



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

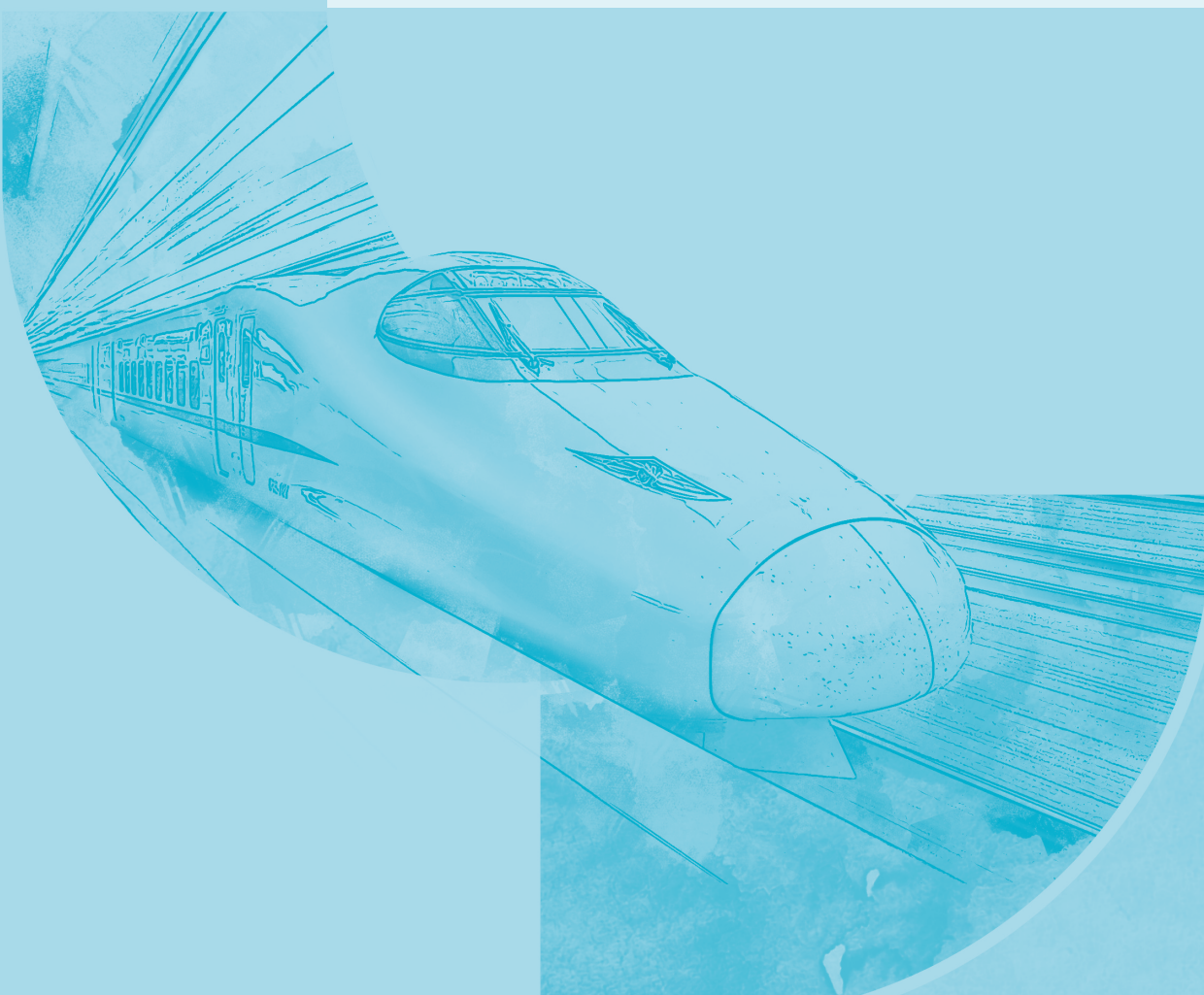
# Interim Report 2021





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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

Mr. Jiang Hailin (*chief executive officer*)

### Independent Non-executive Directors

Mr. Ye Zhou

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

Mr. Zhou Jianmin

## COMPANY SECRETARY

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

## AUTHORIZED REPRESENTATIVES

Mr. Jiang Hailin

Suite 102, 1st Unit, 8th building

1 Balizhuang Beili, Haidian District

Beijing

China

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

Flat 1, 3/F, Block A

Ventris Place

19–23 Ventris Road

Happy Valley

Hong Kong

## AUDIT COMMITTEE

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

Mr. Zhou Jianmin

Mr. Ye Zhou

## REMUNERATION COMMITTEE

Mr. Ye Zhou (*committee chairman*)

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

Mr. Zhou Jianmin

## NOMINATION COMMITTEE

Mr. Zhou Jianmin (*committee chairman*)

Mr. Ye Zhou

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

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## HEAD OFFICE IN THE PRC

Building 204, No. A10,

Jiuxianqiao North Road,

Chaoyang District

Beijing 100015, China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8/F., Golden Star Building

20–24 Lockhart Road

Wanchai

Hong Kong

## COMPANY WEBSITE

[www.its.cn](http://www.its.cn)

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited

Suite 3204, Unit 2A

Block 3, Building D

P.O. Box 1586

Gardenia Court

Camana Bay

Grand Cayman, KY1-1110

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited  
Suites 3301–04, 33/F  
Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

## AUDITOR

Mazars CPA Limited  
Certified Public Accountants  
42/F., Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

## LEGAL ADVISOR

Morgan, Lewis & Bockius  
Suites 1902–09, 19th Floor  
Edinburgh Tower, The Landmark  
15 Queen's Road Central, Hong Kong

## LISTING EXCHANGE INFORMATION

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

## PRINCIPAL BANKERS

Bank of Beijing Co., Ltd. Beijing Branch Cuiweilu sub-branch  
China Guangfa Bank Co., Ltd. Beijing Branch  
Yuetan sub-branch  
Ping An Bank Co., Ltd. Shanghai Pilot Free Trade Zone 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

"Aproud Technology"	Beijing Aproud Technology Co., Ltd. (北京亞邦偉業技術有限公司)
"CEEC"	CEECGLOBAL LIMITED (世波工程有限公司)
"CIC Infrastructure"	CIC Infrastructure Industry Investment Limited (中智基礎產業投資有限公司)
"CIC Information"	CIC Information Technology Company Limited
"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 Technology Co., Ltd. (北京昊天佳捷科技有限公司)
"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)
"Jiangsu Zhongzhi Ruixin"	Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd. (江蘇中智瑞信物聯科技有限公司)
"Jiangsu Zhixun Tiancheng"	Jiangsu Zhixun Tiancheng Technology Co., Ltd. (江蘇智訊天成技術有限公司)
"Myanmar Ahlone"	Myanmar Ahlone Power Plant Company Limited
"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)
"Zhixun Cloud"	Beijing Zhixun Cloud Technology Co., Ltd. (北京智訊雲技術有限公司)
"Zhongtian Runbang"	Zhongtian Runbang Information Technology Co., Ltd. (中天潤邦信息技術有限公司)
"Zhongzhi Runbang Intelligent Railway"	Beijing Zhongzhi Runbang Intelligent Railway Transportation Technology Co., Ltd. (北京中智潤邦智慧軌道交通技術有限公司)

# Financial Highlights

## HIGHLIGHTS OF 2021 INTERIM RESULTS

For the six-month period ended June 30, 2021 (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 RMB284.5 million from the new contracts signed<sup>(1)</sup>, representing a decrease of 20.6% compared to the same period last year.
- Revenue of RMB311.4 million was generated, representing an increase of 31.4% compared to the same period last year.
- As of June 30, 2021, the Group recorded RMB740.7 million from backlog, representing a decrease of 7.1% compared to the end of the previous year.
- The Group generated gross profit of RMB116.3 million, up by 115.6% compared to the same period last year, and recorded gross profit margin of 37.3%, representing an increase of 14.5 percentage points compared to the same period last year.
- The profit attributable to owners of the parent of the Company amounted to RMB29.6 million, representing a decrease of RMB9.8 million compared to the same period last year.

<sup>(1)</sup> The amount of the new contracts signed for the power plant project was recognised for revenue generated from such project for the current period.

# Management Discussion and Analysis

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

In the First Half of the Year, the Group recorded RMB284.5 million from new contracts signed, representing a decrease of 20.6% compared to the same period last year. The Group generated revenue of RMB311.4 million, representing an increase of 31.4% compared to the same period last year, and as of June 30, 2021, the Group recorded RMB740.7 million from backlog, representing a decrease of 7.1% compared to the end of the previous year. The Group generated gross profit of RMB116.3 million, which increased by 115.6% compared to the same period last year, and recorded gross profit margin of 37.3%, representing an increase from 22.8% for the same period last year. The profit attributable to owners of the parent of the Company amounted to RMB29.6 million for the First Half of the Year, representing a decrease of RMB9.8 million compared to the same period last year.

## BUSINESS AND FINANCIAL REVIEW

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

- (a) Railway business — We provide products and specialised solutions to customers according to their needs, which mainly includes railway communication products and energy-based products. We also provide railway customers with value-added operations and services such as maintenance services, network optimisation and network planning and technical consultation for products related to railway communication systems.
- (b) Electric power business — We provide products and specialised solutions related to electric power equipment for customers in the electric power infrastructure construction sector, which mainly includes power transmission and transformation equipment, power generation equipment, and other related products. According to our customers' needs, we also provide planning and technical consultation services of the infrastructure construction in relation to electric power such as power plant construction and power grid renovation, as well as value-added operations and services related to power plant investment, construction and operation.



# Management Discussion and Analysis

## BUSINESS AND FINANCIAL REVIEW (continued)

### Business Review

#### 1. The market share of the railway business sector remains stable

For the railway business sector, in the First Half of the Year, the COVID-19 pandemic (the “**Pandemic**”) continued to spread globally on a large scale. Affected by the Pandemic outside the country, China experienced sporadic local outbreaks, resulting in delays in the delivery of some of the Group’s projects in the First Half of the Year, and the Group’s recognized revenue decreased slightly compared to the same period last year. In the First Half of the Year, the national railway fixed asset investment totaled RMB298.949 billion, representing a year-on-year decrease of 8.26%. For the first time in the past six years, the national railway fixed asset investment did not reach RMB300 billion, which led to a decline in the overall investment in the railway communications market. Therefore, the amount of new contracts signed by the Group in the First Half of the Year decreased significantly compared to the same period last year. However, despite the impact of the Pandemic and the overall railway investment environment, the market share of the railway business sector of the Group remains stable.

#### 2. The overseas self-built power plant in the electric power business sector achieved significant revenue growth

For the electric power business sector, the AHLONE 151,000-kilowatt power plant project invested, constructed and operated by the Group in Yangon, Myanmar, passed the inspection and acceptance by the Ministry of Electricity of Myanmar on January 18, 2021 and was officially put into operation. Despite the severity of the Pandemic in Myanmar in the First Half of the Year, the Group ensured that the operations and power generation of the power plant was not affected while ensuring the safety of overseas workers. In the First Half of the Year, the power plant achieved an operating revenue of approximately RMB97.5 million and a gross profit of approximately RMB74.9 million. At present, as the proportion of its revenue in the Group’s revenue gradually increases, the power plant has gradually become a benchmark project for the Group to expand into the electric power industry.

# Management Discussion and Analysis

## BUSINESS AND FINANCIAL REVIEW (continued)

### 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,	
	2021 RMB'000	2020 RMB'000 (Restated)
<b>Revenue by industry sectors</b>		
Railway	<b>213,971</b>	219,564
Electric power	<b>97,454</b>	17,506
Total	<b>311,425</b>	237,070

(i) *Railway*

For the First Half of the Year, revenue of RMB214.0 million was recognised from the railway sector, representing a decrease of RMB5.6 million compared to the same period last year, and decreased by 2.6%. The sector recorded RMB187.0 million from new contracts signed, representing a decrease of RMB101.3 million compared to the same period last year; and the amount of backlog as of the end of the Period was RMB721.6 million, representing a decrease of RMB56.3 million compared to the end of the previous year.

(ii) *Electric power*

For the First Half of the Year, revenue of RMB97.5 million was recognised from the electric power sector, representing an increase of RMB79.9 million compared to the same period last year, and increased by 456.7%. The sector recorded RMB97.5 million from new contacts signed, representing an increase of RMB27.4 million compared to the same period last year; and the amount of backlog as of the end of the Period was RMB19.1 million, keeping unchanged from the end of the previous year.

The increase in revenue was mainly due to the fact that the power plant project in Myanmar passed the inspection and acceptance by the Ministry of Electricity of Myanmar on January 18, 2021 and was officially put into operation. Therefore, compared with the same period last year, the operations of the self-built power plant of the Group achieved significant revenue growth in the First Half of the Year. As a result, the power sector achieved significant revenue growth.

# Management Discussion and Analysis

## BUSINESS AND FINANCIAL REVIEW (continued)

### Financial Review (continued)

#### Revenue (continued)

#### By Business Model

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

	For the six-month period ended June 30,	
	2021 RMB'000	2020 RMB'000
<b>Revenue by business model</b>		
Products and specialised solutions	<b>188,150</b>	193,102
Value-added operation and services	<b>123,275</b>	43,968
Elimination	–	–
<b>Total</b>	<b>311,425</b>	237,070

(i) *Products and specialised solutions*

For the First Half of the Year, revenue of RMB188.2 million was recognised from the products and specialised solutions business, representing a decrease of RMB4.9 million compared to the same period last year, and decreased by 2.5%. The business recorded RMB176.0 million from new contracts signed, representing a decrease of RMB146.8 million compared to the same period last year and the amount of backlog as of the end of the Period was RMB709.8 million, representing a decrease of RMB51.3 million compared to the end of the previous year.

(ii) *Value-added operation and services*

Revenue recognised from the value-added operation and services business for the First Half of the Year was RMB123.3 million, representing an increase of RMB79.3 million compared to the same period last year, and increased by 180.2%. The business recorded RMB108.5 million from new contracts signed, representing an increase of RMB72.9 million compared to the same period last year and the amount of backlog as of the end of the Period was RMB30.9 million, representing a decrease of RMB5.0 million compared to the end of the previous year.

The revenue from this business increased significantly, primarily because the power plant project in Myanmar completed the inspection and acceptance by Ministry of Electricity of Myanmar on January 18, 2021 and was officially put into operation. Therefore, in the First Half of the Year, the power plant project generated a relatively significant revenue compared to the same period last year.

# Management Discussion and Analysis

## BUSINESS AND FINANCIAL REVIEW (continued)

### Financial Review (continued)

#### Gross profit and the gross profit margin

The Group generated gross profit of RMB116.3 million in the First Half of the Year, representing an increase of RMB62.4 million compared to the same period last year. Gross profit margin increased from 22.8% for the same period last year to 37.3% for the First Half of the Year.

#### By industry sectors

	For the six-month period ended June 30,	
	2021 RMB'000	2020 RMB'000 (Restated)
<b>Gross profit by industry sectors</b>		
Railway	<b>41,393</b>	41,461
Gross profit margin %	<b>19.3%</b>	18.9%
Electric power	<b>74,918</b>	12,482
Gross profit margin %	<b>76.9%</b>	71.9%
Total	<b>116,311</b>	53,943
Gross profit margin	<b>37.3%</b>	22.8%

(i) *Railway*

For the First Half of the Year, gross profit of RMB41.4 million was recognised from the railway sector, basically similar with the same period last year. The gross profit margin was 19.3%, representing an increase of 0.4 percentage points compared to the same period last year.

(ii) *Electric power*

For the First Half of the Year, gross profit of RMB74.9 million was recognised from the electric power sector, representing an increase of RMB62.4 million compared to the same period last year. The increase in gross profit was due to the significant increase in the revenue of the sector for the First Half of the Year. The gross profit margin was 76.9%, representing an increase of 5.0 percentage points compared to the same period last year.

# Management Discussion and Analysis

## BUSINESS AND FINANCIAL REVIEW (continued)

### Financial Review (continued)

#### Gross profit and the gross profit margin (continued)

##### By business model

	For the six-month period ended June 30,	
	2021 RMB'000	2020 RMB'000
<b>Gross profit and the Gross Profit Margin by business model</b>		
Products and specialised solutions	<b>32,709</b>	33,714
Gross profit margin %	<b>17.4%</b>	17.5%
Value-added operation and services	<b>83,602</b>	20,229
Gross profit margin %	<b>67.8%</b>	46.0%
Total	<b>116,311</b>	53,943
Gross profit margin	<b>37.3%</b>	22.8%

(i) *Products and specialised solutions*

For the First Half of the Year, gross profit of RMB32.7 million was recognized from the products and specialised solutions business. The gross profit margin was 17.4%. The gross profit and the gross profit margin were basically similar with the same period last year.

(ii) *Value-added operation and services*

Gross profit recognized from the value-added operation and services business for the First Half of the Year was RMB83.6 million, representing an increase of RMB63.4 million compared to the same period last year. The gross profit margin was 67.8%, representing an increase of 21.8 percentage points compared to the same period last year. The revenue of the value-added operation and services of the electric power sector increased significantly compared to the same period last year, and the gross profit margin was relatively high in this sector, in turn further resulting in a relatively significant increase in the gross profit and gross profit margin of the value-added operation and services business compared to the same period last year.

#### Other income and gains

For the First Half of the Year, other income and gains mainly include: (i) the rental income of the investment properties was approximately RMB8.1 million; (ii) the financial assets dividend income was approximately RMB1.2 million.

# Management Discussion and Analysis

## **BUSINESS AND FINANCIAL REVIEW** (continued)

### **Financial Review** (continued)

#### **Selling and administration expense and impairment losses**

For the First Half of the Year, selling and administration expense and impairment losses were approximately RMB52.2 million, representing a decrease of RMB19.9 million as compared to the same period last year.

(i) *Selling and administration expense which was related to daily operational activities*

For the First Half of the Year, selling and administration expense which was related to daily operational activities was RMB56.6 million as compared to RMB56.5 million for the same period last year. This expense was basically similar with the same period last year.

(ii) *Impairment losses*

The reversal from impairment losses for the First Half of the Year were RMB4.4 million as compared to impairment losses of RMB15.6 million for the same period last year.

#### **Finance revenue and finance cost**

Finance revenue mainly comprised of interest income and finance cost mainly comprised of interest expenses for interest-bearing bank loan. The net financial expenses represented the finance cost minus finance revenue. For the First Half of the Year, the net financial expense was RMB7.3 million, which represented a decrease of RMB8.9 million compared to the same period last year. This was mainly due to a decrease of interest-bearing bank loan in the First Half of the Year, resulting in a decrease in interest expenses compared to the same period last year.

#### **Proceeds from disposal of financial asset**

For the First Half of the Year, the Group disposed part of its equity in an equity investment and obtained a profit of RMB1.5 million.

#### **Profit or loss through fair value changes**

For the First Half of the Year, influenced by market fluctuations, the Group's equity investments in Forever Opensource (stock code: 834415), CNBM Technology (stock code: 834082), and Shenzhen Hopeland generated a profit of RMB2.9 million through fair value changes, as compared to the profit of RMB65.0 million for the same period last year, representing a decrease in profit of RMB62.1 million compared to the same period last year.

#### **Income tax expenses**

The total income tax expenses for the First Half of the Year were RMB19.1 million, which were RMB7.8 million for the same period last year. The increase in income tax expenses was mainly due to the significant increase in the profit of the Myanmar power plant for the Period.

#### **Profit for the period**

For the First Half of the Year, the profit attributable to owners of the parent of the Company amounted to RMB29.6 million, representing a decrease of RMB9.8 million compared to 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 123 days (the same period last year: 86 days). The change was due to the delay in project delivery due to the impact of the Pandemic in the First Half of the Year.

# Management Discussion and Analysis

## **BUSINESS AND FINANCIAL REVIEW** (continued)

### **Financial Review** (continued)

#### **Trade receivables turnover days**

For the First Half of the Year, the trade receivables turnover days were 241 days (the same period last year: 294 days).

#### **Contract assets/contract liabilities turnover days**

For the First Half of the Year, the contract assets/contract liabilities turnover days were 13 days (the same period last year: 86 days).

#### **Trade payables turnover days**

For the First Half of the Year, the trade payables turnover days were 140 days (the same period last year: 174 days).

#### **Liquidity and financial resources**

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. As of June 30, 2021, the Group's current ratio (current assets divided by current liabilities) was 1.7 (as of December 31, 2020: 1.5). The Group's financial position remains healthy.

As of June 30, 2021, the Group was in a net negative cash position<sup>(1)</sup> of RMB253.3 million (as at the end of the previous year: negative RMB183.8 million), decreased by RMB69.5 million compared to the end of the previous year. As at June 30, 2021, the Group's gearing ratio<sup>(2)</sup> was 12.7%, increased by 4.7 percentage points from 8.0% as at the end of the previous year.

#### **Contingent liabilities**

As at June 30, 2021, the Group had no material contingent liability.

#### **Charges on group assets**

As at June 30, 2021, except for the pledged deposits of approximately RMB34.2 million (as at December 31, 2020: RMB172.0 million), the Group pledged a building with a net carrying amount of approximately RMB201.9 million, real estate with an appraised value of approximately RMB73.3 million, trade receivables with a carrying amount of RMB240.0 million, a subsidiary's property, and equity in three subsidiaries 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 RMB204.1 million, real estate with an appraised value of approximately RMB73.3 million, trade receivables with a carrying amount of RMB240.0 million, a subsidiary's property, and equity in a subsidiary to banks to secure banking facilities granted to the Group). Save as disclosed above, as at June 30, 2021, the Group had no other assets charged to financial institutions.

## **IMPORTANT EVENTS SUBSEQUENT TO THE PERIOD**

There was no important event affecting the Group from June 30, 2021 to the date of this report.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES**

The Group did not make any material acquisitions and disposals of subsidiaries and associated companies during the six-month period ended June 30, 2021.

<sup>(1)</sup> Net cash included cash and cash equivalents, interest-bearing bank borrowings and pledged deposits.

<sup>(2)</sup> Gearing ratio refers to adjusted cash (interest-bearing bank borrowings plus due to related parties minus pledged deposits and cash and bank balances) divided by total equity.

# Directors' Report

The board of directors (individually, a “**Director**”, or collectively, the “**Board**”) of China ITS (Holdings) Co., Ltd. (the “**Company**”) presents its report together with the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six-month period ended June 30, 2021.

## INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six-month period ended June 30, 2021.

## 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 six-month period ended June 30, 2021 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, 2021, none of the Directors and chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “**SFO**”) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), to be notified to the Company and the Stock Exchange:

Name of Director	Nature of interest	Securities <sup>(3)</sup>	Approximate percentage of shareholdings as at June 30, 2021 <sup>(3)</sup>
Mr. Liao Jie <sup>(1)</sup>	Beneficial owner/Interest of a controlled corporation	146,494,077 (L)	8.86% (L)
Mr. Jiang Hailin <sup>(2)</sup>	Beneficial owner/Beneficiary of the Fino Trust	647,768,625 (L)	39.16% (L)

Notes:

- (1) 40,735,874 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Liao Jie on January 18, 2012 under the Share Option Scheme. Mr. Liao Jie is also deemed to be interested in the 105,758,203 Shares held by Joyful Business, which is wholly-owned by Mr. Liao Jie.
- (2) 1,855,848 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Jiang Hailin on January 18, 2012 under the Share Option Scheme. Mr. Jiang Hailin was also interested in all the Shares in which Fino Trust was interested as a beneficiary of Fino Trust. As the beneficial owner of Fino Investments Limited, Fino Trust is deemed to be interested in all the Shares in which Fino Investments Limited is interested. Mr. Jiang Hailin beneficially and directly owns 18,853,876 Shares, which are part of the 645,912,777 Shares in which Fino Trust is deemed to be interested.
- (3) (L) denotes long positions.



## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as otherwise disclosed in the sub-section headed "Pre-IPO Share Incentive Scheme/Share Option Scheme" below, at no time during the six-month period ended June 30, 2021, was the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

## PRE-IPO SHARE INCENTIVE SCHEME/SHARE OPTION SCHEME

The terms of the Pre-IPO Share Incentive Scheme and the Share Option Scheme were disclosed in the section headed "Other information — Pre-IPO Share Incentive Scheme" and "Other information — Share Option Scheme" respectively, in Appendix VI to the prospectus of the Company dated June 30, 2010 (the "**Prospectus**").

### 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

## PRE-IPO SHARE INCENTIVE SCHEME/SHARE OPTION SCHEME (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.

# Directors' Report

## PRE-IPO SHARE INCENTIVE SCHEME/SHARE OPTION SCHEME (continued)

### 2. Share Option Scheme (continued)

Movement of the options granted under the Share Option Scheme during the six-month period ended June 30, 2021 is as follows:

Grantee	Grant date <sup>(1)</sup>	Vesting start date	Expiry date	Outstanding as at January 1, 2021	Exercised during the six-month period ended June 30, 2021	Lapsed or cancelled during the six-month period ended June 30, 2021	Outstanding as at June 30, 2021	Exercise price per share (HK\$)
Mr. Jiang Hailin (Executive Director, Chief Executive Officer)	18/01/2012	19/04/2012	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19/07/2012	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19/10/2012	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19/01/2013	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19/04/2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19/07/2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19/10/2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19/01/2014	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19/04/2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	19/07/2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	19/10/2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	19/01/2015	Note (2)	232,725	–	–	232,725	1.05
	Sub-total				1,855,848	–	–	1,855,848
Mr. Liao Jie <sup>(3)</sup> (Executive Director, Chairman)	18/01/2012	19/04/2012	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19/07/2012	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19/10/2012	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19/01/2013	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19/04/2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19/07/2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19/10/2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19/01/2014	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19/04/2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	19/07/2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	19/10/2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	19/01/2015	Note (2)	5,108,282	–	–	5,108,282	1.05
	Sub-total				40,735,874	–	–	40,735,874
Others	18/01/2012	19/04/2012	Note (2)	1,002,731	–	–	1,002,731	1.05
	18/01/2012	19/07/2012	Note (2)	1,002,731	–	–	1,002,731	1.05
	18/01/2012	19/10/2012	Note (2)	1,002,731	–	–	1,002,731	1.05
	18/01/2012	19/01/2013	Note (2)	1,002,731	–	–	1,002,731	1.05
	18/01/2012	19/04/2013	Note (2)	1,494,154	–	–	1,494,154	1.05
	18/01/2012	19/07/2013	Note (2)	1,494,154	–	–	1,494,154	1.05
	18/01/2012	19/10/2013	Note (2)	1,494,154	–	–	1,494,154	1.05
	18/01/2012	19/01/2014	Note (2)	1,494,154	–	–	1,494,154	1.05
	18/01/2012	19/04/2014	Note (2)	1,985,566	–	–	1,985,566	1.05
	18/01/2012	19/07/2014	Note (2)	1,985,566	–	–	1,985,566	1.05
	18/01/2012	19/10/2014	Note (2)	1,985,566	–	–	1,985,566	1.05
	18/01/2012	19/01/2015	Note (2)	1,992,524	–	–	1,992,524	1.05
	Sub-total				17,936,762	–	–	17,936,762
<b>TOTAL:</b>				<b>60,528,484</b>	<b>–</b>	<b>–</b>	<b>60,528,484</b>	

# Directors' Report

## PRE-IPO SHARE INCENTIVE SCHEME/SHARE OPTION SCHEME (continued)

### 2. Share Option Scheme (continued)

Notes:

- (1) The closing price of the Company's shares immediately before the grant date (i.e. January 18, 2012) of share options was HK\$1.05.
- (2) Expiry date of these share options shall be the earlier of: (i) the date on which the share option lapses in accordance with the Share Option Scheme or (ii) the date falling ten (10) years from the date of acceptance by the grantee.
- (3) The total number of Shares to be issued upon exercise of the share options granted to Mr. Liao Jie would exceed 1% of the Shares in issue in the 12-month period up to and including the date of the grant. Such further grant of share options to Mr. Liao Jie was approved by shareholders of the Company in an extraordinary general meeting on February 29, 2012.

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

As at the June 30, 2021, so far as is known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, the following persons had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity	Long position/ Short position	Number of Shares	Percentage to Company's issued share capital
Holdco <sup>(1)</sup>	Beneficial owner	Long position	645,912,777	39.05%
Best Partners <sup>(2)</sup>	Interest of controlled corporation	Long position	645,912,777	39.05%
Fino Investments Limited <sup>(3)</sup>	Interest of controlled corporation	Long position	645,912,777	39.05%
Tesco Investments Limited <sup>(4)</sup>	Interest of controlled corporation	Long position	645,912,777	39.05%
Credit Suisse Trust Limited <sup>(3)(4)</sup>	Trustee	Long position	645,912,777	39.05%
Central Huijin Investment Ltd.	Security interest	Long position	215,000,000	12.99%
China Construction Bank Corporation	Security interest	Long position	215,000,000	12.99%
Joyful Business Holdings Limited <sup>(5)</sup>	Beneficial owner	Long position	105,758,203	6.39%
Penbay Investments Limited <sup>(6)</sup>	Beneficial owner	Long position	98,613,367	5.96%
Chen Qi <sup>(6)</sup>	Interest of controlled corporation	Long position	98,613,367	5.96%

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

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, 2021, Holdco is entitled to exercise or control the exercise of the voting rights of a total of 645,912,777 Shares, representing the aggregate number of Shares held by all of the parties to the Shareholder Voting Agreements. Holdco is wholly-owned by Best Partners. Two of our Directors Mr. Jiang Hailin and Mr. Liao Jie are also directors of Holdco.

- (2) The issued share capital of Best Partners is held as to 91.2015% by Fino Investments Limited and as to 8.7985% by Tesco Investments Limited. By virtue of the Shareholder Voting Agreements, Best Partners Development Limited is deemed to be controlled by Fino Investments Limited and Tesco Investments Limited. Our Directors Mr. Liao Jie is also a director of Best Partners.
- (3) Fino Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Fino Trust, namely Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Liang Shiping, Mr. Jiang Hailin and Ms. Wu Chunhong. The Fino Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (4) Tesco Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Tesco Trust, namely Mr. Wang Jing, Mr. Zhang Qian, Mr. Guan Xiong, Mr. Zheng Hui and Ms. Wang Li. The Tesco Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (5) Joyful Business Holdings Limited is wholly-owned by Mr. Liao Jie. Mr. Liao Jie is the sole director of Joyful Business.
- (6) Penbay Investments Limited is controlled by Mr. Chen Qi and therefore Mr. Chen Qi is deemed to be interested in the 98,613,367 shares of the Company beneficially owned by Penbay Investments Limited.

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, 2021, 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' Report

## EMPLOYMENT AND EMOLUMENT POLICIES

As at June 30, 2021, the Group had 253 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.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six-month period ended June 30, 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

## CONNECTED TRANSACTIONS

During the six-month period ended June 30, 2021, the Group entered into the following transaction with connected persons (as defined in the Listing Rules) of the Company and certain Directors and/or controlling shareholders had material interests, directly or indirectly, in such transaction:

### Beijing RHY Technology Development Co., Ltd. ("Beijing RHY")

On May 11, 2021, the Company and Beijing RHY entered into a Non-competition Agreement, pursuant to which each party agreed, among other things, that they will not engage in businesses which compete or may compete with that of the other party.

Beijing RHY, a company in which certain controlling shareholders and Directors of the Company are interested in, is primarily engaged in the businesses of system integration, provision of technical services, equipment sale and provision of after-sale services in the trafficway (including but not limited to expressway) and urban traffic sectors. Given both the Group and Beijing RHY Group are in the transportation industry, in order to avoid potential competition between the Group and the Beijing RHY Group and potential conflicts of interests involving the executive Directors (who have interests in both the Group and the Beijing RHY Group), the Company entered into the Non-competition Agreement with Beijing RHY.

As Mr. Jiang Hailin and Mr. Liao Jie, the Directors and controlling shareholders of the Company, together with Mr. Liao Daoxun and Ms. Wu Yurui, who are family members of Mr. Liao Jie, indirectly hold a total of 40.15% of the shareholding of Beijing RHY as at the Latest Practicable Date, Beijing RHY is an associate of Mr. Jiang Hailin and Mr. Liao Jie, each of whom is a connected person of the Company pursuant to the Listing Rules. As such Beijing RHY is a connected person of the Company and the Non-competition Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and was subject to, among others, the approval of the Independent Shareholders at a general meeting of the Company in accordance with the requirements of the Listing Rules.

Details of the aforementioned Connected Transaction is set out in the announcement of the Company dated May 11, 2021.

## CONTINUING CONNECTED TRANSACTIONS

### Renewal of RHY Lease

On January 29, 2021, Beijing RHY, a connected person of the Company, entered into the RHY Lease Renewal Treaty with Beijing Hongrui Dake Technology Co., Ltd ("**Hongrui Dake**"), a subsidiary of the Company, pursuant to which Hongrui Dake has agreed to lease and Beijing RHY has agreed to rent the Hongrui Dake Properties for a term commencing on January 1, 2021 and expiring on December 31, 2022 at a quarterly rental fee of RMB930,750 and a quarterly property management fee of RMB248,200, as disclosed in the announcement on January 29, 2021.

Since Beijing RHY is an associate of Mr. Jiang Hailin and Mr. Liao Jie, each of which is a connected person of the Company pursuant to the Listing Rules, Beijing RHY is therefore a connected person of the Company. Accordingly, the RHY Lease constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the transactions contemplated under the RHY Lease exceed 0.1% but less than 5%, the transactions contemplated under the RHY Lease are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under the Listing Rules.

Details of the aforementioned Continuing Connected Transaction is set out in the announcement of the Company dated January 29, 2021.

## CORPORATE GOVERNANCE

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

The Company has adopted the code provisions contained in the code of corporate governance practices (the "**CG Code**") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company has complied with the code provisions in the CG Code throughout the six-month period ended June 30, 2021.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "**Model Code**") as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six-month period ended June 30, 2021.

## 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 six months ended June 30, 2021.

# Directors' Report

## 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 March 28, 2012 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.

## 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

In the six months ended June 30, 2021, 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, 2021



# Condensed Consolidated Statement of Profit or Loss

For the six-month period ended June 30, 2021

	Notes	For the six-month period ended June 30,	
		2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
<b>REVENUE</b>	4	<b>311,425</b>	237,070
Cost of revenue	6	<b>(195,114)</b>	(183,127)
Gross profit		<b>116,311</b>	53,943
Other income and gains	5	<b>17,183</b>	93,177
Selling, distribution and administrative expenses		<b>(56,598)</b>	(56,912)
Reversal of impairment/(impairment) of financial and contract assets, net		<b>4,432</b>	(15,569)
Other expenses		<b>(10,175)</b>	(121)
Finance costs		<b>(10,322)</b>	(23,784)
Share of profits and losses of:			
Associates		–	(84)
<b>PROFIT BEFORE TAX</b>	6	<b>60,831</b>	50,650
Income tax expense	7	<b>(19,094)</b>	(7,838)
<b>PROFIT FOR THE PERIOD</b>		<b>41,737</b>	42,812
Attributable to:			
Owners of the Company		<b>29,639</b>	39,449
Non-controlling interests		<b>12,098</b>	3,363
		<b>41,737</b>	42,812
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>RMB Unaudited</b>	RMB Unaudited
Basic	8	<b>0.02</b>	0.02
Diluted	8	<b>0.02</b>	0.02

# Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended June 30, 2021

	For the six-month period ended June 30,	
	2021	2020
	RMB'000	RMB'000
	Unaudited	Unaudited
<b>PROFIT FOR THE PERIOD</b>	<b>41,737</b>	42,812
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(108,270)</b>	9,495
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(108,270)</b>	9,495
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(66,533)</b>	52,307
Attributable to:		
Owners of the Company	<b>(35,605)</b>	48,349
Non-controlling interests	<b>(30,928)</b>	3,958
	<b>(66,533)</b>	52,307

# Condensed Consolidated Statement of Financial Position

As at June 30, 2021

	Notes	June 30, 2021 RMB'000 Unaudited	December 31, 2020 RMB'000 Audited
<b>NON-CURRENT ASSETS</b>			
Prepayment for acquisition of property and equipment		2,257	–
Property and equipment	10	512,070	624,502
Investment properties		73,260	73,260
Goodwill	11	123,759	123,759
Other intangible assets		28,002	31,273
Investments in associates		1,000	1,000
Financial assets at fair value through profit or loss		162,591	177,415
Loan receivables	14	30,000	30,000
Prepayments, deposits and other receivables	14	–	1,876
Total non-current assets		932,939	1,063,085
<b>CURRENT ASSETS</b>			
Inventories	12	413,296	372,356
Contract assets	15	280,293	396,296
Trade and bills receivables	13	718,146	764,297
Prepayments, deposits and other receivables	14	442,588	437,911
Financial assets at fair value through profit or loss		50,183	–
Amounts due from related parties	22	27,908	36,616
Pledged deposits	16	34,229	172,024
Cash and cash equivalents	16	184,192	240,622
Total current assets		2,150,835	2,420,122

# Condensed Consolidated Statement of Financial Position

As at June 30, 2021

	Notes	June 30, 2021 RMB'000 Unaudited	December 31, 2020 RMB'000 Audited
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	17	257,795	305,484
Contract liabilities, other payables and accruals	18	520,089	688,715
Interest-bearing bank borrowings	19	417,718	556,216
Amounts due to related parties	22	–	325
Income tax payable		54,926	50,050
Total current liabilities		1,250,528	1,600,790
<b>NET CURRENT ASSETS</b>		<b>900,307</b>	819,332
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,833,246</b>	1,882,417
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	19	54,000	40,250
Deferred tax liabilities		8,395	4,783
Total non-current liabilities		62,395	45,033
Net assets		1,770,851	1,837,384
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	20	290	290
Reserves		1,695,258	1,730,863
<b>Non-controlling interests</b>		<b>75,303</b>	106,231
Total equity		1,770,851	1,837,384

**Liao Jie**  
Director

**Jiang Hailin**  
Director

# Condensed Consolidated Statement of Changes in Equity

For the six-month period ended June 30, 2021

	Attributable to owners of the Company								Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Asset revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000		
<b>At January 1, 2020</b>	290	1,088,725	191,274	594,028	7,782	(101,690)	185,541	1,965,950	28,530	1,994,480
Profit for the period	-	-	-	-	-	-	39,449	39,449	3,363	42,812
Other comprehensive income for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	8,900	-	8,900	595	9,495
Total comprehensive income for the period	-	-	-	-	-	8,900	39,449	48,349	3,958	52,307
Transfer from retained earnings	-	-	15,863	-	-	-	(15,863)	-	-	-
<b>At June 30, 2020 (unaudited)</b>	290	1,088,725	207,137	594,028	7,782	(92,790)	209,127	2,014,299	32,488	2,046,787

	Attributable to owners of the Company								Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Asset revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000		
<b>At January 1, 2021</b>	290	1,088,725	192,634	593,840	7,782	(90,743)	(61,375)	1,731,153	106,231	1,837,384
Profit for the period	-	-	-	-	-	-	29,639	29,639	12,098	41,737
Other comprehensive loss for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	(65,244)	-	(65,244)	(43,026)	(108,270)
Total comprehensive loss for the period	-	-	-	-	-	(65,244)	29,639	(35,605)	(30,928)	(66,533)
Transfer from retained earnings	-	-	138	-	-	-	(138)	-	-	-
<b>At June 30, 2021 (unaudited)</b>	290	1,088,725*	192,772*	593,840*	7,782*	(155,987)*	(31,874)*	1,695,548	75,303	1,770,851

\* These reserve accounts comprise the reserves of RMB1,695,258,000 (December 31, 2020: RMB1,730,863,000) in the condensed consolidated statement of financial position as at June 30, 2021.

# Condensed Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2021

	Notes	For the six-month period ended June 30,	
		2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>60,831</b>	50,650
Adjustments for:			
Depreciation and amortisation		<b>17,557</b>	10,788
Net loss on disposal of property and equipment		<b>38</b>	–
Gain on disposal of financial assets at fair value through profit or loss		<b>(1,546)</b>	(4,355)
Impairment of financial assets included in prepayment, other receivables and other assets		<b>1,339</b>	18,341
Impairment/(Reversal of impairment) of trade receivables		<b>1,708</b>	(2,612)
Reversal of impairment of contracts assets		<b>(7,479)</b>	(160)
Share of profits and losses of joint ventures and associates		–	84
Changes in fair value of financial assets at fair value through profit or loss		<b>(2,912)</b>	(64,993)
Dividend income from financial assets at fair value through profit or loss		<b>(1,243)</b>	(1,186)
Finance income		<b>(3,033)</b>	(7,609)
Finance costs		<b>10,322</b>	23,784
		<b>75,582</b>	22,732
Changes in assets and liabilities:			
Inventories		<b>(40,940)</b>	(104,014)
Contracts assets		<b>123,482</b>	(26,299)
Trade and bills receivables		<b>42,974</b>	301,350
Prepayments, deposits and other receivables		<b>2,954</b>	(58,650)
Amounts due from related parties		<b>(985)</b>	24,910
Pledged deposits		<b>33,091</b>	(88,757)
Trade and bills payables		<b>(47,689)</b>	(70,512)
Contract liabilities, other payables and accruals		<b>(168,887)</b>	(84,964)
Amounts due to related parties		<b>(325)</b>	(4,769)
Cash generated from/(used in) operations		<b>19,257</b>	(88,973)
Interest paid		<b>(10,322)</b>	(23,784)
Interest received		<b>3,033</b>	11,382
Income tax paid		<b>(9,841)</b>	(7,715)
Net cash flows generated from/(used in) operating activities		<b>2,127</b>	(109,090)

# Condensed Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2021

	Notes	For the six-month period ended June 30,	
		2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Prepayment for acquisition of property and equipment		(2,257)	–
Purchases of items of property and equipment		(4,035)	(93,922)
Dividend received from investments		1,243	1,186
Purchases of financial assets at fair value through profit or loss		(60,000)	–
Disposal of financial assets at fair value through profit or loss		29,099	10,954
Additions to other intangible assets		(7)	(154)
Net cash flows used in investing activities		(35,957)	(81,936)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from interest-bearing bank borrowings		140,000	310,933
Repayment of interest-bearing bank borrowings		(261,096)	(363,023)
Decrease in pledged deposits for bank loans		104,704	101,800
Net cash flows (used in)/generated from financing activities		(16,392)	49,710
Net decrease in cash and cash equivalents		(50,222)	(141,316)
Effect of foreign exchange rate changes, net		(6,208)	9,495
Cash and cash equivalents at beginning of period		240,622	258,722
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	16	<b>184,192</b>	126,901

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 1. CORPORATE AND GROUP INFORMATION

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

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

## 2. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES

### Basis of presentation

The unaudited interim condensed consolidated financial statements of the Group for the six-month period ended June 30, 2021 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, 2020. 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, 2020, except for the adoption of following new/revised IFRSs that are effective for the Group’s financial year beginning on January 1, 2021.

Amendments to IAS 39, IFRS 4, 7, 9 and 16

Interest Rate Benchmark Reform — Phase 2

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, 2021 and prior years.

## 3. OPERATING SEGMENT INFORMATION

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

### (i) Railway business

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



# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 3. OPERATING SEGMENT INFORMATION (continued)

### (ii) Electric power business

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, 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.

Intersegment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the six-month period ended June 30, 2021 (Unaudited)	Railway business RMB'000	Electric power business RMB'000	Total RMB'000
<b>Segment revenue (note 4)</b>			
Sales to external customers	213,971	97,454	311,425
<b>Segment results</b>	39,158	44,112	83,270
<i>Reconciliation:</i>			
Finance income			3,033
Finance costs			(10,322)
Changes in fair value of financial assets at fair value through profit or loss			2,912
Dividend income from financial assets at fair value through profit or loss			1,243
Corporate and other unallocated expenses			(19,305)
Profit before tax			60,831
<b>Other segment information:</b>			
(Reversal of impairment)/impairment of financial and contract assets	(4,641)	209	(4,432)
Depreciation and amortisation	8,057	9,500	17,557
Capital expenditure*	75	3,967	4,042

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 3. OPERATING SEGMENT INFORMATION (continued)

For the six-month period ended June 30, 2020 (Unaudited)	Railway business RMB'000	Electric power business RMB'000	Total (restated) RMB'000
<b>Segment revenue (note 4)</b>			
Sales to external customers	219,564	17,506	237,070
<b>Segment results</b>	25,318	13,701	39,019
<i>Reconciliation:</i>			
Finance income			7,609
Finance costs			(23,784)
Changes in fair value of financial assets at fair value through profit or loss			64,993
Dividend income from financial assets at fair value through profit or loss			1,186
Corporate and other unallocated expenses			(38,373)
Profit before tax			50,650
<b>Other segment information:</b>			
Share of losses of associates	(84)	–	(84)
Impairment of financial and contract assets	15,375	194	15,569
Depreciation and amortisation	8,402	2,386	10,788
Capital expenditure*	843	93,233	94,076

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

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 4. REVENUE

An analysis of revenue is as follows:

	For the six-month period ended June 30,	
	2021	2020
	RMB'000	RMB'000
	Unaudited	Unaudited
Revenue from contracts with customers within IFRS 15	<b>311,425</b>	237,070

### (i) Disaggregated revenue information

	For the six-month period ended June 30,	
	2021	2020
	RMB'000	RMB'000
<b>Type of goods or services</b>		
Sale of products and provision of specialised solutions	<b>188,150</b>	193,102
Maintenance services	<b>25,821</b>	26,136
Power supply	<b>97,454</b>	17,832
Total revenue from contracts with customers	<b>311,425</b>	237,070
<b>Geographical markets</b>		
Mainland China	<b>194,848</b>	210,882
Others	<b>116,577</b>	26,188
Total revenue from contracts with customers	<b>311,425</b>	237,070
<b>Timing of revenue recognition</b>		
Goods and services transferred at a point in time	<b>110,143</b>	97,603
Goods and services transferred over time	<b>201,282</b>	139,467
Total revenue from contracts with customers	<b>311,425</b>	237,070

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 5. OTHER INCOME AND GAINS

	For the six-month period ended June 30,	
	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
Finance income	<b>3,033</b>	7,609
Gross rental income	<b>8,145</b>	2,505
Dividend income from financial assets at fair value through profit or loss	<b>1,243</b>	1,186
Changes in fair value of financial assets at fair value through profit or loss	<b>2,912</b>	64,993
Gain on disposal of financial assets at fair value through profit or loss	<b>1,546</b>	4,355
Government grants*	–	2,013
Bad debts recovered	–	5,953
Others	<b>304</b>	4,563
	<b>17,183</b>	93,177

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

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 6. PROFIT BEFORE TAX

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

	For the six-month period ended June 30,	
	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
Cost of inventories	<b>195,114</b>	183,127
Depreciation	<b>14,279</b>	7,429
Amortisation of intangible assets, included in selling, distribution and administrative expenses	<b>3,278</b>	3,359
	<b>17,557</b>	10,788
Wages and salaries	<b>18,113</b>	23,318
Pension scheme contributions (defined contribution scheme)	<b>3,921</b>	2,714
Social insurance costs and staff welfare	<b>1,589</b>	3,798
	<b>23,623</b>	29,830
Impairment/(Reversal of impairment) of trade receivables	<b>1,708</b>	(2,612)
Reversal of impairment of contract assets	<b>(7,479)</b>	(160)
Impairment of financial assets included in prepayments, deposits and other receivables	<b>1,339</b>	18,341
Short-term lease payments	<b>3,348</b>	1,672
Gain on disposal of financial assets at fair value through profit or loss	<b>(1,546)</b>	(4,355)
Changes in fair value of financial assets at fair value through profit or loss	<b>(2,912)</b>	(64,993)
Rental income on investment properties	<b>(8,145)</b>	(2,505)
Exchange losses, net	<b>9,562</b>	364

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 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.

Subsidiaries in Mainland China of the Group are subject to PRC Enterprise Income Tax at a rate 25% (June 30, 2020: 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, 2020: 15%) preferential income tax rate.

No provision for Hong Kong profits tax has been made for the six-month period ended June 30, 2021 (June 30, 2020: nil), as the Group had no assessable profits arising in Hong Kong for the period.

Subsidiary incorporated in Myanmar is subject to Corporate income tax at a rate 25% on its taxable income. In addition, non-Myanmar incorporated subsidiaries are also subject to withholding tax in Myanmar at the rate of 2.5% on the service income earned in Myanmar.

According to PRC tax regulations, from January 1, 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, are subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from entities in the PRC. Distributions of the pre-2008 earnings are exempted from the above-mentioned withholding tax. As at June 30, 2021, no deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (2020: nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

The major components of income tax expense are as follows:

	For the six-month period ended June 30,	
	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
Current income tax:		
PRC Enterprise Income Tax	5,325	6,838
Myanmar Enterprise Income Tax	9,169	–
Myanmar withholding tax	988	468
Deferred income tax:		
Origination and reversal of temporary differences	3,612	532
Income tax expense	19,094	7,838

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the six-month periods ended June 30, 2021 and 2020.

The calculation of the diluted earnings per share is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the six-month periods ended June 30, 2021 and 2020, 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.

Diluted earnings per share is the same as basic earnings per share for the six-month periods ended June 30, 2021 and 2020 as the share options have an anti-dilutive effect.

	For the six-month period ended June 30,	
	2021	2020
	RMB'000	RMB'000
	Unaudited	Unaudited
<b>Earnings</b>		
Profit attributable to owners of the Company	<b>29,639</b>	39,449
	For the six-month period ended June 30,	
	2021	2020
	Unaudited	Unaudited
<b>Shares</b>		
Weighted average number of shares in issue	<b>1,654,024,868</b>	1,654,024,868

## 9. DIVIDENDS PROPOSED

No dividend was declared or proposed by the Company for the six-month period ended June 30, 2021 (June 30, 2020: nil).

## 10. PROPERTY AND EQUIPMENT

During the six-month period ended June 30, 2021, the Group purchased equipment with a cost of RMB4,035,000 (June 30, 2020: RMB93,922,000).

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 11. GOODWILL

	June 30, 2021 RMB'000 Unaudited	December 31, 2020 RMB'000 Audited
At January 1	123,759	222,622
Impairment	–	(98,863)
At end of period/year	123,759	123,759

## 12. INVENTORIES

	June 30, 2021 RMB'000 Unaudited	December 31, 2020 RMB'000 Audited
Completed properties	60,650	60,650
Properties under development	63,139	48,259
Materials, parts and equipment	289,507	263,447
	413,296	372,356

## 13. TRADE AND BILLS RECEIVABLES

	June 30, 2021 RMB'000 Unaudited	December 31, 2020 RMB'000 Audited
Trade receivables	746,096	770,538
Impairment	(87,688)	(87,384)
Bills receivable	658,408 59,738	683,154 81,143
	718,146	764,297

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.

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, 2021

## 13. 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:

	<b>June 30, 2021</b>	December 31, 2020
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Audited
Less than 6 months	<b>199,527</b>	27,530
6 months to 1 year	<b>223,457</b>	356,214
1 year to 2 years	<b>101,111</b>	170,191
2 years to 3 years	<b>90,995</b>	67,564
Over 3 years	<b>43,318</b>	61,655
	<b>658,408</b>	683,154

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

	<b>June 30, 2021</b>	December 31, 2020
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Audited
At beginning of period/year	<b>87,384</b>	77,806
Increase in allowance	<b>1,708</b>	9,800
Amount written off	<b>(1,404)</b>	-
Disposal of a subsidiary	-	(222)
At end of period/year	<b>87,688</b>	87,384

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	June 30, 2021 RMB'000 Unaudited	December 31, 2020 RMB'000 Audited
Prepayments to suppliers for purchases of goods	<b>199,407</b>	251,514
Loan receivables (Note)	<b>117,038</b>	73,442
Tender deposits	<b>26,042</b>	13,698
Contract deposits	<b>13,254</b>	31,701
Advances to staff	<b>29,885</b>	33,630
Interest receivable	<b>4,919</b>	10,121
Guarantee deposit	–	14,199
Others	<b>148,011</b>	105,095
	<b>538,556</b>	533,400
Impairment	<b>(65,968)</b>	(63,613)
	<b>472,588</b>	469,787
Less: Loan receivables — non-current (Note)	<b>30,000</b>	30,000
Guarantee deposit — non-current	–	1,876
	<b>442,588</b>	437,911

Note: The balance comprises (i) Loan of RMB30,000,000 (2020: RMB30,000,000) to an independent third party which is repayable in 2023, bears interest at a rate of 8% per annum and is secured by the pledge of the shares of Forever Opensource Co., Ltd. ("Forever Opensource"); (ii) Loans of RMB12,600,000 (2020: RMB12,600,000) to independent third parties which are repayable in 2021, bears interest at a rate of 8% to 10% per annum and is secured by the pledge of land use right and properties; (iii) Unsecured loans of RMB9,848,000 (2020: RMB10,609,000) to independent third parties which bears interest at a rate of 7% to 8% per annum and (iv) Unsecured loans of RMB64,590,000 (2020: RMB20,233,000) to independent third parties which are interest-free and repayable in December 2021.

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

	<b>June 30, 2021 RMB'000 Unaudited</b>	December 31, 2020 RMB'000 Audited
At beginning of period/year	<b>63,613</b>	49,833
Increase in allowance	<b>1,339</b>	67,435
Amount written off	–	(53,655)
Reversal of amount written off	<b>1,016</b>	–
At end of period/year	<b>65,968</b>	63,613

## 15. CONTRACT ASSETS

	<b>June 30, 2021 RMB'000 Unaudited</b>	December 31, 2020 RMB'000 Audited
Contract assets	<b>304,487</b>	424,146
Impairment	<b>(24,194)</b>	(27,850)
	<b>280,293</b>	396,296

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

	<b>June 30, 2021 RMB'000 Unaudited</b>	December 31, 2020 RMB'000 Audited
At beginning of period/year	<b>27,850</b>	29,678
Decrease in allowance	<b>(7,479)</b>	(1,030)
Reversal of amount written off	<b>3,823</b>	–
Disposal of subsidiary	–	(798)
At end of period/year	<b>24,194</b>	27,850

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	June 30, 2021 RMB'000 Unaudited	December 31, 2020 RMB'000 Audited
Cash and bank balances	<b>184,192</b>	240,622
Pledged deposits		
— Current deposits	<b>34,229</b>	172,024
	<b>218,421</b>	412,646
Less: Pledged and fixed deposits for		
— Maturity over 3 months	<b>(17,098)</b>	(4,553)
— Letter of guarantee for projects	<b>(13,627)</b>	(39,148)
— Bills payables	<b>(3,092)</b>	(23,000)
— Interest-bearing bank borrowings (note 19)	—	(104,704)
— Tenders	<b>(412)</b>	(619)
Cash and cash equivalents	<b>184,192</b>	240,622

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

The cash and bank balances and pledged deposits of the Group denominated in RMB amounted to RMB164,463,000 (RMB162,918,000 in Mainland China and RMB1,545,000 in overseas) as at June 30, 2021 (December 31, 2020: RMB361,928,000 in total). In Mainland China, RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 17. 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:

	<b>June 30, 2021</b>	December 31, 2020
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Audited
Current or less than 1 year	<b>175,537</b>	222,059
1 to 2 years	<b>49,521</b>	20,077
Over 2 years	<b>32,737</b>	63,348
	<b>257,795</b>	305,484

The Group's bills payable were secured by pledged deposits of the Group of RMB3,092,000 as at June 30, 2021 (December 31, 2020: RMB23,000,000).

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

## 18. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	<b>June 30, 2021</b>	December 31, 2020
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Audited
Contract liabilities (a)	<b>322,076</b>	385,353
Business advance deposits	<b>35,313</b>	33,914
Staff costs and welfare accruals	<b>13,650</b>	19,986
Other borrowings	<b>51,922</b>	78,809
Other taxes payable	<b>59,047</b>	78,437
Interest payables	<b>2,141</b>	2,135
Accrued purchase	<b>–</b>	25,842
Others (b)	<b>35,940</b>	64,239
	<b>520,089</b>	688,715

(a) Details of contract liabilities are as follows:

Contract liabilities include advances received from customers to deliver products and render maintenance and specialised solution services. The decrease in contract liabilities in 2021 was mainly due to revenue recognised in current period in relation to the sale of products and provision of specialised solution.

(b) These balances are unsecured, non-interest-bearing and repayable on demand.

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 19. INTEREST-BEARING BANK BORROWINGS

	June 30, 2021		December 31, 2020	
	Effective Interest rate (%)	RMB'000 Unaudited	Effective Interest rate (%)	RMB'000 Audited
<b>Current</b>				
Short term bank loans — secured	4.2–5.46	386,430	HIBOR/4.1–8.0	509,457
Bills receivable discounted or endorsed	0–5.97	31,288	0–2.9	46,759
		<b>417,718</b>		556,216
<b>Non-current</b>				
Long term bank loans — secured	HIBOR	54,000	HIBOR	40,250
		<b>54,000</b>		40,250
		<b>471,718</b>		596,466

Notes:

- (i) Current bank loans of Nil as at June 30, 2021 (2020: in aggregate RMB103.2 million) were secured by pledged deposits of Nil (2020: RMB104.7 million) of the Group (note 16).
- (ii) Bank loans of RMB30.0 million as at June 30, 2021 (2020: RMB30.0 million) were guaranteed by the Group. Bank loans of Nil as at June 30, 2021 (2020: RMB160.0 million) were guaranteed by a subsidiary of King Victory Holdings Limited (“King Victory”) which is a related party of the Group.
- (iii) Current bank loans of RMB350.0 million as at June 30, 2021 (2020: RMB350.0 million) were secured by buildings of the Group with a carrying amount of RMB201.9 million (2020: RMB204.1 million), investment properties of the Group with a carrying amount of RMB73.3 million (2020: Nil), trade receivables of RMB240.0 million (2020: RMB240.0 million), corporate guarantees by Aproud Technology and Zhongtian Runbang Information Technology Co., Ltd., and a personal guarantee by Jiang Hailin, a Director of the Group.
- (iv) Current bank loans of RMB6.3 million and non-current bank loans of RMB54.0 million (2020: in aggregate RMB46.6 million) were secured by properties of the Group with a carrying amount of RMB65.0 million (2020: RMB55 million) and a corporate guarantee by Zhixun Tiancheng.

As at June 30, 2021, the Group’s bank loans of RMB397.8 million (2020: RMB503.2 million) were charged at fixed interest rates and bank loans of RMB54 million (2020: RMB46.5 million) were charged at floating interest rates based on HIBOR which fluctuated on a quarterly basis.

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 20. SHARE CAPITAL

	<b>June 30, 2021</b>	December 31, 2020
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Audited
Issued and fully paid: 1,654,024,868 ordinary shares of HK\$0.0002 each	<b>290</b>	290

## 21. SHARE OPTION SCHEME

On January 18, 2012, the board of directors resolved to grant share options under the share option scheme adopted by the Company on June 18, 2010 to 191 grantees, which included executive directors, independent non-executive directors and certain employees of the Group to subscribe for an aggregate of 155,000,000 ordinary shares. A total of 155,000,000 share options would be vested over twelve quarterly instalments from three months after the grant date provided these grantees remain in service at the respective vesting dates. The exercise price is HK\$1.05 per share. There are no cash settlement alternatives.

There was no share option expense recognised during the six-month period ended June 30, 2021 (June 30, 2020: nil).

There was no movement in the number of outstanding share options during the six-month period ended June 30, 2021. The following table illustrates the number and weighted average exercise price ("WAEP") of the share options as at June 30, 2021:

	<b>Number '000</b>	<b>WAEP RMB per share</b>
Outstanding as at June 30, 2021 and December 31, 2020	<b>60,528</b>	<b>1.05</b>
Exercisable as at June 30, 2021 and December 31, 2020	<b>60,528</b>	<b>1.05</b>

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 22. 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, 2021:

	Notes	For the six-month period ended June 30,	
		2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
<b>King Victory and its affiliates</b>			
Rental income	(i)	<b>2,782</b>	1,968
Interest income	(ii)	–	6,146
<b>Joint ventures</b>			
Sale of products	(iii)	–	7,464
<b>Associate</b>			
Rental income	(i)	–	29

Note:

- (i) The rental income from associates and King Victory and its affiliates arose from the rental of the Group's office buildings, and was based on prices mutually agreed by both parties.
- (ii) The interest income arose from the outstanding receivables due from King Victory and its affiliates which was caused by the disposal of certain subsidiaries by the Company in 2016 and was due on June 30, 2019. For the six-month period ended June 30, 2020, the receivables were interest-bearing at rates ranging from 3.487% to 6.479% per annum.
- (iii) The sales to joint ventures were made on prices mutually agreed by both parties.



# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 22. RELATED PARTY TRANSACTIONS (continued)

	June 30, 2021 RMB'000 Unaudited	December 31, 2020 RMB'000 Audited
<b>Due from related parties</b>		
Director	928	628
King Victory and its affiliates	18,587	30,190
Joint operation	8,393	5,798
<b>Total</b>	<b>27,908</b>	36,616
<b>Due to related parties</b>		
eSOON Information Technology Co., Ltd	-	325
	-	325

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

## Compensation of key management personnel of the Group

	For the six-month period ended June 30, 2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
Salaries, bonuses, allowances and benefits in kind	1,272	1,265
Pension plan contributions	50	11
<b>Total compensation paid to key management personnel</b>	<b>1,322</b>	1,276

## 23. PLEDGE OF ASSETS

Details of the Group's bank borrowings, which are secured by the assets of the Group, are included in note 19 to the unaudited interim condensed consolidated financial statements.

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 24. OPERATING LEASE COMMITMENTS

### As lessor

The Group leases its investment properties and offices properties to certain independent third parties and a related party, with leases negotiated for terms of one to six years (December 31, 2020: six months to six years).

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

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

	<b>June 30, 2021</b>	December 31, 2020
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Audited
Year 1	<b>18,553</b>	16,505
Year 2	<b>13,369</b>	15,958
Year 3	<b>8,117</b>	8,676
Year 4	<b>7,206</b>	7,030
Year 5 above	<b>7,440</b>	7,382
Undiscounted lease payments to be received	<b>54,685</b>	55,551

## 25. CAPITAL COMMITMENTS

As at June 30, 2021, the Group had the following capital commitments:

	<b>June 30, 2021</b>	December 31, 2020
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Audited
Contracted, but not provided for — Equipment	<b>80,775</b>	73,494

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 26. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Valuation processes

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, 2021 and December 31, 2020:

	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	
As at June 30, 2021 (Unaudited)				
Financial assets at fair value through profit or loss	150,790	50,183	11,801	212,774

	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	
As at December 31, 2020 (Audited)				
Financial assets at fair value through profit or loss	170,731	–	6,684	177,415

### Movements in level 3 fair value measurements

During the six-month period ended June 30, 2021, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfer into or out of level 3. The movements of the Level 3 investments during the period represent the changes in fair value which were recognised in profit or loss for the period.

During the year ended December 31, 2020, investments previously categorised as Level 2 have been transferred to Level 1 because of the increased trading activities upon the admission of its shares for trading under Select of National Equities Exchange and Quotations in October 2020. Apart from that, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and liabilities.

# Notes to Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2021

## 26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### Description of the valuation techniques and inputs used in Level 2 fair value measurement

As at June 30, 2021, the financial assets at fair value through profit or loss amounting to RMB40 million represents unlisted hybrid financial instruments designated at fair value through profit or loss. The fair value of the unlisted hybrid financial instruments is measured with reference to the performance of a listed equity securities during the investment period which is observable throughout the term of the investments. The remaining RMB10.2 million represents an unlisted equity-linked notes. The fair value of the unlisted equity-link notes is measured with reference to the closing price of a listed equity securities which is observable at the end of the reporting period.

### 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 earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple for each comparable company identified. The multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value.

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Market Approach	Average EV/EBITDA multiple of peers	27.4 (December 31, 2020: 26.3)	1% increase/decrease in multiple would result in increase/decrease in fair value by RMB986,000 (December 31, 2020: RMB532,000)
		Discount for lack of market ability	35% (December 31, 2020: 35%)	1% increase/decrease in discount would result in decrease/increase in fair value by RMB1,730,000 (December 31, 2020: RMB943,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

## 27. 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, 2021.