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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1900)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

HIGHLIGHTS OF 2024 INTERIM RESULTS

For the six-month period ended June 30, 2024 (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 RMB460.6 million in the First Half of the Year from the new contracts signed(1) as compared to RMB357.1 million for the same period last year, increased by 29.0%.
- Revenue of RMB285.1 million was generated as compared to the revenue of RMB346.1 million for the same period last year, decreased by 17.6%.
- As of June 30, 2024, the Group recorded RMB870.2 million from backlog as compared to RMB675.1 million as at December 31, 2023, increased by 28.9% as compared to December 31, 2023.
- The Group generated gross profit of RMB118.7 million as compared to the gross profit of RMB136.7 million for the same period last year, decreased by 13.2%, and recorded gross profit margin of 41.6% as compared to the gross profit margin of 39.5% for the same period last year, representing an increase of 2.1 percentage points.
- The loss attributable to owners of the parent of the Company amounted to RMB38.4 million as compared to the profit of RMB55.1 million for the same period last year.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended June 30, 2024

	Notes	For the six-month period ended June 30, 2024 RMB'000 Unaudited	2023 RMB'000 Unaudited
REVENUE	4	**285,089**	346,126
Cost of revenue		**(166,401)**	(209,465)
Gross profit		**118,688**	136,661
Other income and gains	5	**19,393**	23,174
Selling, distribution and administrative expenses		**(55,794)**	(55,993)
Impairment of financial and contract assets, net		**(9,119)**	(13,866)
Other expenses		**(91,003)**	(7)
Finance costs		**(5,490)**	(5,880)
Share of loss of an associate		**(712)**	(295)
(LOSS) PROFIT BEFORE TAX	6	**(24,037)**	83,794
Income tax expense	7	**(3,879)**	(6,048)
(LOSS) PROFIT FOR THE PERIOD		**(27,916)**	77,746
Attributable to:			
Owners of the Company		**(38,393)**	55,106
Non-controlling interests		**10,477**	22,640
		(27,916)	77,746
(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
		RMB **Unaudited**	*RMB* Unaudited
Basic	8	**(0.02)**	0.03
Diluted	8	**(0.02)**	0.03

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended June 30, 2024

	For the six-month period ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	Unaudited	Unaudited
(LOSS) PROFIT FOR THE PERIOD	**(27,916)**	77,746
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,436**	17,139
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**2,436**	17,139
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	**(25,480)**	94,885
Attributable to:		
Owners of the Company	**(33,092)**	65,372
Non-controlling interests	**7,612**	29,513
	(25,480)	94,885

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at June 30, 2024

	Notes	June 30, 2024 RMB'000 Unaudited	December 31, 2023 RMB'000 Audited
NON-CURRENT ASSETS			
Property and equipment		**482,034**	493,294
Investment properties		**68,060**	68,060
Goodwill		**117,798**	117,798
Other intangible assets		**107,238**	115,949
Investments in associates		**55,248**	55,960
Financial assets at fair value through profit or loss		**235,176**	287,593
Prepayments for acquisition of property and equipment		**7,982**	–
Total non-current assets		**1,073,536**	1,138,654
CURRENT ASSETS			
Inventories		**380,812**	404,218
Trade and bills receivables	*10*	**434,836**	450,244
Prepayments, deposits and other receivables		**430,541**	419,985
Contract assets	*11*	**116,783**	141,907
Financial assets at fair value through profit or loss		**410**	789
Amounts due from related parties		**19,925**	18,468
Pledged deposits	*12*	**60,996**	39,818
Cash and cash equivalents	*12*	**452,011**	483,768
Total current assets		**1,896,314**	1,959,197

	Notes	June 30, 2024 RMB'000 Unaudited	December 31, 2023 RMB'000 Audited
CURRENT LIABILITIES			
Trade and bills payables	*13*	**288,305**	434,725
Contract liabilities, other payables and accruals		**304,983**	243,453
Interest-bearing bank borrowings		**285,178**	275,020
Financial liabilities at fair value through profit or loss		**241**	–
Amounts due to related parties		**4,254**	4,301
Income tax payable		**81,334**	71,092
Total current liabilities		**964,295**	1,028,591
NET CURRENT ASSETS		**932,019**	930,606
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,005,555**	2,069,260
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**–**	4,501
Total non-current liabilities		**–**	4,501
Net assets		**2,005,555**	2,064,759
EQUITY			
Equity attributable to owners of the Company			
Share capital		**302**	298
Reserves		**1,861,069**	1,927,888
		1,861,371	1,928,186
Non-controlling interests		**144,184**	136,573
Total equity		**2,005,555**	2,064,759

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

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 and a provider of energy related management and services. The main businesses of the Group are (i) railway business and (ii) energy business, details please refer to note 3 to the unaudited interim 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, 2024 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, 2023. 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, 2023, except for the adoption of following new/revised IFRSs that are effective for the Group's financial year beginning on January 1, 2024.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

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, 2024 and prior years.

3. OPERATING SEGMENT INFORMATION

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, exchange differences, changes in fair value of financial assets at fair value through profit or loss as well as head office and corporate income and expenses are excluded from this measurement.

For the six-month period ended June 30, 2024 (Unaudited)	Railway business *RMB'000*	Energy business *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)*			
Sales to external customers	**143,771**	**141,318**	**285,089**
Segment results	**10,599**	**25,433**	**36,032**
Reconciliation:			
Finance income			**4,738**
Finance costs			**(5,490)**
Changes in fair value of financial assets at fair value through profit or loss			**(52,453)**
Changes in fair value of financial liabilities at fair value through profit or loss			**(244)**
Gain on disposal of financial assets at fair value through profit or loss			**77**
Dividend income from financial assets at fair value through profit or loss			**2,413**
Corporate and other unallocated expenses			**(9,110)**
Loss before tax			**(24,037)**
Other segment information:			
Share of loss of an associate	**(712)**	**–**	**(712)**
Impairment of financial and contract assets	**(9,135)**	**16**	**(9,119)**
Depreciation and amortisation	**(5,471)**	**(25,025)**	**(30,496)**
Capital expenditure*	**(37)**	**(9.959)**	**(9,996)**

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

* 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,	
	2024	2023
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Revenue from contracts with customers within IFRS 15	**285,089**	346,126

(i) Disaggregated revenue information

Segments	For the six-month period ended June 30	
	2024	2023
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Type of goods or services		
Sale of products and provision of specialised solutions	**129,239**	191,570
Maintenance services	**19,181**	27,535
Power supply	**136,669**	127,021
Total revenue from contracts with customers	**285,089**	346,126
Geographical markets		
Mainland China	**143,442**	210,801
Others	**141,647**	135,325
Total revenue from contracts with customers	**285,089**	346,126
Timing of revenue recognition		
Goods and services transferred at a point in time	**55,549**	39,027
Goods and services transferred over time	**229,540**	307,099
Total revenue from contracts with customers	**285,089**	346,126

5. OTHER INCOME AND GAINS

	For the six-month period ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Changes in fair value of financial assets at fair value through profit or loss	**–**	5,375
Dividend income from financial assets at fair value through profit or loss	**2,413**	83
Finance income	**4,738**	3,632
Gain on disposal of financial assets at fair value through profit or loss	**77**	2,100
Gross rental income	**10,946**	10,137
Others	**1,219**	1,847
	19,393	23,174

6. (LOSS) PROFIT BEFORE TAX

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

	For the six-month period ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Cost of inventories	**112,775**	164,575
Depreciation	**19,852**	19,275
Amortisation of intangible assets, included in selling, distribution and administrative expenses	**10,644**	8,241
	30,496	27,516
Wages and salaries	**21,831**	18,448
Pension scheme contributions (defined contribution scheme)	**2,010**	2,067
Social insurance costs and staff welfare	**3,438**	2,370
Equity-settled share-based payments	**441**	796
	27,720	23,681
Impairment of trade receivables	**9,205**	7,939
(Reversal of impairment) Impairment of contract assets	**(644)**	410
Impairment of financial assets included in prepayments, deposits and other receivables	**558**	5,517
Short-term lease payments	**3,153**	5,419
Changes in fair value of financial assets at fair value through profit or loss	**52,453**	(5,375)
Changes in fair value of financial liabilities at fair value through profit or loss	**244**	–
Gain on disposal of financial assets at fair value through profit or loss	**(77)**	(2,100)
Rental income on investment properties	**(10,946)**	(10,137)
Exchange losses (gain), net	**38,164**	(1,789)

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% (June 30, 2023: 9%) and subsidiaries in other areas of mainland China are subject to PRC Enterprise Income Tax at a rate of 25% (June 30, 2023: 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, 2023: 15%) preferential income tax rate.

According to 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 the above-mentioned withholding tax. As at June 30, 2024, no deferred tax liabilities (June 30, 2023: 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 because in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

No provision for Hong Kong profits tax has been made for the six-month period ended June 30, 2024 (June 30, 2023: 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 25% (June 30, 2023: 25%) on their taxable income. In addition, non-Myanmar incorporated subsidiaries are also subject to withholding tax in Myanmar at the rate of 2.5% (June 30, 2023: 2.5%) on the service income earned in Myanmar.

The major components of income tax expense are as follows:

	For the six-month period ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax:		
PRC Enterprise Income Tax		
— Provision for the period	**2,168**	680
— Under-provision in prior years	**2,077**	542
Myanmar Corporate Income Tax	**4,197**	4,246
Myanmar withholding tax	**–**	1,155
	8,442	6,623
Deferred income tax:		
Origination and reversal of temporary differences	**(4,563)**	(575)
Income tax expense	**3,879**	6,048

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

Basic (loss) earnings per share

The calculation of the basic (loss) earnings per share is based on the loss for the period attributable to owners of the Company of RMB38,393,000 (June 30, 2023: Profit of RMB55,106,000), and the weighted average number of 1,697,814,721 (June 30, 2023: 1,675,978,621) ordinary shares outstanding during the six-month period ended June 30, 2024.

Diluted (loss) earnings per share

No adjustment had been made in respect of the outstanding share awards to the basic loss per share presented for the six-month period ended June 30, 2024 as the outstanding share awards had an anti-dilutive effect on the amount presented.

The calculation of the diluted earnings per share for the six-month period ended June 30, 2023 is based on the profit for the period attributable to owners of the Company of RMB55,106,000, and the weighted average number of ordinary shares in issue during period, 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.

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

9. DIVIDENDS

On March 28, 2024, the directors of the Company proposed a final dividend in respect of the year ended December 31, 2023 of HK$0.0227 (RMB0.0206) per ordinary share, to be paid out of the Company's share premium account. Upon the approval by the shareholders of the Company on May 27, 2024, the appropriation of the said dividend in the total amount of RMB35,526,000 was transferred to dividends payable.

No interim dividend was declared or proposed by the Company for the six-month period ended June 30, 2024 (June 30, 2023: nil).

10. TRADE AND BILLS RECEIVABLES

	June 30, 2024 ***RMB'000*** **Unaudited**	December 31, 2023 *RMB'000* Audited
Trade receivables	**506,757**	454,139
Impairment	**(103,806)**	(94,672)
	402,951	359,467
Bills receivable	**31,885**	90,777
	434,836	450,244

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

Bills receivables generally mature from 180 days to 270 days.

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

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

	June 30, 2024	December 31, 2023
	RMB'000	*RMB'000*
	Unaudited	Audited
Less than 6 months	**157,018**	4,051
6 months to 1 year	**98,655**	200,581
1 year to 2 years	**54,223**	52,288
2 years to 3 years	**21,677**	20,354
Over 3 years	**71,378**	82,193
	402,951	359,467

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

	June 30, 2024	December 31, 2023
	RMB'000	*RMB'000*
	Unaudited	Audited
At beginning of period/year	**94,672**	73,968
Exchange realignment	**7**	–
Impairment	**9,205**	27,269
Business combination	**–**	1,439
Written off	**(78)**	(8,004)
At end of period/year	**103,806**	94,672

11. CONTRACT ASSETS

	June 30, 2024	December 31, 2023
	RMB'000	*RMB'000*
	Unaudited	Audited
Contract assets	**146,815**	172,584
Impairment	**(30,032)**	(30,677)
	116,783	141,907

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	June 30, 2024 *RMB'000* **Unaudited**	December 31, 2023 *RMB'000* Audited
Cash and bank balances	**452,011**	483,768
Pledged deposits		
— Current deposits	**60,996**	39,818
	513,007	523,586
Less: Pledged deposits with/for		
— Letter of guarantee for projects	**(32,959)**	(32,949)
— Deposit for foreign currency forward contracts	**(20,000)**	–
— Restricted cash	**(1,304)**	(1,272)
— Letter of credit	**(3,878)**	(3,878)
— Others	**(2,855)**	(1,719)
Cash and cash equivalents	**452,011**	483,768

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 and fixed deposits denominated in RMB held by the Group in Mainland China amounted to RMB350,564,000 as at June 30, 2024 (December 31, 2023: RMB507,706,000). In Mainland China, RMB is not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

13. TRADE AND BILLS PAYABLES

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

	June 30, 2024 *RMB'000* **Unaudited**	December 31, 2023 *RMB'000* Audited
Current or less than 1 year	**142,462**	278,649
1 to 2 years	**50,346**	96,613
Over 2 years	**95,497**	59,463
	288,305	434,725

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

14. EVENTS AFTER THE REPORTING PERIOD

On August 19, 2024, the Group entered into a share transfer agreement, pursuant to which, the Group conditionally agreed to acquire, the vendor (the "**Vendor**") conditionally agreed to sell 7,050,000 shares of Forever Opensource Software Inc. ("**Forever Opensource**"), representing 5.02% of the issued shares of Forever Opensource, at the consideration of RMB56.259 million (the "**Acquisition**"). Upon completion of the Acquisition, the Group owns an aggregate of 38,234,768 shares of Forever Opensource, representing 27.21% of the issued shares of Forever Opensource, and will be able to control the nomination of six out of seven directors of the board of directors of Forever Opensource. Forever Opensource will then become a non-wholly owned subsidiary of the Company and its financial information will be consolidated into the financial statements of the Group.

On August 19, 2024, considering the pledged shares under the supplementary share pledge agreement dated August 10, 2023 form part of the shares under the Acquisition, the Group entered into a pledge release agreement with the Vendor, who is also the borrower of the Group for a secured loan of RMB30,000,000 that was outstanding at June 30, 2024. Pursuant to the agreement, the pledge of 5,067,568 shares of Forever Opensource shall be released and the Vendor shall make repayment of the outstanding loan to the Group in instalments within three business days after receiving each instalment of the consideration paid by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE OVERALL OPERATION OF THE GROUP DURING THE FIRST HALF OF THE YEAR

In the First Half of the Year, the Group recorded RMB460.6 million from new contracts signed, representing an increase of 29.0% compared to the same period last year. The Group generated revenue of RMB285.1 million, representing a decrease of 17.6% compared to the same period last year, and as of June 30, 2024, the Group recorded RMB870.2 million from backlog, representing an increase of 28.9% compared to the end of the previous year. The Group generated gross profit of RMB118.7 million, representing a decrease of 13.2% compared to the same period last year, and recorded gross profit margin of 41.6%, which was an increase from 39.5% for the same period last year. The loss attributable to owners of the parent of the Company amounted to RMB38.4 million for the First Half of the Year as compared to the profit of RMB55.1 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, 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. *Multi-directional development of the railway business*

   For the railway business, the Group, leveraging its own corporate advantages, vigorously explored overseas markets by closely following the national strategic direction of the "Belt and Road" Initiative and actively responding to national policies. As at the end of 2023, the Group successfully entered into a contract for the Hungarian section of the Hungary-Serbia Railway, a landmark project jointly built by China and Central and Eastern European countries under the "Belt and Road" Initiative, with a contract sum of approximately RMB120.0 million. In the First Half of the Year, the Group also successfully entered into a contract for the Malaysia East Coast Rail Link (MECRL) Project, a key project jointly built by China and Malaysia under the "Belt and Road" Initiative, with a contract sum of RMB204.0 million, accounting for approximately 68.2% of the value of newly signed contracts for the Period. The successful bidding of these projects marks a solid step of the Group forward to the overseas railway market. The total value of newly signed contracts in the First Half of the Year amounted to RMB299.0 million, representing an increase of 30.1% as compared with the same period last 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 First Half of the Year.

   As regards the new energy business, the Group actively responded to the government's call for energy conservation and emission reduction and was committed to moving towards the goal of carbon peaking and carbon neutrality, and has made significant progress. The "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)", the bid of which was won by the Group, has entered into the completion and acceptance stage, marking a solid step of the Group in promoting green and low-carbon development. In the First Half of the Year, the Group also successfully won the bidding for the projects such as the "Renqiu East and Other 12 Pairs of Service Area Distributed Photovoltaic Power Generation Project (任丘東等12對服務區分佈式光伏發電項目)", the "Contract Energy Management Project on

Ventilation and Air Conditioning System of Zhengzhou Rail Transit Existing Line Stations (Contract Package 02) （鄭州市軌道交通既有線車站通風空調系統合同能源管理項目02合同包）", and the "Energy Saving and Renovation Project on Ventilation and Air Conditioning of Tianjin Metro Line 1 (East Extension) （天津地鐵一號線東延線通風空調節能改造項目）", laying a solid foundation for the sustainable development and market expansion of the Group's new energy business and further demonstrating the Group's determination and strength in promoting green and low-carbon transformation.

BUSINESS OUTLOOK

1. Railway business

Embracing the digital transformation of the domestic railway market

From a macro perspective, in terms of railway construction, the State also attaches great importance to the security of railway communication systems in addition to the investment in traditional railway lines, and gradually increases the investment in cloud computing, network security and other technical fields. While striving to maintain its existing leading position in the field of railway communication, the Group also actively explores the information market to maintain its industry-leading position in intelligent railway construction and 5G-R construction.

Focusing on the development of the overseas railway business

The Group has successfully entered into contracts for various overseas high-speed railway projects, including the Hungarian section of the Hungary-Serbia Railway and the Malaysia East Coast Rail Link (MECRL) Project. In the First Half of the Year, these projects are in the preparation for delivery and are expected to be delivered gradually in the second half of the year. As a key project of the "Belt and Road" Initiative jointly built by China and Central and Eastern European countries, the Hungary-Serbia Railway has played a great role in promoting China's railway and technology to go global. In the future, with the continuous outward expansion of China's railway and the influence of the "Belt and Road" policy, the Group will continue to increase its investment in overseas railway markets to expand its business in overseas railway markets.

2. Energy business

Maintaining the 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. The Group is currently in further negotiations with the Ministry of Electric Power in Myanmar for contract extension. Furthermore, the Hlawga 123,000-kilowatt power plant restoration project in Myanmar also achieved combined cycle power generation in December 2022 and has a ten-year operating period. At present, both power plants are in a stable development phase and have made positive contributions to the electricity supply in Myanmar.

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.

- In terms of the contract energy management (EMC) business, the number of new contracts signed in the First Half of the Year increased steadily, and the business area also expanded rapidly from Beijing to other provinces. The Group's self-developed integrated energy management platform will further enhance the energy efficiency of projects.

- In terms of the photovoltaic power generation business, the "Renqiu East and Other 12 Pairs of Service Area Distributed Photovoltaic Power Generation Project (任丘東等12對服務區分佈式光伏發電項目)" was successfully signed in the First Half of the Year and is scheduled to be completed and realize grid-connected power generation in the second half of the year. The Group will continue to explore quality distributed photovoltaic power generation projects.

- Meanwhile, the Group is also actively expanding charging piles, energy storage and other multi-energy complementary projects, and is committed to promoting the overall development of the new energy business.

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,	
	2024	2023
	RMB'000	*RMB'000*
Revenue by industry sectors		
Railway	**143,771**	210,801
Energy	**141,318**	135,325
Total	**285,089**	346,126

(i) Railway

For the First Half of the Year, revenue of RMB143.8 million was recognised from the railway sector, representing a decrease of RMB67.0 million compared to the same period last year, and decreased by 31.8%. The decrease in revenue was primarily attributable to the fact that the contract amount of major overseas high-speed rail projects (including the Hungarian section of the Hungary-Serbia Railway and the Malaysia East Coast Rail Link (MECRL) Project) totaled about RMB324.0 million, which are currently in the process of pre-delivery preparations, thus resulting in a decrease in the revenue recognised in the First Half of the Year. These projects are expected to be delivered one after another in the second half of the year.

(ii) Energy

For the First Half of the Year, revenue of RMB141.3 million was recognised from the energy sector, representing an increase of RMB6.0 million compared to the same period last year, and increased by 4.4%.

By Business Model

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

	For the six-month period ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Revenue by business model		
Products and specialised solutions	**129,239**	191,570
Value-added operation and services	**155,850**	154,556
Total	**285,089**	346,126

(i) Products and specialised solutions

For the First Half of the Year, revenue of RMB129.2 million was recognised from the products and specialised solutions business, representing a decrease of RMB62.4 million compared to the same period last year, and decreased by 32.6%. The decrease in revenue was primarily attributable to the decrease in revenue from the railway sector for the First Half of the Year. The performance of the sector is expected to return to a normal level in the second half of the year, as the continuous delivery of overseas railway projects.

(ii) Value-added operation and services

Revenue recognised from the value-added operation and services business for the First Half of the Year was RMB155.8 million, which is basically flat with the same period last year.

Gross Profit and the Gross Profit Margin

The Group generated gross profit of RMB118.7 million in the First Half of the Year, decreased by RMB18.0 million compared to the same period last year. Gross profit margin increased from 39.5% for the same period last year to 41.6% for the First Half of the Year.

By Industry Sectors

	For the six-month period ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Gross profit and the gross profit margin by industry sectors		
Railway	**35,367**	46,227
Gross profit margin %	**24.6%**	21.9%
Energy	**83,321**	90,434
Gross profit margin %	**59.0%**	66.8%
Total	**118,688**	136,661
Gross profit margin	**41.6%**	39.5%

(i) Railway

For the First Half of the Year, gross profit of RMB35.4 million was recognised from the railway sector, representing a decrease of RMB10.8 million compared to the same period last year. The gross profit margin was 24.6%, representing an increase of 2.7 percentage points compared to the same period last year. The decrease in gross profit was mainly due to the decrease in revenue from the sector for the First Half of the Year.

(ii) Energy

For the First Half of the Year, gross profit of RMB83.3 million was recognised from the energy sector, representing a decrease of RMB7.1 million compared to the same period last year. The gross profit margin was 59.0%, representing a decrease of 7.8 percentage points compared to the same period last year.

By Business Model

	For the six-month period ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Gross profit and the gross profit margin by business model		
Products and specialised solutions	**31,156**	40,768
Gross profit margin %	**24.1%**	21.3%
Value-added operation and services	**87,532**	95,893
Gross profit margin %	**56.2%**	62.0%
Total	**118,688**	136,661
Gross profit margin	**41.6%**	39.5%

(i) Products and specialised solutions

For the First Half of the Year, gross profit of RMB31.2 million was recognised from the products and specialised solutions business, representing an decrease of RMB9.6 million compared to the same period last year, and the decrease in gross profit was mainly due to the significant decrease in revenue from such business model for the First Half of the Year. The gross profit margin was 24.1%, representing an increase of 2.8 percentage points compared to the same period last 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 RMB87.5 million, representing an decrease of RMB8.4 million compared to the same period last year. The gross profit margin was 56.2%, representing a decrease of 5.8 percentage points compared to the same period last year.

Other Income and Gains

For the First Half of the Year, other income and gains[1] were RMB19.4 million, representing a decrease of RMB2.8 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 RMB10.9 million; (ii) interest income of approximately RMB4.7 million; and (iii) dividend income from financial assets at fair value through profit or loss of approximately RMB2.4 million.

Note: (1) Other income and gains excluded profit or loss through fair value changes of equity investments.

Selling, Distribution and Administrative Expenses

For the First Half of the Year, selling, distribution and administrative expenses were approximately RMB55.8 million, which was basically similar to the same period last year.

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 RMB9.1 million, as compared to the net impairment losses of approximately RMB13.9 million for the same period last year.

Other Expenses

For the First Half of the Year, other expenses[2] were RMB52.2 million, representing an increase of RMB52.2 million compared to the same period last year, mainly due to higher foreign exchange losses from electric power business in Myanmar and higher losses through fair value changes of financial products. For the First Half of the Year, other expenses mainly include: (i) financial expenses —exchange losses of approximately RMB38.2 million; (ii) losses through fair value changes of financial products of approximately RMB13.9 million.

Share of Losses of a Joint Venture/an Associate

For the First Half of the Year, share of loss of an associate was RMB0.7 million, as compared to RMB0.3 million 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 loss of RMB38.8 million through fair value changes, as compared to the profit of RMB1.0 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, 2024, 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

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

investment amounted to RMB170.0 million representing 5.72% 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 RMB3.2 million, representing 0.11% 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 RMB11.8 million, representing 0.40% 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 RMB3.8 million, representing 0.13% 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(28.7) million, RMB(1.5) million, RMB(5.0) million and RMB(3.7) million, respectively. During the First Half of the Year, we received dividends of RMB2.2 million, RMB0.2 million, Nil and Nil from Forever Opensource, CNBM Technology, Shenzhen Hopeland and Helios Energy Limited, respectively.

The Company makes strategic investments in technology companies in related industries from time to time and would seek further cooperation opportunities as and when appropriate.

Finance Cost

Finance cost mainly comprised of interest expenses for interest-bearing bank loan. For the First Half of the Year, the finance cost was RMB5.5 million, compared to approximately RMB5.9 million in the same period last year.

Income Tax Expenses

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

Loss for the Period

For the First Half of the Year, the net loss of the Group amounted to RMB27.9 million, compared to a net profit of RMB77.7 million in the same period last year, resulting in a decrease in net profit of RMB105.6 million compared to the same period last year, mainly due to the facts that: (i) revenues in the First Half of the Year decreased by RMB61.0 million compared to the same period last year, and gross profit declined by RMB18.0 million; (ii) fluctuations in the securities market in the First Half of the Year brought about the fair value loss on financial assets of RMB52.7 million, representing an increase in losses of RMB58.1 million compared to the same period last year; (iii) the Group experienced foreign exchange losses in the First Half of the Year primarily due to the Myanmar power business, with foreign exchange losses totaling RMB38.2 million, an increase in losses of RMB40.0 million compared to the same period last year; and (iv) the net effect of decrease in net impairment losses on financial and contract assets, income tax expenses, and increase in dividend income and finance income led to a profit increase of RMB10.5 million compared to the same period last year.

For the First Half of the Year, the loss attributable to owners of the parent of the Company amounted to RMB38.4 million as compared to the profit attributable to owners of the parent of the Company amounted to RMB55.1 million for the same period last 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 230 days (the same period last year: 150 days).

Trade Receivables Turnover Days

For the First Half of the Year, the turnover days for trade receivables were 197 days (the same period last year: 205 days).

Trade Payables Turnover Days

For the First Half of the Year, the trade payables turnover days were 219 days (the same period last year: 175 days).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's principal sources of working capital included cash flow from operating activities, bank and other loans. As at June 30, 2024, the Group's current interest-bearing bank borrowings amounted to RMB285.2 million (as at December 31, 2023: RMB275.0 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 RMB30.1 million (as at December 31, 2023: RMB38.9 million) which are denominated in Myanmar kyat as of June 30, 2024. The Group mainly borrows and holds cash and cash equivalents in RMB, Myanmar kyat, US dollars, and Hong Kong dollars.

As of June 30, 2024, the Group's current ratio (current assets divided by current liabilities) was 2.0 (as of December 31, 2023: 1.9). The Group's financial position remains healthy. As of June 30, 2024, the Group was in a net cash position(3) of RMB227.8 million (as at the end of the previous year: RMB248.6 million), decreased by RMB20.8 million compared to the end of the previous year. As at June 30, 2024, the Group's gearing ratio(4) was -12.1%, increased by 0.6 percentage points from -12.7% as at the end of the previous year.

Notes: (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.*

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, 2024, 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 Period, its revenue, costs, and expenses are mainly denominated in RMB, Myanmar Kyat, Hong Kong dollars, and US dollars. 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 dollars. As a result, the majority of the Group's assets and liabilities are denominated in RMB, Hong Kong dollars, Myanmar Kyat, or US dollars, 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.

For the First Half of 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 June 30, 2024, the Group had no material contingent liabilities.

Charges on Group Assets

As at June 30, 2024, except for the pledged deposits of approximately RMB61.0 million (as at December 31, 2023: RMB39.8 million), the Group pledged a building with a net carrying amount of approximately RMB191.2 million, real estate with an appraised value of approximately RMB68.1 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 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 RMB192.9 million, real estate with an appraised value of approximately RMB68.1 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 RMB259.1 million to banks to secure banking facilities granted to the Group). Save as disclosed above, as at June 30, 2024, the Group had no other assets charged to financial institutions.

EVENTS AFTER THE REPORTING PERIOD

The Acquisition

Reference is made to the announcement of the Company dated August 19, 2024. Tibet Intelligent Aviation Transportation Technology Co., Ltd.* (西藏智航交通科技有限公司) ("**Tibet Aviation**"), a wholly owned subsidiary of the Company, and Mr. Ma Yue (馬越) ("**Vendor**") entered into a share transfer agreement (the "**Share Transfer Agreement**"), pursuant to which, Tibet Aviation conditionally agreed to acquire, and the Vendor conditionally agreed to sell 7,050,000 shares of Forever Opensource Software Inc.* (恒拓開源信息科技股份有限公司) ("**Forever Opensource**"), representing 5.02% of the issued shares of the Target Company, at the consideration of RMB56.259 million.

Upon completion of the Acquisition, Forever Opensource will become a non-wholly owned subsidiary of the Company and its financial information will be consolidated into the financial statements of the Group. As at the date of this announcement, the Acquisition has not been completed.

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.

Variation of Terms of the Extended Loan

References are made to the announcements of the Company dated July 17, 2017, August 10, 2023 and August 19, 2024. Beijing Haotian Jiajie New Energy Co., Ltd.* (北京昊天佳捷新能源有限公司) ("**Haotian Jiajie**") and the Vendor entered into a pledge release agreement (the "**Pledge Release Agreement**"), pursuant to which, the parties conditionally agreed to, among other things, release the pledge of 5,067,568 shares of Forever Opensource under the Supplemental Share Pledge Agreement dated August 10, 2023.

As the release of the pledged by Haotian Jiajie constitutes a variation to the terms of the transactions under the Loan Agreement, the Supplemental Loan Agreement and the Supplemental Share Pledge Agreement, the Company is subject to the announcement requirement under Rule 14.36 of the Listing Rules.

SIGNIFICANT INVESTMENTS

Subscription of Private Equity Fund

As disclosed in the announcement on March 24, 2023, Tibet Aviation entered into a subscribe agreement with ShanghaiJiuming 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 Tibet Aviation 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 at the date of this 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.

Equity Investments in Forever Opensource

As of June 30, 2024, the Group held 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 RMB170.0 million, representing 5.72% of the Group's total assets.

Forever Opensource is a company established in the PRC whose shares are traded on Beijing Stock Exchange (stock code: 834415). It is principally engaged in providing software development and technical services, system integration services, operation and maintenance services to customers in aviation industry.

According to the unaudited interim report of Forever Opensource, for the six-month period ended June 30, 2024:

1. Forever Opensource generated revenue of RMB81.5 million, representing an increase of 1.57% compared to the same period last year.

2. Forever Opensource generated net profit attributable to the parent company of RMB8.3 million, representing an increase of 8.32% compared to the same period last year.

The management of the Forever Opensource indicated that operation target in stages have been achieved. During the First Half of the Year, the Group received dividends of RMB2.2 million from Forever Opensource. The loss from the Group's investment in the shares of Forever Opensource for the First Half of the Year were RMB28.7 million.

As disclosed in the above section headed "EVENTS AFTER THE REPORTING PERIOD", the Company acquired 5.02% more shares of Forever Opensource after the Period, upon completion of which, Forever Opensource will become a non-wholly owned subsidiary of the Company and its financial information will be consolidated into the financial statements of the Group. The Company will hold the investment in Forever Opensource for long term and will further expand business in the civil aviation industry through Forever Opensource.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the Period, the Group did not make any material acquisitions and disposals of subsidiaries and associated companies.

EMPLOYMENT AND EMOLUMENT POLICIES

As at June 30, 2024, the Group had 325 full-time employees. The emolument policy of the employees of the Group is set up by the Board on the basis of individual role, responsibilities and performance of the individual concerned, and the performance of our Group and market conditions.

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

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed the listed securities of the Company (including sale of treasury shares).

The number of treasury shares held by the Company as at 30 June 2024 is nil.

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 for the Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 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, the Directors confirmed that they have complied with the required standards set out in the Model Code during the Period.

AUDIT COMMITTEE

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

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

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

PUBLICATION OF THE 2024 INTERIM REPORT

The 2024 Interim 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, August 30, 2024

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