



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

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1900

Interim Report
2024



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liao Jie (*chairman of the Board*)

Mr. Jiang Hailin (*chief executive officer*)

Independent Non-executive Directors

Mr. Ye Zhou

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

Mr. Zhou Jianmin

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Mr. Jiang Hailin

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China

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

Flat 1, 3/F, Block A

Ventris Place

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Happy Valley

Hong Kong

AUDIT COMMITTEE

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

Mr. Zhou Jianmin

Mr. Ye Zhou

REMUNERATION COMMITTEE

Mr. Ye Zhou (*committee chairman*)

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

Mr. Zhou Jianmin

NOMINATION COMMITTEE

Mr. Zhou Jianmin (*committee chairman*)

Mr. Ye Zhou

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

REGISTERED OFFICE

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Hutchins Drive

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Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F
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AUDITOR

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(formerly known as Mazars CPA Limited)
Certified Public Accountants
42/F., Central Plaza
18 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISOR

Morgan, Lewis & Bockius
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15 Queen's Road Central
Hong Kong

LISTING EXCHANGE INFORMATION

Place of listing: Main Board of The Stock
Exchange of Hong Kong Limited
Stock code: 1900
Board lot: 1000 shares

PRINCIPAL BANKERS

Bank of Beijing Co., Ltd. Beijing Branch Cuiweilu sub-branch
China Guangfa Bank Co., Ltd. Beijing Branch
Yuetan sub-branch
China Minsheng Banking Corp., Ltd. Beijing Branch
Sales Department
China Construction Bank Hong Kong Branch
Shanghai Pudong Development Bank Co., Ltd. Beijing
Xuanwu sub-branch

CORPORATE INFORMATION

KEY SUBSIDIARIES

"Ahlone Power Plant"	Myanmar Ahlone Power Plant Company Limited
"Aproud Technology"	Beijing Aproud Technology Co., Ltd. (北京亞邦偉業技術有限公司)
"Beijing Jiujian"	Beijing Jiujian Technology Co., Ltd. (北京九建科技有限公司)
"CEEC"	CEECGLOBAL LIMITED (世波工程有限公司)
"CIC Information"	CIC Information Technology Company Limited
"CIC Infrastructure Industry"	CIC Infrastructure Industry Investment Limited (中智基礎產業投資有限公司)
"Chengdu Zhongzhi Runbang"	Chengdu Zhongzhi Runbang Transportation Technology Co., Ltd (成都中智潤邦交通技術有限公司)
"Haotian Jiajie"	Beijing Haotian Jiajie New Energy Co., Ltd. (北京昊天佳捷新能源有限公司)
"Hlawga Power Plant"	Myanmar Hlawga GGE Power Plant Company Limited
"Hongrui Dake"	Beijing Hongrui Dake Technology Co., Ltd. (北京宏瑞達科科技有限公司)
"Jiangsu Zhongzhi Transportation"	Jiangsu Zhongzhi Transportation Technology Co., Ltd. (江蘇中智交通科技有限公司)
"Tibet Intelligent Aviation"	Tibet Intelligent Aviation Transportation Technology Co., Ltd. (西藏智航交通科技有限公司)
"Zhixun Tiancheng"	Beijing Zhixun Tiancheng Technology Co., Ltd. (北京智訊天成技術有限公司)
"Zhongtian Runbang"	Zhongtian Runbang Information Technology Co., Ltd. (中天潤邦信息技術有限公司)

FINANCIAL HIGHLIGHTS

HIGHLIGHTS OF 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE OVERALL OPERATION OF THE 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

By Industry Sectors

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

	For the six-month period ended June 30,	
	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%.

MANAGEMENT DISCUSSION AND ANALYSIS

By Business Model

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

	For the six-month period ended June 30,	
	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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 a 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 a 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 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).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's principal sources of working capital included cash flow from operating activities, bank and other loans. As at June 30, 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.

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.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at June 30, 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.

DIRECTORS' REPORT

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

INTERIM DIVIDEND

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

REVIEW BY AUDIT COMMITTEE

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

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

Save as disclosed below, as at June 30, 2024, none of the Directors and chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “**SFO**”) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as contained in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), to be notified to the Company and the Stock Exchange:

Name of Director	Nature of interest	Securities ⁽³⁾	Approximate percentage of shareholdings as at June 30, 2024 ⁽³⁾
Mr. Liao Jie ⁽¹⁾	Interest of controlled corporation	105,758,203 (L)	6.15% (L)
Mr. Jiang Hailin ⁽²⁾	Beneficial owner/Interest of controlled corporation	645,912,777 (L)	37.55% (L)

Notes:

- (1) Mr. Liao Jie is deemed to be interested in the 105,758,203 Shares held by Joyful Business Holdings Limited (“**Joyful Business**”), which is wholly-owned by Mr. Liao Jie.
- (2) Mr. Jiang Hailin is entitled to exercise or control the exercise of the voting rights of 645,912,777 Shares, which were held by all the parties to the Shareholders Voting Agreements (as defined below). Mr. Jiang Hailin beneficially and directly owns 18,853,876 Shares, which are part of the 645,912,777 Shares.
- (3) (L) denotes long positions. As at June 30, 2024, the number of issued ordinary shares of the Company was 1,720,185,862.

DIRECTORS' REPORT

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

As at the June 30, 2024, so far as is known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, the following persons had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity	Long position/ Short position	Number of Shares	Percentage to Company's issued share capital ⁽⁴⁾
Holdco ⁽¹⁾	Beneficial owner	Long position	645,912,777	37.55%
Best Partners ⁽²⁾	Interest of controlled corporation	Long position	645,912,777	37.55%
Joyful Business ⁽³⁾	Beneficial owner	Long position	105,758,203	6.15%

Notes:

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

As at June 30, 2024, Holdco is entitled to exercise or control the exercise of the voting rights of a total of 645,912,777 Shares, representing the aggregate number of Shares held by all of the parties to the Shareholder Voting Agreements.

(2) Holdco is a wholly-owned by Best Partners therefore Best Partners is deemed to be interested in such shares held by Holdco under the SFO.

(3) Joyful Business is wholly-owned by Mr. Liao Jie. Mr. Liao Jie is the sole director of Joyful Business.

(4) As at June 30, 2024, the number of issued ordinary shares of the Company was 1,720,185,862.

Save as disclosed in the paragraphs headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" above, as at June 30, 2024, no Director or proposed director is a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

SHARE SCHEMES

1. Pre-IPO Share Incentive Scheme

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

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

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

2. Share Option Scheme

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

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

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

DIRECTORS' REPORT

SHARE SCHEMES (continued)

2. Share Option Scheme (continued)

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

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

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

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

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

SHARE SCHEMES (continued)

3. Share Award Scheme

The Board adopted a share award scheme (the “**2021 Share Award Scheme**”) on September 16, 2021 (the “**Adoption Date**”). The purposes of the 2021 Share Award Scheme are to recognize the contributions of certain Directors, senior management and employees of the Company and its subsidiaries, or other certain eligible participant(s) (the “**Eligible Participant**”) and to retain and motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

The Board may from time to time at its absolute discretion select any Eligible Participant for participation in the 2021 Share Award Scheme as selected participant(s) (the “**Selected Participant**”). Subject to the limit on the size of the 2021 Share Award Scheme as set out below, the Board may determine the number of awarded shares to be granted pursuant to any award(s) under the 2021 Share Award Scheme and at its absolute discretion select any Eligible Participant to be a Selected Participant under the 2021 Share Award Scheme, or instruct the trustee to allocate any returned shares (“**Returned Shares**”), i.e. awarded shares which are not vested and/or forfeited in accordance with the terms of the 2021 Share Award Scheme, or such Shares being deemed to be Returned Shares in accordance with the terms of the 2021 Share Award Scheme, as awarded shares to any Selected Participant(s) to satisfy any awards (other than those granted to connected persons of the Company).

Awarded shares may be acquired by the trustee by way of (i) allotment and issue of new Shares by the Company pursuant to the relevant general mandate or specific mandate granted to the Board by the shareholders of the Company in general meetings of the Company from time to time; or (ii) purchase of Shares in the open market by the trustee.

Such awarded shares shall then be held by the trustee for the Selected Participants in accordance with the provisions of the 2021 Share Award Scheme prior to vesting. The trustee shall not exercise any voting rights in respect of any Shares held under the trust (including but not limited to awarded shares, Returned Shares, any bonus Shares and scrip Shares).

The Board shall not make any further award which will result in the number of Shares administered under the 2021 Share Award Scheme to exceed in total 10% of the Company's issued share capital as at the Adoption Date. Unless approved by the shareholders of the Company in a general meeting, the maximum number of awarded shares which may be awarded to a single Selected Participant in any 12-month period shall not in aggregate exceed 1.0% of the issued share capital of the Company as at the Adoption Date.

Unless it is early terminated by the board of directors, the 2021 Share Award Scheme shall be valid and effective for a term of ten years commencing on the date of adoption and ending on 15 September 2031.

Details of the 2021 Share Award Scheme are set out in the Company's announcement dated September 16, 2021.

On November 8, 2021, the Company conditionally granted a total of 66,160,994 Awarded Shares to two Connected Award Participants pursuant to the terms of the 2021 Share Award Scheme which have been approved by the Independent Shareholders at the EGM held on December 15, 2021. 21,833,128 Awarded Shares were issued on May 30, 2022 and June 2, 2023, respectively, and 22,494,738 Awarded Shares were issued on May 29, 2024. Please refer to the Company's announcements dated November 8, 2021 and December 15, 2021 and circular dated November 29, 2021 for further details.

DIRECTORS' REPORT

SHARE SCHEMES (continued)

3. Share Award Scheme (continued)

Movement of the share awards granted under the 2021 Share Award Scheme during the Period is as follow:

Grantee	Grant date	Vesting start date	Expiry date	Unvested as at January 1, 2024	Vested during the six-month period ended June 30, 2024	Lapsed or cancelled during the six-month period ended June 30, 2024	Unvested as at June 30, 2024	Grant Fee (HK\$)
Mr. Luo Haibin ⁽¹⁾	08/11/2021	30/06/2022	Note (3)	-	-	-	-	Nil
	08/11/2021	30/06/2022	Note (3)	-	-	-	-	0.13
	08/11/2021	30/06/2023	Note (3)	-	-	-	-	Nil
	08/11/2021	30/06/2023	Note (3)	-	-	-	-	0.13
	08/11/2021	28/06/2024	Note (3)	8,435,527	8,435,527 ⁽⁴⁾	-	-	Nil
	08/11/2021	28/06/2024	Note (3)	8,435,527	8,435,527 ⁽⁴⁾	-	-	0.13
Sub-total				16,871,054	16,871,054	-	-	
Mr. Mou Yi ⁽²⁾	08/11/2021	30/06/2022	Note (3)	-	-	-	-	Nil
	08/11/2021	30/06/2022	Note (3)	-	-	-	-	0.13
	08/11/2021	30/06/2023	Note (3)	-	-	-	-	Nil
	08/11/2021	30/06/2023	Note (3)	-	-	-	-	0.13
	08/11/2021	28/06/2024	Note (3)	2,811,842	2,811,842 ⁽⁴⁾	-	-	Nil
	08/11/2021	28/06/2024	Note (3)	2,811,842	2,811,842 ⁽⁴⁾	-	-	0.13
Sub-total				5,623,684	5,623,684	-	-	
TOTAL:				22,494,738	22,494,738	-	-	

Notes:

- (1) Mr. Luo Haibin is the President of the Company and the President and director of certain wholly-owned subsidiaries of the Company.
- (2) Mr. Mou Yi is the Chief Financial Officer and general manager of the Financial Management Department of the Company and director of certain wholly-owned subsidiaries of the Company.
- (3) Expiry date of these share awards shall be the earlier of: (i) the tenth (10th) anniversary date of the Adoption Date; or (ii) such date of early termination as may be determined by the Board.
- (4) The weighted average closing price of the Shares immediately before the dates on which the awarded shares were vested during the financial period was HK\$0.156.

Save as disclosed above, no share awards had been vested, lapsed or cancelled under the 2021 Share Award Scheme during the Period. As at January 1, 2024 and June 30, 2024, the total number of awards available for grant under the 2021 Share Award Scheme are 99,241,492 and 99,241,492 respectively. There is no service provider sublimit under the 2021 Share Award Scheme. The total number of Shares available for issue under the 2021 Share Award Scheme is 99,241,492 Shares, representing approximately 5.77% of the total issued Shares as at the date of this interim report.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Period divided by weighted average number of Shares in issue (excluding treasury shares) for the Period is 0.659%.

EVENTS AFTER THE REPORTING PERIOD

Acquisition of Forever Opensource

Reference is made to the announcement of the Company dated August 19, 2024. Tibet Intelligent 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 Intelligent 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 report, 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. Haotian Jijie 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 Jijie 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.

DIRECTORS' REPORT

SIGNIFICANT INVESTMENTS

Subscription of Private Equity Fund

As disclosed in the announcement on March 24, 2023, Tibet Intelligent 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 to which Tibet Intelligent 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 report, 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.

SIGNIFICANT INVESTMENTS (continued)

Equity Investments in Forever Opensource (continued)

The management of the Forever Opensource indicated that operation target in stages has 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 performance, the nature and responsibilities of the individual concerned and the performance of our Group and market conditions.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions contained in the Code of Corporate Governance Practices (the “**CG Code**”) 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 the code provisions in the CG Code throughout the Period.

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

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

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

REMUNERATION COMMITTEE

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

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

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

DIRECTORS' REPORT

NOMINATION COMMITTEE

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

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

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

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

On behalf of the Board of Directors

China ITS (Holdings) Co., Ltd.

Liao Jie

Chairman

Beijing, August 30, 2024

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 RMB'000 Unaudited	2023 RMB'000 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	10	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	11	380,812	404,218
Trade and bills receivables	12	434,836	450,244
Prepayments, deposits and other receivables	13	430,541	419,985
Contract assets	14	116,783	141,907
Financial assets at fair value through profit or loss		410	789
Amounts due from related parties	21	19,925	18,468
Pledged deposits	15	60,996	39,818
Cash and cash equivalents	15	452,011	483,768
Total current assets		1,896,314	1,959,197

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2024

	Notes	June 30, 2024 RMB'000 Unaudited	December 31, 2023 RMB'000 Audited
CURRENT LIABILITIES			
Trade and bills payables	16	288,305	434,725
Contract liabilities, other payables and accruals	17	304,983	243,453
Interest-bearing bank borrowings	18	285,178	275,020
Financial liabilities at fair value through profit or loss		241	–
Amounts due to related parties	21	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	19	302	298
Reserves		1,861,069	1,927,888
Non-controlling interests			
		1,861,371	1,928,186
		144,184	136,573
Total equity			
		2,005,555	2,064,759

Liao Jie
Director

Jiang Hailin
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended June 30, 2024

	Attributable to owners of the Company									
	Share capital	Share premium	Statutory reserve	Capital reserve	Asset revaluation reserve	Exchange fluctuation reserve	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024	298	1,073,167*	202,890*	565,297*	7,782*	(174,302)*	253,054*	1,928,186	136,573	2,064,759
Loss for the period	-	-	-	-	-	-	(38,393)	(38,393)	10,477	(27,916)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	5,301	-	5,301	(2,865)	2,436
Total comprehensive income for the period	-	-	-	-	-	5,301	(38,393)	(33,092)	7,612	(25,480)
Share award expenses	-	-	-	441	-	-	-	441	-	441
Grant fee received pursuant to share award scheme	4	1,357	-	-	-	-	-	1,361	-	1,361
Transfer upon vesting of the share awards	-	2,051	-	(2,051)	-	-	-	-	-	-
2023 final dividend transferred to dividends payable (note 9)	-	(35,526)	-	-	-	-	-	(35,526)	-	(35,526)
Total transactions with owners	4	(32,118)	-	(1,610)	-	-	-	(33,724)	-	(33,724)
At June 30, 2024 (unaudited)	302	1,041,049*	202,890*	563,687*	7,782*	(169,001)*	214,661*	1,861,370	144,185	2,005,555

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended June 30, 2024

	Attributable to owners of the Company									
	Share capital	Share premium	Statutory reserve	Capital reserve	Asset revaluation reserve	Exchange fluctuation reserve	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	294	1,069,770	201,930	571,761	7,782	(188,600)	116,817	1,779,754	115,779	1,895,533
Profit for the period	-	-	-	-	-	-	55,106	55,106	22,640	77,746
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	10,266	-	10,266	6,873	17,139
Total comprehensive income for the period	-	-	-	-	-	10,266	55,106	65,372	29,513	94,885
Share award expenses	-	-	-	796	-	-	-	796	-	796
Grant fee received pursuant to share award scheme	4	1,284	-	-	-	-	-	1,288	-	1,288
Transfer upon vesting of the share awards	-	2,097	-	(2,097)	-	-	-	-	-	-
Total transactions with owners	4	3,381	-	(1,301)	-	-	-	2,084	-	2,084
At June 30, 2023 (unaudited)	298	1,073,151	201,930	570,460	7,782	(178,334)	171,923	1,847,210	145,292	1,992,502

* These reserve accounts comprise the reserves of RMB1,861,068,000 (December 31, 2023: RMB1,927,888,000) in the condensed consolidated statement of financial position as at June 30, 2024.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended June 30, 2024

	For the six-month period ended June 30,	
	2024 RMB'000 Unaudited	2023 RMB'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) Profit before tax	(24,037)	83,794
Adjustments for:		
Depreciation and amortisation	30,496	27,516
Share award expenses	441	796
Gain on disposal of financial assets at fair value through profit or loss	(77)	(2,100)
Impairment of financial assets included in prepayment, other receivables and other assets	558	5,517
Impairment of trade receivables	9,205	7,939
(Reversal of impairment) Impairment of contracts assets	(644)	410
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	–
Dividend income from financial assets at fair value through profit or loss	(2,413)	(83)
Share of result of an associate	712	295
Finance income	(4,738)	(3,632)
Finance costs	5,490	5,880
	67,690	120,957
Changes in assets and liabilities:		
Inventories	23,406	49,377
Contracts assets	25,768	(85,236)
Trade and bills receivables	7,156	42,683
Prepayments, deposits and other receivables	(70,077)	(92,696)
Amounts due from related parties	(1,457)	3,433
Pledged deposits	(21,178)	104,118
Trade and bills payables	(81,552)	(18,016)
Contract liabilities, other payables and accruals	12,735	16,877
Amounts due to related parties	(47)	2,962
Cash (used in) generated from operations	(37,556)	144,459
Interest paid	(5,490)	(5,880)
Interest received	4,738	3,953
Income tax refunded (paid)	1,392	(2,547)
Net cash flows (used in) generated from operating activities	(36,916)	139,985

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended June 30, 2024

	Note	For the six-month period ended June 30,	
		2024 RMB'000 Unaudited	2023 RMB'000 Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES			
Prepayment for acquisition of property and equipment		(7,982)	–
Prepayment for acquisition of unlisted investments		–	(8,250)
Purchases of items of property and equipment		(1,922)	(5,365)
Dividend received from investments		2,413	83
Purchases of financial assets at fair value through profit or loss		(7,410)	(36,600)
Proceeds from disposal of financial assets at fair value through profit or loss		7,830	19,081
Additions to other intangible assets		(92)	(2,675)
Net cash flows used in investing activities		(7,163)	(33,726)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing bank borrowings		285,066	127,920
Repayment of interest-bearing bank borrowings		(275,768)	(205,158)
Grant fee received pursuant to share award scheme		1,361	1,288
Net cash flows generated from (used in) financing activities		10,659	(75,950)
Net (decrease) increase in cash and cash equivalents		(33,420)	30,309
Effect of foreign exchange rate changes, net		1,663	(2,076)
Cash and cash equivalents at beginning of period		483,768	295,622
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15	452,011	323,855

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

3. OPERATING SEGMENT INFORMATION (continued)

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
<i>Reconciliation:</i>			
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)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

3. OPERATING SEGMENT INFORMATION (continued)

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
<i>Reconciliation:</i>			
Finance income			3,632
Finance costs			(5,880)
Changes in fair value of financial assets at fair value through profit or loss			5,375
Gain on disposal of financial assets at fair value through profit or loss			2,100
Dividend income from financial assets at fair value through profit or loss			83
Corporate and other unallocated expenses			(22,698)
Profit before tax			83,794
Other segment information:			
Share of loss of an associate	(295)	–	(295)
Impairment of financial and contract assets	(13,866)	–	(13,866)
Depreciation and amortisation	(5,206)	(22,311)	(27,517)
Capital expenditure*	(633)	(7,407)	(8,040)

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

4. REVENUE (continued)

(i) Disaggregated revenue information

Segments	For the six-month period ended June 30,	
	2024	2023
	RMB'000 Unaudited	RMB'000 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 Unaudited	RMB'000 Unaudited
Changes in fair value of financial assets at fair value through profit or loss	–	5,375
Dividend income from financial assets at fair value through profit or loss	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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

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)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

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, 2022: 2.5%) on the service income earned in Myanmar.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

7. INCOME TAX (continued)

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

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

(continued)

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 (note 20)	6,440,337
	<hr/>
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. PROPERTY AND EQUIPMENT

During the six-month period ended June 30, 2024, the Group purchased equipment with a cost of RMB1,922,000 (June 30, 2023: RMB5,365,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

11. INVENTORIES

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	Unaudited	Audited
Materials, parts and equipment	380,812	404,218

12. TRADE AND BILLS RECEIVABLES

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	Unaudited	Audited
Trade receivables	506,757	454,139
Impairment	(103,806)	(94,672)
Bills receivable	402,951	359,467
	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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

12. TRADE AND BILLS RECEIVABLES (continued)

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

	June 30, 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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	Unaudited	Audited
Prepayments to suppliers for purchases of goods (net of loss allowance of RMB2,940,000 (2023: RMB2,940,000))	206,135	229,249
Loan receivables (note a) (net of loss allowance of RMB12,869,000 (2023: RMB15,978,000))	125,258	100,400
Tender deposits	11,014	9,316
Contract deposits	2,994	12,905
Advances to staff (net of loss allowance of RMB2,658,000 (2023: RMB2,664,000))	12,276	14,963
Interest receivable	811	811
Guarantee deposit	11,727	–
Tax refundable for export sale (of machinery)	10,972	15,004
Others (net of loss allowance of RMB77,911,000 (2023: RMB73,983,000))	49,354	37,337
	430,541	419,985

Note:

a. The balance comprises:

- (i) Loan of RMB30,000,000 (December 31, 2023: RMB30,000,000) to an independent third party which was repayable in July 2023, bears interest at a rate of 8% per annum and is secured by the pledge of the shares of Forever Opensource Software Inc ("Forever Opensource"), a company established in the PRC whose shares are traded on Beijing Stock Exchange. The loan had been extended to January 31, 2024 but it remained outstanding at June 30, 2024. Please refer to note 26 for the updated developments of the repayment of the loan;
- (ii) Loan of RMB9,000,000 (December 31, 2023: RMB9,000,000) to an independent third party which is repayable on demand (2023: on demand), bears interest at a rate of 10% per annum;
- (iii) Loans of RMB7,210,000 (December 31, 2023: RMB16,210,000) to independent third parties which bear interest at rates ranging from 12% to 18% (December 31, 2023: 7% to 12%) per annum and are secured by personal guarantees; and
- (iv) Unsecured loans of RMB91,917,000 (December 31, 2023: RMB61,168,000) to independent third parties which are interest-free and repayable in late 2024 or on demand (December 31, 2023: 2024 or on demand).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	Unaudited	Audited
At beginning of period/year	95,565	78,866
Impairment	558	15,778
Business combination	–	5
Reversal of write-off	255	916
At end of period/year	96,378	95,565

14. 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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	Unaudited	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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

16. TRADE AND BILLS PAYABLES

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

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	Unaudited	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.

17. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	Unaudited	Audited
Accrued purchase	4,335	5,639
Business advance deposits	3,849	2,835
Contract liabilities	187,229	159,977
Dividends payable	35,526	–
Staff costs and welfare accruals	15,190	19,796
Other taxes payable	25,941	30,825
Others	32,913	24,381
	304,983	243,453

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

18. INTEREST-BEARING BANK BORROWINGS

	June 30, 2024		December 31, 2023	
	Effective Interest rate %	RMB'000 Unaudited	Effective Interest rate %	RMB'000 Audited
Current				
Short term bank loans — secured	Note (i)	262,388	Note (i)	197,489
Factoring loan	2.8	18,800	3.55	34,800
Bills receivable discounted or endorsed	0-1.69	3,990	0-2.8	42,731
		285,178		275,020

Note:

(i) The below is the analysis of interest rates of the short-term bank loans:

	June 30, 2024	December 31, 2023
	RMB'000 Unaudited	RMB'000 Audited
Fixed rate at 10%	30,103	38,889
Floating rate at loan prime rate (1 year) set by the People's Bank of China ("PBOC LPR"), PBOC LPR less 5 basis point	178,285	128,600
PBOC LPR plus 65 basis point	54,000	–
PBOC LPR plus 35 basis point	–	10,000
PBOC LPR plus 5 basis point	–	10,000
	262,388	197,489

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

19. SHARE CAPITAL

	June 30, 2024		December 31, 2023	
	HK\$'000		HK\$'000	
Authorised				
1,900,000,000 ordinary shares of HK\$0.0002 each		380		380
	June 30, 2024		December 31, 2023	
Issued and fully paid	No. of	RMB'000	No. of	RMB'000
(ordinary shares of HK\$0.0002 each):	Shares	Unaudited	Shares	Audited
At 1 January	1,697,691,124	298	1,675,857,996	294
New shares issued (note (i))	22,494,738	4	21,833,128	4
At 31 December	1,720,185,862	302	1,697,691,124	298

Note:

- (i) During the six-month period ended June 30, 2024, the Company issued 22,494,738 ordinary shares pursuant to the Share Award Scheme (note 20).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

20. SHARE AWARD SCHEME

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

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

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

The third tranche of the awarded shares was fully vested on June 28, 2024 and 22,494,738 awarded shares were issued during the six-month period ended June 30, 2024.

The Group recognised an expense of approximately RMB441,000 for the six-month period ended June 30, 2024 (June 30, 2023: RMB796,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

21. RELATED PARTY TRANSACTIONS

In addition to the transactions or balances as detailed elsewhere in the unaudited interim condensed consolidated financial statements, the Group had the following major transactions with related parties during the six-month period ended June 30, 2024:

	Note	For the six-month period ended June 30,	
		2024 RMB'000 Unaudited	2023 RMB'000 Unaudited
Rental income and recharge of expenses			
Beijing United Trust Technical Services Co., Ltd*	(i)	674	443
eSOON Information Technology Co., Ltd*	(i)	524	495
King Victory and its affiliates	(i)	1,549	1,550
Vision (China) Cultural Development Co., Ltd*	(i)	3,481	3,490
		6,228	5,978

Note

- (i) The rental income and recharge of expenses arose from the rental of the Group's office buildings and were based on prices mutually agreed by both parties.

	June 30, 2024 RMB'000 Unaudited	December 31, 2023 RMB'000 Audited
Due from related parties		
Joint operation	1,553	4,012
King Victory and its affiliates	18,372	14,456
Total	19,925	18,468
Due to related parties		
Associate	69	69
Beijing United Trust Technical Services Co., Ltd*	643	643
eSOON Information Technology Co., Ltd*	445	492
Goal High Global Limited	672	672
Vision (China) Cultural Development Co., Ltd*	2,425	2,425
	4,254	4,301

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

21. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel of the Group

	For the six-month period ended June 30,	
	2024	2023
	RMB'000	RMB'000
	Unaudited	Unaudited
Fees	456	461
Salaries, bonuses, allowances and benefits in kind	1,140	1,132
Pension plan contributions	98	92
Equity-settled share-based payment expenses	441	796
Total compensation paid to key management personnel	2,135	2,481

* Translated for identification purposes

22. PLEDGE OF ASSETS

Certain bank borrowings were secured by a building, an investment property and a certain amount of trade receivables and machinery and equipment of the Group.

23. CAPITAL COMMITMENTS

As at June 30, 2024, the Group did not have any significant commitment (December 31, 2023: nil).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments measured at fair value as at June 30, 2024 and December 31, 2023:

As at June 30, 2024 (Unaudited)	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	176,964	35,816	22,806	235,586
Financial liabilities at fair value through profit or loss	–	(241)	–	(241)

As at December 31, 2023 (Audited)	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	211,195	49,422	27,765	288,382

Movements in level 3 fair value measurements

During the six-month period ended June 30, 2024 and the year ended December 31, 2023, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3. The movements of the Level 3 investments during the period/year represent the changes in fair value which were recognised in profit or loss for the period/year.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

24. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

	Fair value at		Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
	June 30, 2024	December 31, 2023				
	RMB'000	RMB'000				
	Unaudited	Audited				
Unlisted equity investment — 1	12,396	17,355	Market Approach	Average EV/Sales multiple of peers	2.13 (December 31, 2023: 2.9)	1% increase/decrease in multiple would result in increase/decrease in fair value by RMB99,000 (December 31, 2023: RMB160,000)
Unlisted equity investment — 2	10,000	10,000	Market Approach	Average EV/Sales multiple of peers	0.79 to 11.03 (December 31, 2023: 0.79 to 11.03)	1% increase/decrease in multiple would result in increase/decrease in fair value by RMB1,823,000 (December 31, 2023: RMB1,823,000)
	22,396	27,355				

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2024

25. 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.

26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on August 30, 2024.