China ITS (Holdings) Co., Ltd.

中国智能交通系统(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1900)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

HIGHLIGHTS OF 2023 ANNUAL RESULTS

For the year ended December 31, 2023 (the "**Year**" or the "**2023**"), highlights of the results of China ITS (Holdings) Co., Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") are as follows:

- The Group recorded RMB952.4 million from the new contracts signed[(1)] as compared to RMB623.1 million for the previous year, increased by 52.9%.

- Revenue of RMB857.4 million was generated as compared to the revenue of RMB714.4 million for the previous year, increased by 20.0%.

- As of December 31, 2023, the Group recorded RMB675.1 million from backlog as compared to RMB595.0 million as at the end of the previous year, increased by 13.5%.

- The Group generated gross profit of RMB331.7 million as compared to the gross profit of RMB259.3 million for the previous year, increased by 27.9%, and recorded gross profit margin of 38.7% as compared to the gross profit margin of 36.3% for the previous year, representing an increase of 2.4 percentage points.

- The profit attributable to owners of the parent of the Company amounted to RMB137.2 million as compared to the profit of RMB48.5 million for the previous year.

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

ANNUAL RESULTS

The audited consolidated results of the Group for the year ended December 31, 2023, with comparative figures, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended December 31, 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
REVENUE	*5*	**857,395**	714,424
Cost of revenue		**(525,710)**	(455,161)
Gross profit		**331,685**	259,263
Other income and gains	*6*	**117,507**	66,050
Selling, distribution and administrative expenses		**(129,914)**	(131,275)
Impairment losses on financial and contract assets, net		**(44,708)**	(5,800)
Other expenses		**(63,121)**	(72,973)
Finance costs		**(9,784)**	(11,921)
Share of results of an associate		**926**	(888)
PROFIT BEFORE TAX		**202,591**	102,456
Income tax expense	*7*	**(15,774)**	(8,691)
PROFIT FOR THE YEAR		**186,817**	93,765
Attributable to:			
Owners of the Company		**137,197**	48,490
Non-controlling interests		**49,620**	45,275
		186,817	93,765
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		***RMB***	*RMB*
Basic	*9*	**0.08**	0.03
Diluted	*9*	**0.08**	0.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2023

	2023	2022
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**186,817**	93,765
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of Company's financial statements	**23,583**	35,571
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(20,004)**	(94,634)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**3,579**	(59,063)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**190,396**	34,702
Attributable to:		
Owners of the Company	**151,495**	1,831
Non-controlling interests	**38,901**	32,871
	190,396	34,702

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**493,294**	501,617
Investment properties		**68,060**	71,150
Goodwill		**117,798**	123,759
Other intangible assets		**115,949**	106,273
Investments in associates		**55,960**	55,034
Financial assets at fair value through profit or loss	*12*	**287,593**	158,319
Prepayments, deposits and other receivables		**–**	15,900
Total non-current assets		**1,138,654**	1,032,052
CURRENT ASSETS			
Inventories		**404,218**	276,384
Contract assets	*11*	**141,907**	125,705
Trade and bills receivables	*10*	**450,244**	477,062
Financial assets at fair value through profit or loss		**789**	10,091
Prepayments, deposits and other receivables		**419,985**	468,257
Amounts due from related parties		**18,468**	25,834
Pledged deposits		**39,818**	130,183
Cash and cash equivalents		**483,768**	295,622
Total current assets		**1,959,197**	1,809,138
CURRENT LIABILITIES			
Trade and bills payables	*13*	**434,725**	308,548
Contract liabilities, other payables and accruals		**243,453**	315,367
Interest-bearing bank borrowings		**275,020**	248,459
Amounts due to related parties		**4,301**	703
Income tax payable		**71,092**	70,737
Total current liabilities		**1,028,591**	943,814
NET CURRENT ASSETS		**930,606**	865,324
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,069,260**	1,897,376

	Notes	**2023**	2022
		RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,069,260**	1,897,376
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**4,501**	1,843
Total non-current liabilities		**4,501**	1,843
Net assets		**2,064,759**	1,895,533
EQUITY			
Equity attributable to owners of the Company			
Share capital		**298**	294
Reserves		**1,927,888**	1,779,460
		1,928,186	1,779,754
Non-controlling interests		**136,573**	115,779
Total equity		**2,064,759**	1,895,533

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

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

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

(b) Energy 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. and provision of energy conservation services.

2. BASIS OF PRESENTATION

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

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

3. CHANGES IN ACCOUNTING POLICIES

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

Amendments to IAS 1	Disclosure 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— Pillar Two Model Rules

Amendments to IAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies. Management has reviewed the disclosure of accounting policy information and considered it is consistent with the amendments.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements.

Amendments to IAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

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

Amendments to IAS 12: Income Taxes

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

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

Amendments to IAS 12: International Tax Reform — Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The Amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

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

4. OPERATING SEGMENT INFORMATION

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

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

(i) Railway business

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

(ii) Energy 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.; and provision of energy conservation services.

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, impairment of financial and contract assets, net, gain/loss on disposal of subsidiaries, dividend income from and changes in fair value of financial assets at fair value through profit or loss, changes in fair value of investment properties, gain/loss on transfers between inventories and investment properties as well as head office and corporate income and expenses are excluded from this measurement.

Year ended December 31, 2023	Railway business *RMB'000*	Energy business *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*			
Sales to external customers	**566,683**	**290,712**	**857,395**
Segment results	**123,986**	**58,818**	**182,804**
Reconciliation:			
Finance income			**11,701**
Finance costs			**(9,784)**
Changes in fair value of investment properties			**(3,090)**
Changes in fair value of financial assets at fair value through profit or loss, included in other income and gains			**80,351**
Changes in fair value of financial assets at fair value through profit or loss, included in other expenses			**(11,496)**
Dividend income from financial assets at fair value through profit or loss			**1,871**
Impairment of financial and contract assets, net			**(44,708)**
Corporate and other unallocated income and expenses			**(5,058)**
Profit before tax			**202,591**
Other segment information:			
Gain on disposal of financial assets at fair value through profit or loss	**–**	**–**	**3,135**
Share of results of an associate	**–**	**–**	**926**
Depreciation and amortisation	**(20,006)**	**(36,770)**	**(56,776)**
Capital expenditure*	**854**	**9,219**	**10,073**

Year ended December 31, 2022	Railway business *RMB'000*	Energy business *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*			
Sales to external customers	399,634	314,790	714,424
Segment results	77,845	53,362	131,207
Reconciliation:			
Finance income			6,016
Finance costs			(11,921)
Gain on transfers from inventories to investment properties			6,314
Changes in fair value of investment properties			415
Changes in fair value of financial assets at fair value through profit or loss			(54,492)
Dividend income from financial assets at fair value through profit or loss			1,518
Impairment of financial and contract assets, net			(5,800)
Gain on disposal of a subsidiary			27,740
Corporate and other unallocated income and expenses			1,459
Profit before tax			102,456
Other segment information:			
Share of results of an associate	–	–	(888)
Depreciation and amortisation	(12,468)	(38,135)	(50,603)
Capital expenditure*	2,182	150,405	152,587

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

Geographical information

(a) Revenue from external customers

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**571,223**	399,634
Overseas, mainly Myanmar	**286,172**	314,790
	857,395	714,424

(b) Non-current assets

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**391,056**	377,592
Overseas, mainly Myanmar	**404,045**	425,207
	795,101	802,799

Information about major customers

A customer under the energy business segment contributed 32.2% (2022: 42.8%) of the Group's revenue for the year. Other than that, no individual customer of the Group contributed 10% or more of the Group's revenue.

5. REVENUE

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within IFRS 15	**857,395**	714,424

(i) Disaggregated revenue information

	2023 *RMB'000*	2022 *RMB'000*
Type of goods or services		
Sale of products and provision of specialised solutions	**536,570**	372,361
Maintenance services	**44,847**	36,286
Rehabilitation services under a service concession arrangement	**2,649**	91,730
Power supply	**273,329**	214,047
Total revenue from contracts with customers	**857,395**	714,424
Geographical markets		
Mainland China	**571,223**	399,634
Overseas	**286,172**	314,790
Total revenue from contracts with customers	**857,395**	714,424
Timing of revenue recognition		
Goods and services transferred at a point in time	**93,471**	91,495
Goods and services transferred over time	**763,924**	622,929
Total revenue from contracts with customers	**857,395**	714,424

6. OTHER INCOME AND GAINS

	2023 *RMB'000*	2022 *RMB'000*
Changes in fair value of investment properties	**–**	415
Changes in fair value of financial assets at fair value through profit or loss	**80,351**	–
Dividend income from financial assets at fair value through profit or loss	**1,871**	1,518
Finance income	**11,701**	6,016
Gain on disposal of subsidiaries	**–**	27,740
Gain on transfer from inventories to investment properties (*note 15*)	**–**	6,314
Government grants*	**16**	1,310
Gain on disposal of financial assets at fair value through profit or loss	**3,135**	–
Gross rental income	**20,320**	19,635
Others	**113**	3,102
	117,507	66,050

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

7. INCOME TAX

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

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

A subsidiary of the Group in Xizang, China is subject to PRC Enterprise Income Tax at a rate of 9% (2022: 9%), and subsidiaries in other areas of Mainland China of the Group are subject to PRC Enterprise Income Tax at a rate 25% (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% (2022: 15%) preferential income tax rate.

No provision for Hong Kong profits tax has been made for the year ended December 31, 2023 (2022: nil), as the Group had no assessable profits arising in Hong Kong during the year.

Subsidiaries incorporated in Myanmar are subject to Corporate Income Tax at a rate 25% (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% (2022: 2.5%) on the service income earned in Myanmar.

According to the PRC tax regulations, from January 1, 2008 onwards, non-resident enterprises without an establishment or place of business in Mainland China or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in Mainland China are subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from entities in Mainland China. Distributions of the pre-2008 earnings are exempted from such withholding tax. As at December 31, 2023, no deferred tax liabilities (2022: nil) have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (the "**Unremitted earnings**") because in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

The major components of income tax expense are as follows:

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax		
— Provision for the year	**1,452**	3,945
— Under-provision in prior year	**140**	25
Myanmar Corporate Income Tax	**10,698**	7,062
Myanmar withholding tax	**826**	5,179
	13,116	16,211
Deferred tax:		
Origination and reversal of temporary differences	**2,658**	(7,520)
Income tax expense	**15,774**	8,691

8. DIVIDENDS

No dividend was proposed by the Company for the year ended December 31, 2022.

A final dividend in respect of 2023 of HK$0.0227 (RMB0.0206) per ordinary share is proposed by the directors of the Company after the end of the reporting period. The proposed final dividend will be accounted for as an appropriation of reserves in the year ending 31 December 2024 if it is approved at the forthcoming annual general meeting.

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

Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of RMB137,197,000 (2022: RMB48,490,000), and the weighted average number of 1,686,924,102 (2022: 1,665,090,974) ordinary shares outstanding during the year.

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company of RMB137,197,000 (2022: RMB48,490,000), and the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all the dilutive potential ordinary shares into ordinary shares, calculated as follows:

	2023	2022
Shares		
Weighted average number of shares in issue	**1,686,924,102**	1,665,090,974
Effect of deemed issue of shares under the Company's share award scheme for nil consideration	**3,858,068**	7,842,124
Weighted average number of shares in issue	**1,690,782,170**	1,672,933,098

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

10. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**454,139**	479,975
Impairment	**(94,672)**	(73,968)
	359,467	406,007
Bills receivables	**90,777**	71,055
	450,244	477,062

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

Bills receivables generally mature from 180 days to 270 days.

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

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

	2023	2022
	RMB'000	*RMB'000*
Less than 6 months	**4,051**	45,962
6 months to 1 year	**200,581**	164,044
1 year to 2 years	**52,288**	49,814
2 years to 3 years	**20,354**	80,360
Over 3 years	**82,193**	65,827
	359,467	406,007

Impairment

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

	2023	2022
	RMB'000	*RMB'000*
At January 1	**73,968**	75,496
Impairment (Reversal of impairment)	**27,269**	(409)
Disposal of subsidiaries	**–**	(464)
Business combination	**1,439**	–
Written off	**(8,004)**	(655)
At December 31	**94,672**	73,968

The breakdown of the loss allowance is as follows:

		Expected credit losses		
At December 31, 2023	**Credit-Impaired** *RMB'000*	**Aproud Technology** *RMB'000*	**Entities other than Aproud Technology** *RMB'000*	**Total** *RMB'000*
Gross carrying amount	**33,358**	**3,293**	**417,488**	**454,139**
Credit loss	**33,358**	**1,753**	**59,561**	**94,672**
Average credit loss rate	**100.00%**	**53.23%**	**14.27%**	**20.85%**

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

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

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

Aproud Technology

Aproud Technology was engaged in providing intelligent transportation services in the expressway sector in prior years. Since 2017, no such business has been conducted. The receivable amounts aged less than 1 year at December 31, 2023 and December 31, 2022 represented additional billing for old projects completed in current and prior years.

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

At December 31, 2023	**Expected credit loss rate**	**Gross carrying amount** *RMB'000*	**Expected credit losses** *RMB'000*
Past due:			
Less than 1 year	**–**	**–**	**–**
1 to 2 years	**45.39%**	**1,994**	**905**
2 to 3 years	**51.85%**	**540**	**280**
3 to 4 years	**65.85%**	**328**	**216**
4 to 5 years	**–**	**–**	**–**
5 to 6 years	**81.67%**	**431**	**352**
Over 6 years (credit-impaired)	**100.00%**	**2,761**	**2,761**
		6,054	**4,514**

At December 31, 2022	Expected credit loss rate	Gross carrying amount *RMB'000*	Expected credit losses *RMB'000*
Past due:			
Less than 1 year	8.89%	2,038	181
1 to 2 years	28.15%	540	152
2 to 3 years	32.72%	327	107
3 to 4 years	–	–	–
4 to 5 years	70.30%	431	303
5 to 6 years	76.30%	211	161
Over 6 years (credit-impaired)	100.00%	2,550	2,550
		6,097	3,454

Entities other than Aproud Technology

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

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

At December 31, 2023	**Expected credit loss rate**	**Gross carrying amount** *RMB'000*	**Expected credit losses** *RMB'000*
Past due:			
Less than 1 year and not yet due	**2.05%**	**208,905**	**4,274**
1 to 2 years	**8.16%**	**55,748**	**4,549**
2 to 3 years	**14.69%**	**23,553**	**3,459**
3 to 4 years	**24.44%**	**58,338**	**14,256**
4 to 5 years	**34.37%**	**42,562**	**14,627**
5 to 6 years	**64.82%**	**28,382**	**18,396**
Over 6 years (credit-impaired)	**100.00%**	**21,232**	**21,232**
		438,720	**80,793**

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

Other than the loss allowance using the provision matrix, included in the above allowance for impairment of trade receivables is a provision for individually impaired trade receivables of RMB9,365,000 (2022: RMB14,846,000) with a carrying amount before provision of RMB9,365,000 (2022: RMB14,846,000).

11. CONTRACT ASSETS

	2023	2022
	RMB'000	*RMB'000*
Contract assets	**172,584**	154,721
Impairment	**(30,677)**	(29,016)
	141,907	125,705

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

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

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**141,907**	125,705
More than 1 year	**–**	–
	141,907	125,705

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

	2023	2022
	RMB'000	*RMB'000*
At January 1	**29,016**	31,365
Impairment (Reversal of impairment)	**1,661**	(2,349)
At December 31	**30,677**	29,016

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

Impairment

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

At December 31, 2023	**Credit-impaired** *RMB'000*	**Expected credit losses** **Aproud Technology** *RMB'000*	**Entities other than Aproud Technology** *RMB'000*	**Total** *RMB'000*
Gross carrying amount	**23,011**	**2,482**	**147,091**	**172,584**
Credit loss	**23,011**	**2,448**	**5,218**	**30,677**
Average credit loss rate	**100.00%**	**98.63%**	**3.55%**	**17.78%**

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

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 *RMB'000*	2022 *RMB'000*
Current		
— Unlisted mutual funds	**379**	10,091
— Contingent consideration	**410**	–
	789	10,091
Non-current		
— Unlisted mutual funds	**41,922**	18,387
— Unlisted equity investments	**34,855**	9,256
— Listed equity investments	**210,816**	130,676
	287,593	158,319

Included in the listed equity investments was 22.19% (2022: 21.64%) equity interest in Forever Opensource with carrying amount of RMB198,647,000 as at December 31, 2023 (2022: RMB117,391,000). The Group considers that it has no significant influence over Forever Opensource as Forever Opensource's actual controller (實際控制人) is Ma Yue (馬越) and the Group has appointed only one (out of eight) director of Forever Opensource.

13. TRADE AND BILLS PAYABLES

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

	2023	2022
	RMB'000	*RMB'000*
Current or less than 1 year	**278,649**	193,357
1 to 2 years	**96,613**	82,316
Over 2 years	**59,463**	32,875
	434,725	308,548

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE OVERALL OPERATION OF THE GROUP DURING THE YEAR

In 2023, the Group recorded RMB952.4 million from new contracts signed, representing an increase of 52.9% compared to the previous year. The Group generated revenue of RMB857.4 million, representing an increase of 20.0% compared to the previous year, and as of December 31, 2023, the Group recorded RMB675.1 million from backlog, representing an increase of 13.5% compared to the end of the previous year. The Group generated gross profit of RMB331.7 million, representing an increase of 27.9% compared to the previous year, and recorded an increase in gross profit margin to 38.7% as compared with 36.3% in the previous year. The profit attributable to owners of the parent of the Company amounted to RMB137.2 million for the Year as compared to the profit attributable to owners of the parent of the Company of RMB48.5 million for the previous year.

BUSINESS AND FINANCIAL REVIEW

The Group is mainly a provider of products, specialised solutions and services related to infrastructure technology in the railway and electric power sectors, and of contract energy management to customers. 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) Energy 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, value-added operation and services related to power plant investment, construction and operation etc., and contract energy management to customers.

Business Review

1. *Upward trend of the railway business*

   For the railway business, we witnessed an accelerated pace of railway investment and construction in 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 specialized solutions in the railway communication market segment. Meanwhile, it had been active in exploring overseas markets as reflected in the entering into the contract for the Hungarian section of the Hungary-Serbia Railway with a contract sum of approximately RMB120 million.

   The number of new contracts for the Year increased by 57.1% as compared with the previous year. Furthermore, the railway projects under construction in the PRC resumed the normal delivery schedule, resulting in an increase of 41.8% in revenue for the Year as compared to the previous year.

2. *Steady growth of the energy business*

   As regards the electric power business, owing to the AHLONE 151,000-kilowatt power plant project, which was invested, constructed and operated by the Group in Yangon, Myanmar, and the Hlawga 123,000-kilowatt power plant restoration project in Myanmar, stable revenue from power plant projects was recorded for the Year.

   As regards the new energy business, the Group won the bid for "2023 Contract Energy Management Project through Energy Saving and Upgrading by LED Lighting Fixtures for the Communal Area of Beijing Metro Line 6 (East Extension) and Metro Line 7 Station (2023年北京地鐵6號線東延與地鐵7號線車站公共區照明燈具LED節能提級治理合同能源管理項目)", laying a solid foundation for the Group's expansion in the new energy business.

BUSINESS OUTLOOK

1. Railway business

Positive development of the domestic railway market

From a macro perspective, in 2024, investment in railway construction in the PRC will see further increases, with an estimated total national railway investment exceeding RMB800 billion for the entire year, hitting a record high for the railway investments during the past four years. As 5G-R technology has now entered the testing stage, it is expected that the technology will be popularized in railway communication and information systems and be gradually standardized in 2024, and then the construction of 5G-R network will be carried out gradually in 2025. Meanwhile, the State attaches great importance to the security of railway communication systems and continues to increase investments in network security and cloud technology areas. With the favorable prospects of the railway market, the Group will vigorously grasp the macro opportunities brought by railway development in the future, continue to retain its existing competitive advantages in the railway industry, maintain a higher market share and better customer satisfaction, actively develop new customers and new businesses, and strive to maintain its industry-leading position in intelligent railway construction and 5G-R construction.

Booming development of the overseas railway business

The Group has won various overseas high-speed rail projects, including the Hungarian section of the Hungary-Serbia Railway and the Malaysia East Coast Rail Link (MECRL) Project, both of which are in the process of delivery. In the future, as Chinese railways continues to deepen opening-up and go global, the Group will continue to increase investments in overseas railway markets in a bid to expand its business in overseas railway markets.

2. Energy 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. 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 the new energy business

Building upon the steady development of our power plant projects, the Group is actively expanding into the new energy business, including photovoltaic power generation, charging piles, energy storage, contract energy management, etc.

FINANCIAL REVIEW

Revenue

By Industry Sectors

For the Year, the Group generated revenue as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue by industry sectors		
Railway	**566,683**	399,634
Energy	**290,712**	314,790
Total	**857,395**	714,424

(i) Railway

For the Year, revenue of RMB566.7 million was recognised from the railway sector, representing an increase of RMB167.1 million compared to the previous year, and increased by 41.8%. The sector recorded RMB627.3 million from new contracts signed, representing an increase of RMB228.0 million compared to the previous year; and the amount of backlog as of the end of the Year was RMB598.7 million, which was basically similar 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 during 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 41.8% in revenue during the Year as compared to the previous year.

(ii) Energy

For the Year, revenue of RMB290.7 million was recognised from the energy sector, representing a decrease of RMB24.1 million compared to the previous year, and decreased by 7.7%. The decrease in revenue was mainly due to recognition of significant income from provision of rehabilitation services under the service concession arrangement in relation to the Hlawga Power Plant in the previous year. The sector recorded RMB325.1 million from new contacts signed, representing an increase of RMB101.3 million compared to the previous year, mainly due to the newly signed contract of RMB49.1 million contributed by the acquisition of contract energy management business by the Group, and a higher increase in revenue for the Year from the Hlawga Power Plant, a power plant joint venture in Myanmar, as compared to the previous year, as the Hlawga Power Plant realized combined cycle power generation in the second half of the previous year.

By Business Model

For the Year, the Group generated revenue as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue by business model		
Products and specialised solutions	**536,570**	372,361
Value-added operation and services	**320,825**	342,063
Total	**857,395**	714,424

(i) Products and specialised solutions

For the Year, revenue of RMB536.6 million was recognised from the products and specialised solutions business, representing an increase of RMB164.2 million compared to the previous year, or 44.1%. The business recorded RMB614.6 million from new contracts signed, representing an increase of RMB236.4 million compared to the previous year and the amount of backlog as of the end of the Year was RMB588.0 million, representing an increase of RMB28.4 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 during 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 44.1% in revenue during the Year as compared to the previous year.

(ii) Value-added operation and services

Revenue recognised from the value-added operation and services business for the Year was RMB320.8 million, representing a decrease of RMB21.3 million compared to the previous year, and decreased by 6.2%. The decrease in revenue was mainly due to the recognition of significant income from provision of rehabilitation services under the service concession arrangement in relation to the Hlawga Power Plant for the previous year. The business recorded RMB337.7 million from new contracts signed, representing an increase of RMB92.9 million compared to the previous year, which was mainly due to the significant contribution from the Group's newly acquired contract energy management business for the Year, and a higher increase in revenue for the Year from the Hlawga Power Plant, a power plant joint venture in Myanmar, as compared to the previous year, as the Hlawga Power Plant realized combined cycle power generation in the second half of the previous year. The amount of backlog as of the end of the Year was RMB87.1 million, representing an increase of RMB37.6 million compared to the end of the previous year, which was mainly attributable to the higher contribution from the Group's newly acquired contract energy management business for the Year.

Gross Profit and the Gross Profit Margin

The Group generated gross profit of RMB331.7 million in the Year, representing an increase of RMB72.4 million compared to the previous year. Gross profit margin increased from 36.3% for the previous year to 38.7% for the Year.

By Industry Sectors

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Gross profit and the gross profit margin by industry sectors		
Railway	**127,588**	87,726
Gross profit margin%	**22.5%**	22.0%
Energy	**204,097**	171,537
Gross profit margin%	**70.2%**	54.5%
Total	**331,685**	259,263
Gross profit margin	**38.7%**	36.3%

(i) Railway

For the Year, gross profit of RMB127.6 million was recognised from the railway sector, representing an increase of RMB39.9 million as compared to the previous year. The gross profit margin was 22.5%, which is basically similar to the previous year. The increase in gross profit was mainly due to the significant increase in revenue from the sector for the Year.

(ii) Energy

For the Year, gross profit of RMB204.1 million was recognised from the energy sector, representing an increase of RMB32.6 million as compared to the previous year, which was mainly due to a higher increase in revenue for the Year from the Hlawga Power Plant, a power plant joint venture in Myanmar, as compared to the previous year, as the Hlawga Power Plant realized combined cycle power generation in the second half of the previous year. The gross profit margin was 70.2%, representing an increase of 15.7 percentage points compared to the previous year. The increase in gross profit margin was mainly due to a lower gross profit margin of provision of rehabilitation services under the service concession arrangement in relation to the Hlawga Power Plant in the previous year.

By Business Model

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Gross profit and the Gross Profit Margin by business model		
Products and specialised solutions	**117,178**	81,690
Gross profit margin%	**21.8%**	21.9%
Value-added operation and services	**214,507**	177,573
Gross profit margin%	**66.9%**	51.9%
Total	**331,685**	259,263
Gross profit margin	**38.7%**	36.3%

(i) Products and specialised solutions

For the Year, gross profit of RMB117.2 million was recognised from the products and specialised solutions business, representing an increase of RMB35.5 million as compared to the previous year. The gross profit margin was 21.8%, which is basically similar to the previous year. The increase in gross profit was mainly due to the significant increase in revenue from the business model for the Year.

(ii) Value-added operation and services

Gross profit recognised from the value-added operation and services business for the Year was RMB214.5 million, representing an increase of RMB36.9 million as compared to the previous year. Such increase was mainly due to a higher increase in revenue from the Hlawga Power Plant, a power plant joint venture in Myanmar, as compared to the previous year, as the Hlawga Power Plant realized combined cycle power generation in the second half of the previous year. The gross profit margin was 66.9%, representing an increase of 15.0 percentage points compared to the previous year. The increase in gross profit margin was mainly due to a lower gross profit margin of provision of rehabilitation services under the service concession arrangement in relation to the Hlawga Power Plant during the previous year.

Other Income and Gains

For the Year, other income and gains[1] were RMB37.2 million, representing a decrease of RMB28.9 million compared to the previous year, mainly due to the gains of RMB27.7 million from disposal of partial equity interest in a subsidiary by the Group during the previous year. For the Year, other income and gains mainly include: (i) rental income of approximately RMB20.3 million; (ii) interest income of approximately RMB11.7 million; and (iii) gains from disposal of financial products of approximately RMB3.1 million.

Selling, Distribution and Administrative Expenses

For the Year, selling, distribution and administrative expenses were approximately RMB129.9 million, which was basically similar to the previous year.

Net impairment losses on financial and contract assets

For the Year, net impairment losses on financial and contract assets were approximately RMB44.7 million, as compared to net impairment losses of approximately RMB5.8 million for the previous year.

[1] Other income and gains excluded profit or loss through fair value changes of equity investments.

Other Expenses

For the Year, other expenses[2] were approximately RMB63.1 million, representing an increase of RMB43.3 million compared to the previous year, mainly due to higher foreign exchange losses from electric power business in Myanmar. Other expenses during this Year mainly include: (i) financial expenses —exchange losses of approximately RMB38.7 million; (ii) impairment losses from goodwill of approximately RMB9.0 million; (iii) losses through fair value changes of financial products of approximately RMB11.5 million; and (iv) losses through fair value changes of investment properties of approximately RMB3.1 million.

Share of Profits of a Joint Venture/an Associate

For the Year, share of profits of an associate was RMB0.9 million, which was basically similar to the previous year.

Profit or Loss through Fair Value Changes of Equity Investments

For the Year, the Group's equity investments in Forever Opensource (stock code: 834415), CNBM Technology (stock code: 834082), Shenzhen Hopeland, and Helios Energy Limited (stock code: HE8.AX) generated a profit of RMB80.4 million through fair value changes, as compared to the loss of RMB53.2 million for the previous year. Forever Opensource is primarily engaged in providing open source software technology services for enterprise customers and community, cloud platform, recruitment and crowdsourcing services, etc. for software developers. CNBM Technology is primarily engaged in value-added distribution of Huawei and other ICT products, sales of imported network products and sales of medical products. Shenzhen Hopeland is primarily engaged in RFID hardware and solution integrator business in the Internet of Things industry. Helios Energy Limited is primarily engaged in oil and gas exploration with operation in Texas, USA. As of December 31, 2023, the Group held (i) 22.19% of equity interest (31,184,768 shares) in Forever Opensource with investment costs of RMB157.2 million, the fair value of such investment amounted to RMB198.6 million, representing 6.41% of our total assets, (ii) 0.16% of equity interest (242,533 shares) in CNBM Technology with investment costs of RMB3.6 million, the fair value of such investment amounted to RMB4.7 million, representing 0.15% of our total assets, (iii) 16.0% of equity interest in Shenzhen Hopeland with investment costs of RMB23.4 million, the fair value of such investment amounted to RMB16.8 million, representing 0.54% 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 RMB7.5 million, representing 0.24% of our total assets. The gain/(loss) (including unrealized gain/(loss)) from the Group's investment in the shares of Forever Opensource, CNBM Technology, Shenzhen Hopeland and Helios Energy Limited for the Year were

[2] Other expenses excluded profit or loss through fair value changes of equity investments.

RMB75.8 million, RMB1.4 million, RMB4.7 million and RMB(1.4) million, respectively. During the Year, we received dividends of RMB1.8 million, RMB0.1 million, RMB0 and RMB0 from Forever Opensource, CNBM Technology, Shenzhen Hopeland and Helios Energy Limited, respectively. The Company makes strategic investments in technology companies in related industries from time to time and would seek further cooperation opportunities as and when appropriate.

Finance Cost

Finance cost mainly comprised of interest expenses for interest-bearing bank loan. For the Year, the finance cost was RMB9.8 million compared to RMB11.9 million for the previous year.

Income Tax Expenses

The total income tax expenses for the Year were RMB15.8 million, which were RMB8.7 million for the previous year. The increase in income tax expense was mainly due to the increase in revenue for the Year.

Profit for the Year

For the Year, the net profit of the Group amounted to RMB186.8 million as compared to RMB93.8 million for the previous year, mainly due to (i) the significant increase in revenue of RMB143.0 million and gross profit of RMB72.4 million in the Year as compared to the previous year; and (ii) the impact of changes in the fair value of financial assets, other income and gains and other expenses, which resulted in an increase of RMB20.6 million as compared to the previous year.

For the Year, the profit attributable to owners of the parent of the Company amounted to RMB137.2 million as compared to the profit of RMB48.5 million for the previous year.

Inventory Turnover Days

The inventories of the Group mainly comprised of products and spare parts related to the railway communication. For the Year, the inventory turnover days were 282 days (the previous year: 296 days).

Trade Receivables Turnover Days

For the Year, the trade receivables turnover days were 197 days (the previous year: 325 days). For the Year, the revenue of the Group increased significantly as compared to the previous year, resulting in a significant decrease in trade receivables turnover days.

Trade Payables Turnover Days

For the Year, the trade payables turnover days were 309 days (the previous year: 247 days).

Liquidity, Financial Resources and Capital Structure

The Group's principal sources of working capital included cash flow from operating activities, bank and other loans. As at December 31, 2023, the Group's current interest-bearing bank borrowings amounted to RMB275.0 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 RMB38.9 million (as at December 31, 2022: RMB48.2 million) which are denominated in Myanmar kyat as of December 31, 2023. The Group mainly borrows and holds cash and cash equivalents in RMB, Myanmar kyat, US dollars, and Hong Kong dollars.

As of December 31, 2023, the Group's current ratio (current assets divided by current liabilities) was 1.9 (as of December 31, 2022: 1.9). The Group's financial position remains healthy. As of December 31, 2023, the Group was in a net cash position(3) of RMB248.6 million (as at the end of the previous year: RMB177.3 million), increased by RMB71.3 million compared to the end of the previous year. As at December 31, 2023, the Group's gearing ratio(4) was -12.7%, decreased by 2.0 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. As of 31 December 2023, the Group did not use any derivative financial instruments to hedge its risks.

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

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

EXCHANGE RATE EXPOSURE AND HEDGING

The Group operates in Mainland China, Hong Kong, and Myanmar, and as of 31 December 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 Year, the Group did not enter into agreements or purchase instruments to hedge the Group's exposure to exchange rate risk, but will continue to monitor the Group's foreign exchange risk and consider prudent measures where appropriate.

Contingent Liabilities

As at December 31, 2023, the Group had no material contingent liability.

Charges on Group Assets

As at December 31, 2023, except for the pledged deposits of approximately RMB39.8 million (as at December 31, 2022: RMB130.2 million), the Group pledged a building with a net carrying amount of approximately RMB192.9 million, real estate with an appraised value of approximately RMB68.1 million, 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 RMB246.7 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 December 31, 2023, the Group had no other assets charged to financial institutions.

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**"), whose investment scope includes a wide variety of financial products in the PRC securities market, in a principal amount of RMB20,000,000 ("**Subscription Agreement**"). The subscription price has been settled on March 24, 2023. The actual return on the Private Equity Fund will be determined based on the underlying investment portfolio in which the Private Equity Fund invests on the redemption date of the Subscriber after a 720-day lock up period. As of the date of this results announcement, the Private Equity Fund has not yet been redeemed.

As the highest applicable percentage ratio in respect of the subscriptions under the Subscription Agreement and the subscription agreement entered into on November 2, 2022 is, on an aggregated basis, more than 5% but less than 25%, the subscription of the Private Equity Fund constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Please refer to the announcements of the Company dated March 24, 2023 and April 4, 2023 for further details.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

On April 28, 2023, Beijing Haotian Jiajie New Energy Co., Ltd.* (北京昊天佳捷新能源有限公司) ("**Haotian Jiajie**") , a subsidiary indirectly and wholly owned by the Company, Mr. Jiang Chunqing (蔣春慶) ("**Vendor**") and Beijing Jiujian Technology Co., Ltd.* (北京九建科技有限公司) ("**Target Company**") entered into a share transfer agreement (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 took place on July 19, 2023. Upon completion of the Acquisition, the Target Company became a non-wholly owned subsidiary of the Company and its financial information has been consolidated into the financial statements of the Group.

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

EMPLOYMENT AND EMOLUMENT POLICIES

As at December 31, 2023, the Group had 283 full-time employees. The emolument policy of the employees of the Group is set up by the Board on the basis of individual role, responsibilities and performance of the individual concerned, and the performance of our Group and market conditions.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HKD0.0227 per share for the year ended 31 December 2023 (the "Proposed Final Dividend"). The payment date for the Proposed Final Dividend will be determined upon approval by the shareholders at the Company's forthcoming annual general meeting to be held on Monday, May 27, 2024 (the "AGM").

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions contained in the Code of Corporate Governance Practices (the "**CG Code**") as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company has complied with all the code provisions in the CG Code during the Year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Listing Rules (the "**Model Code**") as the standards for the directors' dealings in the securities of the Company. Having made specific enquiry of all directors of the Company, the directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the Year.

AUDIT COMMITTEE

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

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

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

ANNUAL GENERAL MEETING

The forthcoming AGM of the Company is scheduled to be held on Monday, May 27, 2024. A notice convening the AGM will be issued and disseminated to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, May 22, 2024 to Monday, May 27, 2024 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the AGM. The record date for entitlement to attend and vote at the AGM is Monday, May 27, 2024. In order to qualify for attending and voting at the AGM, all transfers of Share accompanied by the relevant share certificate must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Tuesday, May 21, 2024.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the Year as set out in this announcement have been agreed by the Company's external auditor, Mazars, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Mazars in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by Mazars on this announcement.

PUBLICATION OF THE 2023 ANNUAL REPORT

The 2023 annual report of the Company containing all the information as required under Appendix D2 to the Listing Rules will be dispatched to the shareholders (if requested) and available on the Company's website at www.its.cn and the Stock Exchange's website at www.hkexnews.hk in due course.

ACKNOWLEDGEMENT

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

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

Beijing, March 28, 2024

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