Best Partners. Two of our Directors Mr. Jiang Hailin and Mr. Liao Jie are also directors of Holdco.

- (2) The issued share capital of Best Partners is held as to 91.2015% by Fino Investments Limited and as to 8.7985% by Tesco Investments Limited. By virtue of the Shareholder Voting Agreements, Best Partners Development Limited is deemed to be controlled by Fino Investments Limited and Tesco Investments Limited. Our Director Mr. Liao Jie is also a director of Best Partners.

- (3) Fino Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Fino Trust, namely Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Liang Shiping, Mr. Jiang Hailin and Ms. Wu Chunhong. The Fino Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.

DIRECTORS' REPORT

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

Notes: (continued)

- (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, as at June 30, 2023, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as otherwise disclosed in this interim report, at no time during the Period, was the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

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

The terms of the Pre-IPO Share Incentive Scheme and the Share Option Scheme were disclosed in the section headed "Other information — Pre-IPO Share Incentive Scheme" and "Other information — Share Option Scheme" respectively, in Appendix VI to the prospectus of the Company dated June 30, 2010 (the "**Prospectus**") and in the section headed "Report of the Directors" in the 2011 Annual Report of the Company dated March 28, 2012. The 2021 Share Award Scheme was adopted on September 16, 2021 and the terms was disclosed in the announcement of the Company dated November 8, 2021 and December 15, 2021 and circular dated November 29, 2021.

1. Pre-IPO Share Incentive Scheme

China ITS Co., Ltd. ("**Holdco**", one of the controlling shareholders of the Company) adopted the Pre-IPO Share Incentive Scheme on December 28, 2008. The purpose of the Pre-IPO Share Incentive Scheme is to recognize and reward the contribution of certain eligible participants to the growth and development of the business(es) of the Group.

Options to subscribe for an aggregate of 116,653,105 Shares was conditionally granted by Holdco under the Pre-IPO Share Incentive Scheme.

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

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

(continued)

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 tenth anniversary of the Listing Date. Under the Share Option Scheme, each option has an exercise period not exceeding 10 years from the date of grant.

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

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

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

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

DIRECTORS' REPORT

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

(continued)

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.

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

(continued)

3. Share Award Scheme (continued)

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 respectively issued on May 30, 2022 and June 2, 2023. 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 Period is as follow:

Grantee	Grant date	Vesting start date	Expiry date	Unvested as at January 1, 2023	Vested during the six-month period ended June 30, 2023	Lapsed or cancelled during the six-month period ended June 30, 2023	Unvested as at June 30, 2023	Grant Fee (HK\$)
Mr. Luo Haibin ⁽¹⁾	08/11/2021	30/06/2022	Note (3)	-	-	-	-	Nil
	08/11/2021	30/06/2022	Note (3)	-	-	-	-	0.13
	08/11/2021	30/06/2023	Note (3)	8,187,423	8,187,423 ⁽⁴⁾	-	-	Nil
	08/11/2021	30/06/2023	Note (3)	8,187,423	8,187,423 ⁽⁴⁾	-	-	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				33,245,900	16,374,846	-	16,871,054	
Mr. Mou Yi ⁽²⁾	08/11/2021	30/06/2022	Note (3)	-	-	-	-	Nil
	08/11/2021	30/06/2022	Note (3)	-	-	-	-	0.13
	08/11/2021	30/06/2023	Note (3)	2,729,141	2,729,141 ⁽⁴⁾	-	-	Nil
	08/11/2021	30/06/2023	Note (3)	2,729,141	2,729,141 ⁽⁴⁾	-	-	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				11,081,966	5,458,282	-	5,623,684	
TOTAL:				44,327,866	21,833,128	-	22,494,738	

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.
- (4) The weighted average closing price of the Shares immediately before the dates on which the awarded shares were vested during the financial period was HK\$0.150.

Save as disclosed above, no share awards had been vested, lapsed or cancelled under the 2021 Share Award Scheme during the Period. As at 1 January 2023 and 30 June 2023, the total number of awards available for grant under the 2021 Share Award Scheme are 99,241,492 and 99,241,492 respectively. There is no service provider sublimit under the 2021 Share Award Scheme. The total number of Shares available for issue under the 2021 Share Award Scheme is 121,736,230 Shares, representing approximately 7.17% of the total issued Shares as at the date of this interim report.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Period divided by weighted average number of Shares in issue for the Period is 1.32%.

DIRECTORS' REPORT

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 performance, the nature and responsibilities of the individual concerned and the performance of our Group and market conditions.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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. Profit or loss on subscription to the Private Equity Fund is subject to the financial status of the Private Equity Fund on the redemption date which is determined by the Company after the lock-up period.

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 Jiu Jian 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 Jiu Jian 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.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions contained in the code of corporate governance practices (the “**CG Code**”) set out in 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 the code provisions in the CG Code throughout the Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the “**Model Code**”) as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the 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 by the Company on December 22, 2015 in compliance with the CG Code. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of the Company.

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

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

REMUNERATION COMMITTEE

The Company has established a remuneration committee on June 18, 2010 with effect from the listing of the Company. The current terms of reference of the remuneration committee have been adopted on December 29, 2022 in compliance with the CG Code.

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

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

DIRECTORS' REPORT

NOMINATION COMMITTEE

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

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

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

During the Period, there were no changes to information related to Directors of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

On behalf of the Board of Directors

China ITS (Holdings) Co., Ltd.

Liao Jie

Chairman

Beijing, August 29, 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended June 30, 2023

	Notes	For the six-month period ended June 30,	
		2023 RMB'000 Unaudited	2022 RMB'000 Unaudited
REVENUE	4	346,126	243,634
Cost of revenue	6	(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 Unaudited	RMB 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 RMB'000 Unaudited	2022 RMB'000 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	10	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	13	8,250	15,900
Total non-current assets		1,068,739	1,032,052
CURRENT ASSETS			
Inventories	11	227,007	276,384
Contract assets	14	210,531	125,705
Trade and bills receivables	12	426,812	477,062
Financial assets at fair value through profit or loss		3,678	10,091
Prepayments, deposits and other receivables	13	557,157	468,257
Amounts due from related parties	21	22,401	25,834
Pledged deposits	15	26,065	130,183
Cash and cash equivalents	15	323,855	295,622
Total current assets		1,797,506	1,809,138

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2023

	Notes	June 30, 2023 RMB'000 Unaudited	December 31, 2022 RMB'000 Audited
CURRENT LIABILITIES			
Trade and bills payables	16	290,532	308,548
Contract liabilities, other payables and accruals	17	332,244	315,367
Interest-bearing bank borrowings	18	171,221	248,459
Amounts due to related parties	21	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	19	298	294
Reserves		1,846,912	1,779,460
Non-controlling interests		1,847,210	1,779,754
		145,292	115,779
Total equity		1,992,502	1,895,533

Liao Jie
Director

Jiang Hailin
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended June 30, 2023

	Attributable to owners of the Company									
	Share capital	Share premium	Statutory reserve	Capital reserve	Asset revaluation reserve	Exchange fluctuation reserve	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, 2023	294	1,069,770*	201,930*	571,761*	7,782*	(188,600)*	116,817*	1,779,754	115,779	1,895,533
Profit for the period	-	-	-	-	-	-	55,106	55,106	22,640	77,746
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	10,266	-	10,266	6,873	17,139
Total comprehensive income for the period	-	-	-	-	-	10,266	55,106	65,372	29,513	94,885
Share award expenses	-	-	-	796	-	-	-	796	-	796
Grant fee received pursuant to share award scheme	4	1,284	-	-	-	-	-	1,288	-	1,288
Transfer upon vesting of the share awards	-	2,097	-	(2,097)	-	-	-	-	-	-
Total transactions with owners	4	3,381	-	(1,301)	-	-	-	2,084	-	2,084
At June 30, 2023 (unaudited)	298	1,073,151*	201,930*	570,460*	7,782*	(178,334)*	171,923*	1,847,210	145,292	1,992,502

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended June 30, 2023

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Capital reserve	Asset revaluation reserve	Exchange fluctuation reserve	Retained earnings			
	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	1,088,725	201,067	593,891	7,782	(141,941)	22,900	1,772,714	81,732	1,854,446
Profit for the period	-	-	-	-	-	-	(5,959)	(5,959)	27,427	21,468
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(11,533)	-	(11,533)	(9,108)	(20,641)
Total comprehensive income for the period	-	-	-	-	-	(11,533)	(5,959)	(17,492)	18,319	827
Transfer upon the forfeiture of share options	-	-	-	(24,273)	-	-	24,273	-	-	-
Share award expenses	-	-	-	2,764	-	-	-	2,764	-	2,764
Grant fee received pursuant to share award scheme	4	1,210	-	-	-	-	-	1,214	-	1,214
Transfer upon vesting of the share awards	-	1,852	-	(1,852)	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	(5,103)	(5,103)	5,103	-
Injection of capital from non-controlling interest	-	-	-	-	-	-	-	-	704	704
Total transactions with owners	4	3,062	-	(23,361)	-	-	19,170	(1,125)	5,807	4,682
At June 30, 2022 (unaudited)	294	1,091,787	201,067	570,530	7,782	(153,474)	36,111	1,754,097	105,858	1,859,955

* These reserve accounts comprise the reserves of RMB1,846,912,000 (December 31, 2022: RMB1,779,460,000) in the condensed consolidated statement of financial position as at June 30, 2023.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended June 30, 2023

	Notes	For the six-month period ended June 30,	
		2023 RMB'000 Unaudited	2022 RMB'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		83,794	25,403
Adjustments for:			
Depreciation and amortisation		27,516	21,836
Share award expenses		796	2,764
Gain on disposal of financial assets at fair value through profit or loss		(2,100)	–
Impairment of financial assets included in prepayment, other receivables and other assets		5,517	3,426
Impairment (Reversal of impairment) of trade receivables		7,939	(9,753)
Impairment (Reversal of impairment) of contracts assets		410	(1,283)
Gain on transfer from inventories to investment properties		–	(4,917)
Gain on disposal of property and equipment		–	(47)
Changes in fair value of financial assets at fair value through profit or loss		(5,375)	51,449
Dividend income from financial assets at fair value through profit or loss		(83)	(1,518)
Share of result of an associate		295	–
Finance income		(3,632)	(2,094)
Finance costs		5,880	5,767
		120,957	91,033
Changes in assets and liabilities:			
Inventories		49,377	13,809
Contracts assets		(85,236)	56,716
Trade and bills receivables		42,683	150,920
Prepayments, deposits and other receivables		(92,696)	(116,774)
Amounts due from related parties		3,433	(2,854)
Pledged deposits		104,118	(25,678)
Trade and bills payables		(18,016)	(83,977)
Contract liabilities, other payables and accruals		16,877	(22,459)
Amounts due to related parties		2,962	392
Cash generated from operations		144,459	61,128
Interest paid		(5,880)	(5,767)
Interest received		3,953	2,094
Income tax (paid) refunded		(2,547)	3,674
Net cash flows generated from operating activities		139,985	61,129

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended June 30, 2023

	Notes	For the six-month period ended June 30,	
		2023 RMB'000 Unaudited	2022 RMB'000 Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES			
Prepayment for acquisition of unlisted investments		(8,250)	–
Purchases of items of property and equipment		(5,365)	(43,863)
Dividend received from investments		83	1,518
Purchases of financial assets at fair value through profit or loss		(36,600)	(28,000)
Disposal of financial assets at fair value through profit or loss		19,081	–
Disposal of property and equipment		–	47
Additions to other intangible assets		(2,675)	(11,221)
Net cash flows used in investing activities		(33,726)	(81,519)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing bank borrowings		127,920	206,890
Repayment of interest-bearing bank borrowings		(205,158)	(164,118)
Grant fee received pursuant to share award scheme		1,288	1,214
Injection of share capital from non-controlling interest		–	704
Net cash flows (used in) generated from financing activities		(75,950)	44,690
Net increase in cash and cash equivalents		30,309	24,300
Effect of foreign exchange rate changes, net		(2,076)	(1,989)
Cash and cash equivalents at beginning of period		295,622	317,869
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15	323,855	340,180

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

3. OPERATING SEGMENT INFORMATION (continued)

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
<i>Reconciliation:</i>			
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)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

3. OPERATING SEGMENT INFORMATION (continued)

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

* 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 RMB'000 Unaudited	2022 RMB'000 Unaudited
Revenue from contracts with customers within IFRS 15	346,126	243,634

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

4. REVENUE (continued)

(i) Disaggregated revenue information

Segments	For the six-month period ended June 30	
	2023 RMB'000 Unaudited	2022 RMB'000 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 RMB'000 Unaudited	2022 RMB'000 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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

7. INCOME TAX (continued)

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

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

(continued)

Diluted earnings (loss) per share

The calculation of the diluted earnings (loss) per share is based on the profit (loss) 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 (note 20)	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. PROPERTY AND EQUIPMENT

During the six-month period ended June 30, 2023, the Group purchased equipment with a cost of RMB5,365,000 (June 30, 2022: RMB43,863,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

11. INVENTORIES

	June 30, 2023	December 31, 2022
	RMB'000	RMB'000
	Unaudited	Audited
Materials, parts and equipment	227,007	276,384

12. TRADE AND BILLS RECEIVABLES

	June 30, 2023	December 31, 2022
	RMB'000	RMB'000
	Unaudited	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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

12. TRADE AND BILLS RECEIVABLES (continued)

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

	June 30, 2023	December 31, 2022
	RMB'000	RMB'000
	Unaudited	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	December 31, 2022
	RMB'000	RMB'000
	Unaudited	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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	June 30, 2023 RMB'000 Unaudited	December 31, 2022 RMB'000 Audited
Prepayments to suppliers for purchases of goods (net of loss allowance of RMB2,940,000 (2022: RMB2,940,000))	253,785	236,950
Prepayment for acquisition of unlisted equity investments (note a)	8,250	15,900
Loan receivables (note b) (net of loss allowance of RMB12,869,000 (2022: RMB5,000,000))	121,417	92,578
Tender deposits (net of loss allowance of nil (2022: nil))	9,642	11,004
Contract deposits	17,945	5,347
Advances to staff (net of loss allowance of RMB2,664,000 (2022: RMB2,664,000))	10,494	12,012
Interest receivable	3,210	3,531
Guarantee deposit	28,476	–
Consideration receivable for disposal of subsidiaries	18,740	37,479
Tax refundable for export sale (of machinery)	14,255	15,600
Others (net of loss allowance of RMB65,393,000 (2022: RMB68,262,000))	79,193	53,756
	565,407	484,157
Less: Prepayment for acquisition of investments	8,250	15,900
	557,157	468,257

Note:

- a. Prepayment for acquisition of investments:

In April 2023, the Group entered into a share transfer agreement, pursuant to which the Group 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 RMB16.5 million. Up to June 30, 2023, RMB8,250,000 has been paid as a down payment of the investment. The official business registration procedures was not yet completed as of June 30, 2023 and the Group was not entitled to the rights and benefits of ownership of the investment.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Note:

b. The balance comprises:

- (i) Loan of RMB30,000,000 (2022: 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. On August 10, 2023, the maturity date of the loan was extended to January 31, 2024 with all other terms remain unchanged;
- (ii) Loan of RMB9,000,000 (2022: RMB9,000,000) to an independent third party which is repayable on demand (2022: on demand), bears interest at a rate of 10% per annum. Having considered the financial position of the debtor, a full provision has been made for this amount;
- (iii) Loans of RMB8,709,000 (2022: RMB8,910,000) to independent third parties which bear interest at rates ranging from 7% to 12% per annum and are secured by personal guarantees; and
- (iv) Unsecured loans of RMB86,576,000 (2022: RMB49,668,000) to independent third parties which are interest-free and repayable in late 2023 to 2024 (2022: 2023).

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

	June 30, 2023	December 31, 2022
	RMB'000	RMB'000
	Unaudited	Audited
At beginning of period/year	78,866	80,091
Impairment	5,517	8,558
Write-off	(517)	(6,238)
Disposal of subsidiaries	-	(3,545)
At end of period/year	83,866	78,866

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

14. 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

15. 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	26,065	130,183
	349,920	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	(88)	(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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

16. TRADE AND BILLS PAYABLES

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

	June 30, 2023 RMB'000 Unaudited	December 31, 2022 RMB'000 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.

17. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	June 30, 2023 RMB'000 Unaudited	December 31, 2022 RMB'000 Audited
Contract liabilities	223,965	202,259
Business advance deposits	4,497	9,457
Staff costs and welfare accruals	16,651	14,569
Other borrowings	–	9,578
Other taxes payable	33,994	35,847
Accrued purchase	29,480	6,547
Others	23,657	37,110
	332,244	315,367

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

18. INTEREST-BEARING BANK BORROWINGS

	June 30, 2023		December 31, 2022	
	Effective Interest rate	RMB'000 Unaudited	Effective Interest rate	RMB'000 Audited
Current				
Short term bank loans — secured	PBOC LPR less 0.35/ PBOC LPR less 0.65/ 2.8%-10%	144,716	PBOC LPR/ PBOC LPR less 0.62/ 3.03%-10.00%	207,206
Factoring loan	—	—	3.65%	4,221
Bills receivable discounted or endorsed	0-1.69%	26,505	0-1.69%	37,032
		171,221		248,459

19. SHARE CAPITAL

	June 30, 2023	December 31, 2022
	RMB'000 Unaudited	RMB'000 Audited
Issued and fully paid:		
1,697,691,124 ordinary shares of HK\$0.0002 each (December 31, 2022: 1,675,857,996 ordinary shares of HK\$0.0002 each)	298	294

During the six-month period ended June 30, 2023, the Company issued 21,833,128 ordinary shares pursuant to the Share Award Scheme (note 20).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

20. SHARE AWARD SCHEME

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

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

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

The Second tranche of the awarded shares was fully vested on June 30, 2023 and 21,833,128 awarded shares were issued during the six-month period ended June 30, 2023.

The Group recognised an expense of approximately RMB796,000 for the six-month period ended June 30, 2023 (June 30, 2022: RMB2,764,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

21. RELATED PARTY TRANSACTIONS

In addition to the transactions or balances as detailed elsewhere in the unaudited interim condensed consolidated financial statements, the Group had the following major transactions with related parties during the six-month period ended June 30, 2023:

	Note	For the six-month period ended June 30,	
		2023	2022
		RMB'000	RMB'000
		Unaudited	Unaudited
Rental income and recharge of expenses			
Beijing United Trust Technical Services Co., Ltd*		443	–
eSOON Information Technology Co., Ltd*		495	–
King Victory and its affiliates	(i)	1,550	3,506
Vision (China) Cultural Development Co., Ltd*		3,490	–
		5,978	3,506

Note

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

	June 30, 2023		December 31, 2022	
	RMB'000		RMB'000	
	Unaudited		Audited	
Due from related parties				
Director		56		99
King Victory and its affiliates		22,345		22,379
Joint operation		–		2,106
Vision (China) Cultural Development Co., Ltd*		–		1,250
Total		22,401		25,834
Due to related parties				
Associate		69		69
Beijing United Trust Technical Services Co., Ltd*		940		332
eSOON Information Technology Co., Ltd*		232		302
Vision (China) Cultural Development Co., Ltd*		2,424		–
		3,665		703

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

21. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel of the Group

	For the six-month period ended June 30,	
	2023	2022
	RMB'000	RMB'000
	Unaudited	Unaudited
Salaries, bonuses, allowances and benefits in kind	1,223	1,167
Pension plan contributions	31	27
Equity-settled share-based payment expenses	796	2,764
Total compensation paid to key management personnel	2,050	3,958

* Translated for identification purposes

22. PLEDGE OF ASSETS

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

23. OPERATING LEASE COMMITMENTS

As lessor

The Group leases its investment properties and offices properties to certain independent third parties and a related party, with leases negotiated for terms of six months to five years (December 31, 2022: six months to six years).

The investment properties are subject to residual value risk. The lease contract, as a result, includes a provision based on which the Group has the right to charge the tenant on reimbursement basis for any damage to the investment properties caused by the tenant at the end of the lease. The amount is to be deducted from the rental deposit received.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

23. OPERATING LEASE COMMITMENTS (continued)

As lessor (continued)

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

	June 30, 2023	December 31, 2022
	RMB'000	RMB'000
	Unaudited	Audited
Year 1	24,044	23,869
Year 2	22,580	24,208
Year 3	14,175	20,977
Year 4	–	3,571
Undiscounted lease payments to be received	60,799	72,625

24. CAPITAL COMMITMENTS

As at June 30, 2023, the Group had the following capital commitments:

	June 30, 2023	December 31, 2022
	RMB'000	RMB'000
	Unaudited	Audited
Contracted, but not provided for: Equipment	4,563	–

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management of the Group.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments measured at fair value as at June 30, 2023 and December 31, 2022:

As at June 30, 2023 (Unaudited)	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	131,627	60,921	16,756	209,304

As at December 31, 2022 (Audited)	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	130,676	28,478	9,256	168,410

Movements in level 3 fair value measurements

During the six-month period ended June 30, 2023, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfer into or out of level 3. The movements of the Level 3 investments during the period represent the changes in fair value which were recognised in profit or loss for the period.

During the year ended December 31, 2022, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and liabilities. The movements of the Level 3 investments during the year represent the changes in fair value which were recognised in profit or loss for the year.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2023

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

The fair values of unlisted equity investments at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to sales (“**EV/Sales**”) multiple for each comparable company identified. The multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value.

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Market Approach	Average EV/Sales	1.63 (December 31, 2022: 2.15)	1% increase/decrease in multiple would result in increase/decrease in fair value by RMB99,000 (December 31, 2022: RMB64,000)
		Discount for lack of market ability	25% (December 31, 2022: 24%)	1% increase/decrease in discount would result in decrease/increase in fair value by RMB98,000 (December 31, 2022: RMB31,000)

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.

26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on August 29, 2023.