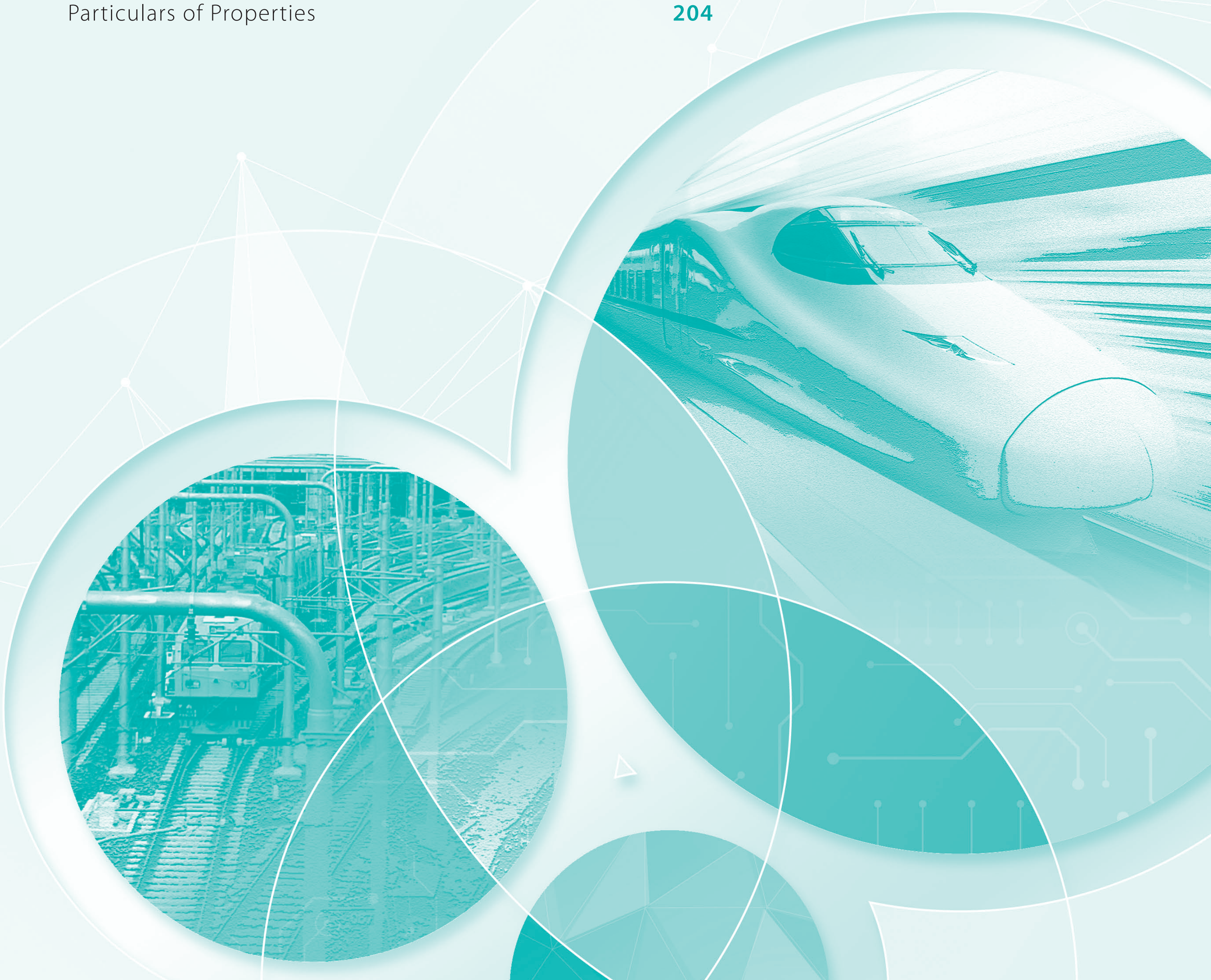
中国智能交通系统(控股)有限公司
China ITS (Holdings) Co., Ltd.

(incorporated in the Cayman Islands with limited liabilty)

Stock Code: 1900

ANNUAL REPORT
2021

Contents



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

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

Corporate Information

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

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

Financial Highlights

HIGHLIGHTS OF 2021 ANNUAL RESULTS

For the year ended December 31, 2021 (the "**Year**" or the "**2021**"), highlights of the results of China ITS (Holdings) Co., Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") are as follows:

- The Group recorded RMB760.0 million from the new contracts signed[(1)], representing a decrease of 22.7% compared to the previous year.

- Revenue of RMB740.3 million was generated, representing a decrease of 20.4% compared to the previous year.

- As of December 31, 2021, the Group recorded RMB729.1 million from backlog, representing a decrease of 8.5% compared to the end of the previous year.

- The Group generated gross profit of RMB267.3 million, up by 39.6% compared to the previous year, and recorded gross profit margin of 36.1%, representing an increase of 15.5 percentage points compared to the previous year.

- The profit attributable to owners of the parent of the Company amounted to RMB74.5 million as compared to the loss of RMB177.1 million for the previous year. The change was mainly attributable to (i) the significant increase in revenue of the electric power sector during the Year, while the gross profit margin of this segment was comparatively high; and (ii) the significant decrease in impairment loss for the Year compared to the previous year.

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

Financial Summary

A summary of backlog information, financial performance, financial position and financial ratios of the Group over the last five financial years is set out below:

1. BACKLOG INFORMATION

	Year ended December 31,				
RMB'000	**2021**	2020	2019	2018	2017
New contracts signed	**759,976**	982,899	1,001,014	1,148,084	974,722

	As at December 31,				
RMB'000	**2021**	2020	2019	2018	2017
Backlog	**729,131**	797,034	840,148	978,122	900,699

2. FINANCIAL PERFORMANCE

	Year ended December 31,				
RMB'000	**2021**	2020	2019	2018	2017
Revenue	**740,293**	930,536	1,033,190	923,966	1,164,838
Gross profit	**267,323**	191,511	206,620	164,635	259,338
Profit/(loss) attributable to owners of parent	**74,519**	(177,104)	(50,977) (restated)	(116,278)	24,490

3. FINANCIAL POSITION

	As at December 31,				
RMB'000	**2021**	2020	2019	2018	2017
Total assets	**3,055,589**	3,483,207	3,947,644 (restated)	4,105,634	4,333,194
Net assets	**1,854,446**	1,837,384	1,994,480 (restated)	2,030,689	2,202,490
Net cash position	**33,425**	(183,820)	(269,678)	(269,198)[1]	(581,175)

Notes:

(1) Net cash position as at December 31, 2018 refers to cash and cash equivalents plus pledged deposits minus interest-bearing bank borrowings.

(2) Details of the above financial information are set out in Management Discussion and Analysis section on page 10 to page 15.

Financial Summary

4. FINANCIAL RATIOS

RMB'000	2021	2020	2019	2018	2017
	For the year ended/As at December 31,				
Sales cycle ratios:					
Trade receivables turnover days (days)[(1)]	**344**	328	333	409	371
Contract assets/contract liabilities turnover days (days)[(2)]	**-3**	20	82	114	15
Combined trade receivables and contract assets/ contract liabilities turnover days (days)	**341**	348	415	523	386
Other ratios:					
Trade payables turnover days (days)[(3)]	**237**	171	230	251	228
Current ratio (times)[(4)]	**1.8**	1.5	1.6	1.9	1.8
Gearing ratio (%)[(5)]	**-3.3%**	8.0%	-5.6%	-17.4%	-14.6%
Return on assets (%)[(6)]	**2.4%**	-5.1%	-1.3% (restated)	-2.8%	0.6%
Return on equity (%)[(7)]	**4.0%**	-9.6%	-2.6% (restated)	-5.7%	1.1%

Notes:

(1) Trade receivables turnover days refers to average trade receivables divided by revenue multiples 365 days.

(2) Contract assets/contract liabilities turnover days refers to average contract assets minus contract liabilities divided by revenue multiples 365 days.

(3) Trade payables turnover days refers to average trade payables divided by cost of sales multiples 365 days.

(4) Current ratio refers to current assets divided by current liabilities.

(5) 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.

(6) Return on assets refers to profit attributable to owners of parent divided by total assets as at balance sheet date.

(7) Return on equity refers to profit attributable to owners of parent divided by total equity as at balance sheet date.

(8) Details of the above financial information are set out in Management Discussion and Analysis section on page 10 to page 15.

Chairman's Statement

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

In 2021, the Group recorded RMB760.0 million from new contracts signed, representing a decrease of 22.7% compared to the previous year. The Group generated revenue of RMB740.3 million, representing a decrease of 20.4% compared to the previous year, and as of December 31, 2021, the Group recorded RMB729.1 million from backlog, representing a decrease of 8.5% compared to the end of the previous year. The Group generated gross profit of RMB267.3 million, which increased by 39.6% compared to the previous year, and recorded gross profit margin of 36.1%, representing an increase from 20.6% for the previous year. The profit attributable to owners of the parent of the Company amounted to RMB74.5 million for the Year as compared to the loss of RMB177.1 million for the previous year.

BUSINESS REVIEW

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

(a) Railway business — We sell products and specialised solutions to customers according to their needs. It mainly includes railway communication products and energy-base products. The Group also provide railway customers with value-added operation and services such as maintenance services, network optimization and network planning, and technical consulting for products related to the communication system.

(b) Electric power business — We provide products and specialised solutions related to electric power equipment for customers in the electric power infrastructure construction area. It mainly includes power transmission and transformation equipment, and power generation equipment, etc.. According to customers' needs, we also provide planning and technical consulting services of the infrastructure construction in relation to electric power such as power plant construction and power grid renovation, and value-added operation and services related to power plant investment, construction and operation.

1. Diversified development of the railway business sector

For the railway business sector, the Group's railway business has been affected by the fact that railway fixed asset investment has been declining year by year in the past three years, and the number of new contracts for the Year has decreased significantly as compared with the previous year. In addition, some railway projects have been delayed in delivery, resulting in a greater decrease in revenue for the Year as compared to the previous year. During the Year, however, the Group took advantage of its own competitive advantages and successfully won the bid for a series of major projects such as the construction of the data communication network expansion project of Xi'an Railway Bureau, with a comparatively high market share secured in the products and specialised solutions in the railway communication market segment. In terms of the value-added operation and service business, the Group actively deployed the operation and maintenance service platform for railway communication systems in over 10 railway bureaus across the country, facilitating the automation and intelligence application of the railway communication system operation and maintenance. At the same time, the Group successfully renewed the maintenance project contract in respect of the Hong Kong Express Rail Link.

Chairman's Statement

2. Ongoing business expansion in the overseas power business sector

For the 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 during 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 addition, due to the success of the AHLONE power plant project, as approved by the Ministry of Electricity of Myanmar, the Group and a local enterprise in Myanmar established a joint venture during the Year, for the purposes of the joint development of the 123,000-kilowatt power plant restoration project in Hlawga, Myanmar. The project is expected to be put into operation in 2022.

LIAO JIE
Chairman

Beijing, March 31, 2022

Management Discussion and Analysis

REVENUE

By Industry Sectors

For the Year, the Group generated revenue as follows:

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Revenue by industry sectors		
Railway	**551,271**	788,655
Electric power	**189,022**	141,881
Total	**740,293**	930,536

(i) Railway

For the Year, revenue of RMB551.3 million was recognised from the railway sector, representing a decrease of RMB237.4 million compared to the previous year, and decreased by 30.1%. The sector recorded RMB571.0 million from new contracts signed, representing a decrease of RMB250.2 million compared to the previous year; and the amount of backlog as of the end of the Year was RMB710.0 million, representing a decrease of RMB67.9 million compared to the end of the previous year. The decrease in revenue was mainly due to the greater impact of the COVID-19 pandemic on the railway communication market during the Year, as the number of new contracts was much lower than that of the previous year, and the delivery of some railway projects was delayed, resulting in a significant decrease in revenue for the Year as compared to the previous year.

(ii) Electric power

For the Year, revenue of RMB189.0 million was recognised from the electric power sector, representing an increase of RMB47.1 million compared to the previous year, and increased by 33.2%. The sector recorded RMB189.0 million from new contacts signed, representing an increase of RMB27.3 million compared to 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 previous year, the operations of the self-built power plant of the Group achieved significant revenue growth in the Year. As a result, the power sector achieved significant revenue growth.

Management Discussion and Analysis

By Business Model

For the Year, the Group generated revenue as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Revenue by business model		
Products and specialised solutions	**481,474**	774,343
Value-added operation and services	**258,819**	156,193
Total	**740,293**	930,536

(i) Products and specialised solutions

For the Year, revenue of RMB481.5 million was recognised from the products and specialised solutions business, representing a decrease of RMB292.9 million compared to the previous year, and decreased by 37.8%. The business recorded RMB496.5 million from new contracts signed, representing a decrease of RMB340.9 million compared to the previous year and the amount of backlog as of the end of the Year was RMB639.8 million, representing a decrease of RMB121.3 million compared to the end of the previous year. The decrease in revenue was mainly due to the greater impact of the COVID-19 pandemic on the railway communication market during the Year, as the number of new contracts was much lower than that of the previous year, and the delivery of some railway projects was delayed, resulting in a significant decrease in revenue for the Year as compared to the previous year.

(ii) Value-added operation and services

Revenue recognised from the value-added operation and services business for the Year was RMB258.8 million, representing an increase of RMB102.6 million compared to the previous year, and increased by 65.7%. The business recorded RMB263.5million from new contracts signed, representing an increase of RMB118.0 million compared to the previous year and the amount of backlog as of the end of the Year was RMB89.3million, representing an increase of RMB53.4 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 Year, the power plant project generated a relatively significant revenue compared to the previous year.

Management Discussion and Analysis

GROSS PROFIT AND THE GROSS PROFIT MARGIN

The Group generated gross profit of RMB267.3 million in the Year, representing an increase of RMB75.8 million compared to the previous year. Gross profit margin increased from 20.6% for the previous year to 36.1% for the Year.

By Industry Sectors

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Gross profit by industry sectors		
Railway	**125,032**	121,926
Gross profit margin %	**22.7%**	15.5%
Electric power	**142,291**	69,585
Gross profit margin %	**75.3%**	49.0%
Total	**267,323**	191,511
Gross profit margin	**36.1%**	20.6%

(i) Railway

For the Year, gross profit of RMB125.0 million was recognised from the railway sector, representing an increase of RMB3.1 million compared to the previous year. The gross profit margin was 22.7%, representing an increase of 7.2percentage points compared to the previous year. This was mainly due to the higher gross profit margin of some new projects undertaken during the Year.

(ii) Electric power

For the Year, gross profit of RMB142.3 million was recognised from the electric power sector, representing an increase of RMB72.7 million compared to the previous year. The increase in gross profit was due to the significant increase in the revenue of the sector for the Year. The gross profit margin was 75.3%, representing an increase of 26.3 percentage points compared to the previous year. The revenue of the electric power segment mainly comes from sales and service of power equipment and the power supply business. As compared with the previous year, the proportion of the revenue from the power supply business to the whole segment increased significantly during the Year, the gross profit margin of which is comparatively high, and therefore the overall gross profit margin of this electric power segment increased significantly as compared to the previous year.

Management Discussion and Analysis

By Business Model

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Gross profit and the Gross Profit Margin by business model		
Products and specialised solutions	**110,797**	109,952
Gross profit margin %	**23.0%**	14.2%
Value-added operation and services	**156,526**	81,559
Gross profit margin %	**60.5%**	52.2%
Total	**267,323**	191,511
Gross profit margin	**36.1%**	20.6%

(i) Products and specialised solutions

For the Year, gross profit of RMB110.8 million was recognized from the products and specialised solutions business, basically similar with the previous year. The gross profit margin was 23.0%, representing an increase of 8.8 percentage points compared to the previous year. This was mainly due to the higher gross profit margin of some new projects undertaken during the Year.

(ii) Value-added operation and services

Gross profit recognized from the value-added operation and services business for the Year was RMB156.5 million, representing an increase of RMB74.9 million compared to the previous year. The gross profit margin was 60.5%, representing an increase of 8.3 percentage points compared to the previous year. For the Year, the revenue of the value-added operation and services of the electric power sector increased significantly compared to the previous 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 previous year.

OTHER INCOME AND GAINS

For the Year, other income and gains mainly include: (i) the rental income was approximately RMB15.9 million; (ii) the financial assets dividend income was approximately RMB2.8 million; and (iii) income from investing in wealth management products was approximately RMB2.0 million.

SELLING AND ADMINISTRATION EXPENSES AND IMPAIRMENT LOSSES

For the Year, selling and administration expenses and impairment losses were approximately RMB166.3 million, representing a decrease of RMB163.2 million as compared to the previous year.

Management Discussion and Analysis

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

For the Year, selling and administration expenses which was related to daily operational activities was RMB152.1 million as compared to RMB154.4 million for the previous year, representing a decrease of RMB2.3 million compared to the previous year. Such decrease was mainly due to tightened control over costs of the Group by reducing expenses such as travel expenses as a result of the impact of the COVID-19 pandemic.

(ii) Impairment losses

The impairment losses for the Year were RMB14.2 million as compared to the impairment losses of RMB175.1 million for the previous 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 Year, the net financial expense was RMB11.1 million, which represented a decrease of RMB11.6 million compared to the previous year. This was mainly due to a decrease of interest-bearing bank loan in the Year, resulting in a decrease in interest expenses compared to the previous year.

PROCEEDS FROM DISPOSAL OF FINANCIAL ASSET

For 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

(i) For the Year, influenced by market fluctuations, the Group's equity investments in Forever Opensource (stock code: 834415), CNBM Technology (stock code: 834082), Shenzhen Hopeland, and Helios Energy Limited (stock code: HE8.AX) generated a profit of RMB31.0 million through fair value changes, as compared to the profit of RMB1.0 million for the previous year, representing an increase in profit of RMB30.0 million compared to the previous year. Forever Opensource is primarily engaged in providing open source software technology services for enterprise customers and community, cloud platform, recruitment and crowdsourcing services, etc. for software developers. CNBA Technology is primarily engaged in value-added distribution of Huawei and other ICT products, sales of imported network products and sales of medical products. Shenzhen Hopeland is primarily engaged in RFID hardware and solution integrator business in the Internet of Things industry. Helios Energy Limited is primarily engaged in oil and gas exploration with operation in Texas, USA. As of December 31, 2021, the Group held (i) 21.64% of equity interest in Forever Opensource, (ii) 0.70% of equity interest in CNBA Technology, and (iii) 10.0% of equity interest in Shenzhen Hopeland, and (iv) 1.34% of equity interest in Helios Energy Limited. The gain/(loss) (including unrealized gain/(loss)) from the Group's investment in the shares of Forever Opensource, CNBA Technology, Shenzhen Hopeland and Helios Energy Limited for the Year was RMB22.9 million, RMB(1.5) million, RMB1.1 million and RMB8.5 million, respectively. The Company makes strategic investments in technology companies in related industries from time to time and would seek further cooperation opportunities as and when appropriate.

(ii) During the Year, the Group's investment properties generated gains from changes in fair value of RMB5.1 million.

INCOME TAX EXPENSES

The total income tax expenses for the Year were RMB35.8 million, which were RMB23.1 million for the previous year. The increase in income tax expenses was mainly due to the significant increase in the profit of the Group for the Year.

Management Discussion and Analysis

PROFIT FOR THE YEAR

For the Year, the profit attributable to owners of the parent of the Company amounted to RMB74.5 million as compared to the loss of RMB177.1 million for the previous year. The change was mainly attributable to (i) the significant increase in revenue of the electric power sector during the Year, while the gross profit margin of this segment was comparatively high; and (ii) the significant decrease in impairment loss for the Year compared to the previous year.

INVENTORY TURNOVER DAYS

The inventories of the Group mainly comprised of products and spare parts related to the railway communication. For the Year, the inventory turnover days were 190 days (the previous year: 100 days). The change was due to the delay in project delivery due to the impact of the Pandemic in the Year.

TRADE RECEIVABLES TURNOVER DAYS

For the Year, the trade receivables turnover days were 344 days (the previous year: 328 days).

TRADE PAYABLES TURNOVER DAYS

For the Year, the trade payables turnover days were 237 days (the previous year: 171 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 December 31, 2021, the Group's current ratio (current assets divided by current liabilities) was 1.8 (as of December 31, 2020: 1.5). The Group's financial position remains healthy.

As of December 31, 2021, the Group was in a net cash position[1] of RMB33.4 million (as at the end of the previous year: negative RMB183.8 million), increased by RMB217.2 million compared to the end of the previous year. As at December 31, 2021, the Group's gearing ratio[2] was -3.3%, decreased by 11.3 percentage points from 8.0% as at the end of the previous year.

CONTINGENT LIABILITIES

As at December 31, 2021, the Group had no material contingent liability.

CHARGES ON GROUP ASSETS

As at December 31, 2021, except for the pledged deposits of approximately RMB30.3 million (as at December 31, 2020: RMB172.0 million), the Group pledged a building with a net carrying amount of approximately RMB200.4 million, real estate with an appraised value of approximately RMB72.5 million, trade receivables with a carrying amount of RMB151.0 million, a subsidiary's property, and equity in a subsidiary 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 December 31, 2021, the Group had no other assets charged to financial institutions.

IMPORTANT EVENTS SUBSEQUENT TO THE PERIOD

There was no important event affecting the Company nor any of its subsidiaries from 31 December 2021 to the date of this report.

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

(2) 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.

Report of the Directors

The Board presents its report together with the audited consolidated results of the Group for the year ended December 31, 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is mainly a provider of products, specialised solutions and services related to infrastructure technology in the PRC and overseas. Details of the activities of the subsidiaries of the Company are set out in note 1 to the consolidated financial statements on pages 124 to 125.

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended December 31, 2021 are set out on page 116 of this annual report.

The Board recommended that no dividend will be declared for the year ended December 31, 2021.

BUSINESS REVIEW

The business review of the Group as at December 31, 2021 is set out under the section headed "Management Discussion and Analysis" of this annual report on pages 10 to 15.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to the fashion business and some are from external sources. The Group's major risks are summarized as below:

Uncertainty in relation to public spending on transportation infrastructure

The Group's business strategy depends on the PRC government's public spending on transportation infrastructure. Our major customers include PRC public institutions, which are public services institutions set up by the government or other organizations using state-owned assets, and state-owned enterprises. The Group is therefore exposed to changes in public works budgets of the PRC government.

Risk of project delays

The Group faces risks associated with cost overrun for projects. A significant amount of the Group's contracts require it to complete a project for a fixed price within a fixed period of time which exposes the Group to the risk of cost overrun.

Financial risks

The results of the Group are subject to various kinds of financial risks. Please refer to note 42 to the financial statements of the Company for the year ended and as at December 31, 2021 on pages 198 to 201 for the discussion of such risks.

Report of the Directors

KEY RELATIONSHIPS

Employees

Please refer to the section headed "Environmental, Social and Governance Report — 4 PEOPLE" on page 66 of this annual report for the discussion on the Group's relationships with its employee.

Customers

The nature of the Group's business requires a high level of collaboration with its customers for successful implementation of projects, therefore, it is essential for the Group to maintain a close relationship with each of its customers. The Group's customers are primarily owners and/or operators of public transportation. During the year ended December 31, 2021, the Group has maintained good relationship and did not have any material dispute with its customers.

Suppliers

Our suppliers are mainly suppliers of equipment and electronic devices and components. We maintain stable and close relationships with our suppliers, which allows us to obtain the equipment, parts and materials we need for implementation of our clients' projects in a timely and reliable manner. During the year ended December 31, 2021, the Group has maintained good relationship and did not have any material dispute with its suppliers.

ENVIRONMENTAL POLICIES

Please refer to the section headed "Environmental, Social and Governance Report — 7 SUSTAINABILITY" on page 87 of this annual report for the environmental policies of the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China. Our establishment and operations shall comply with relevant laws and regulations in the mainland China. During the year ended December 31, 2021 and up to the date of this report, we have complied with all the relevant laws and regulations in the mainland China.

PROPERTY AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements on pages 165 to 166.

SHARE CAPITAL

Details of the movement in the Company's share capital during the year ended December 31, 2021 are set out in note 30 to the consolidated financial statements on page 186.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group for the year ended December 31, 2021 are set out in note 31 to the consolidated financial statements on page 187. As at December 31, 2021, the Group's distributable reserve is RMB1,111,625,000.

Report of the Directors

CHARITABLE DONATIONS

The Company and its subsidiaries made charitable donations of RMB1,544,800 during the year ended December 31, 2021.

DIRECTORS

The Directors who held office as at December 31, 2021 and the date of this annual report are:

	Last Re-election Date
Executive Directors	
Mr. Liao Jie *(Chairman)*	June 16, 2020
Mr. Jiang Hailin *(Chief Executive Officer)*	June 16, 2020
Independent Non-executive Directors	
Mr. Ye Zhou	June 2, 2021
Mr. Wang Dong *(CICPA, CIMA, AAIA, CGMA)*	June 2, 2021
Mr. Zhou Jianmin	June 16, 2020

In accordance with Article 84 of the Articles of Association of the Company and the Listing Rules, Mr. Liao Jie and Mr. Jiang Hailin shall retire by rotation, and being eligible, have offered themselves for re-election as Directors at the forthcoming annual general meeting.

Biographies of Directors and senior management of the Company are set out on pages 104 to 108 of this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Save for the information disclosed in the section headed "Directors and Senior Management — Board of Directors" of this annual report, there is no other information related to Directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and considers that all of the independent non-executive Directors are independent.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code as set out in Appendix 10 of the Listing Rules as the standards for the Directors' dealings in the securities of the Company on June 18, 2010. Having made specific enquiry with all the Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the reporting period.

Report of the Directors

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

Save as disclosed below, as at December 31, 2021, none of the Directors and Chief Executive Officer 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 SFO) which were required to be notified to the Company and 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 of the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director	Nature of interest	Securities[3]	Approximate percentage of shareholdings as at December 31, 2021[3]
Mr. Liao Jie[1]	Beneficial owner/Interest of a controlled corporation	146,494,077 (L)	8.86% (L)
Mr. Jiang Hailin[2]	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. 40,735,875 Shares lapsed on the expiry date of the Share Option Scheme on January 18, 2022. As at the Latest Practicable Date, the interested securities are 105,758,203 Shares, which is approximately 6.39% of shareholdings.

(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. 1,855,848 Shares lapsed on the expiry date of the Share Option Scheme on January 18, 2022. As at the Latest Practicable Date, the interested securities are 645,912,777 Shares, which is approximately 39.05% of shareholdings.

(3) (L) denotes long positions.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as otherwise disclosed in this annual report, at no time during the year ended December 31, 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 Officer 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 Officer, 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.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2021.

PERMITTED INDEMNITY PROVISIONS

The Articles of the Company provide that the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty. Such provisions were in force during the financial year ended December 31, 2021 and remained in force as of the date of this Annual Report. The Company has also arranged appropriate director and officer liability insurance in respect of legal action against Directors.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates (as defined in the Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

The determination of the remuneration of the Directors and senior management of the Company is based on the individual performance, the nature and responsibilities of the individual concerned and the performance of our Group and market conditions. Proposals for increase in remuneration, payment of discretionary bonus or adjustment to any benefits scheme will be approved by the Remuneration Committee.

The Company will also periodically review and assess its human resource requirements and the prevailing market trend and make appropriate adjustments. Details of the remuneration of the Directors are set out in note 9 to the consolidated financial statements on pages 159 to 160.

Report of the Directors

EMPLOYMENT AND EMOLUMENT POLICIES

As at December 31, 2021, the Group had 258 full-time employees. The emolument policy of the employees of the Group is set up by the Board on the basis of individual performance, the nature and responsibilities of the individual concerned and the performance of our Group and market conditions.

In addition, the Company has adopted the Pre-IPO Share Incentive Scheme and the Share Option Scheme as an incentive for Directors and eligible employees. The Company has also adopted the 2021 Share Award Scheme as incentive for Directors, senior management and employees. Details of the said schemes are set out under the section headed "Pre-IPO Share Incentive Scheme, Share Option Scheme and Share Award Scheme" in this annual report.

RETIREMENT BENEFIT SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC municipal government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

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

The terms of the Pre-IPO Share Incentive Scheme and the Share Option Scheme were disclosed in the section headed "Other information — Pre-IPO Share Incentive Scheme" and "Other information — Share Option Scheme" respectively, in Appendix VI to the prospectus of the Company dated June 30, 2010 (the "**Prospectus**") and in the section headed "Report of the Directors" in the 2011 Annual Report of the Company dated March 28, 2012.

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 have been 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.

The Share Option Scheme will remain in force for a period of 10 years from the Listing Date and ending on the ten 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 ("**Share Option Scheme Limit**") shall not in aggregate exceed 155,029,633 Shares 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 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 in issue at the date of passing the relevant resolutions on refreshment of the Share Option Scheme Limit, i.e. 161,281,776 Shares. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or exercised options and those options granted on January 18, 2012) will not be counted for the purpose of calculating the 10% refreshed Share Option Scheme Limit.

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

Movement of the options granted under the Share Option Scheme during the year ended December 31, 2021 is as follows:

Grantee	Grant date[1]	Vesting start date	Expiry date	Outstanding as at January 1, 2021	Exercised during the year ended December 31, 2021	Lapsed or cancelled during the year ended December 31, 2021	Outstanding as at December 31, 2021	Exercise price per share (HK$)
Mr. Jiang Hailin	18/01/2012	April 19, 2012	Note (2)	77,203	–	–	77,203	1.05
(Executive Director,	18/01/2012	July 19, 2012	Note (2)	77,203	–	–	77,203	1.05
Chief Executive Officer)	18/01/2012	October 19, 2012	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	January 19, 2013	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	April 19, 2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	July 19, 2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	October 19, 2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	January 19, 2014	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	April 19, 2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	July 19 2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	October 19, 2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	January 19, 2015	Note (2)	232,725	–	–	232,725	1.05
Sub-total				1,855,848	–	–	1,855,848	
Mr. Liao Jie[3]	18/01/2012	April 19, 2012	Note (2)	1,694,612	–	–	1,694,612	1.05
(Executive Director,	18/01/2012	July 19, 2012	Note (2)	1,694,612	–	–	1,694,612	1.05
Chairman)	18/01/2012	October 19, 2012	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	January 19, 2013	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	April 19, 2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	July 19, 2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	October 19, 2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	January 19, 2014	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	April 19, 2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	July 19, 2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	October 19, 2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	January 19, 2015	Note (2)	5,108,282	–	–	5,108,282	1.05
Sub-total				40,735,874	–	–	40,735,874	

Report of the Directors

Grantee	Grant date[1]	Vesting start date	Expiry date	Outstanding as at January 1, 2021	Exercised during the year ended December 31, 2021	Lapsed or cancelled during the year ended December 31, 2021	Outstanding as at December 31, 2021	Exercise price per share (HK$)
Others	18/01/2012	April 19, 2012	Note (2)	1,002,731	-	38,648	964,083	1.05
	18/01/2012	July 19, 2012	Note (2)	1,002,731	-	38,648	964,083	1.05
	18/01/2012	October 19, 2012	Note (2)	1,002,731	-	38,648	964,083	1.05
	18/01/2012	January 19, 2013	Note (2)	1,002,731	-	38,648	964,083	1.05
	18/01/2012	April 19, 2013	Note (2)	1,494,154	-	38,648	1,455,506	1.05
	18/01/2012	July 19, 2013	Note (2)	1,494,154	-	38,648	1,455,506	1.05
	18/01/2012	October 19, 2013	Note (2)	1,494,154	-	38,648	1,455,506	1.05
	18/01/2012	January 19, 2014	Note (2)	1,494,154	-	38,648	1,455,506	1.05
	18/01/2012	April 19, 2014	Note (2)	1,985,566	-	38,648	1,946,918	1.05
	18/01/2012	July 19, 2014	Note (2)	1,985,566	-	38,648	1,946,918	1.05
	18/01/2012	October 19, 2014	Note (2)	1,985,566	-	38,648	1,946,918	1.05
	18/01/2012	January 19, 2015	Note (2)	1,992,524	-	38,834	1,953,690	1.05
Sub-total				17,936,762	-	463,962	17,472,800	
TOTAL:				**60,528,484**	**-**	**463,962**	**60,064,522**	

Notes:

(1) The closing price of the Shares immediately before the grant date 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 in an extraordinary general meeting on February 29, 2012.

3. Share Award Scheme

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

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

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

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

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

Subject to any early termination as may be determined by the Board, the 2021 Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date.

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

As of the date of this annual report, 66,160,994 Shares have been granted or agreed to be granted under the 2021 Share Award Scheme.

Movement of the share awards granted under the 2021 Share Award Scheme during the year ended December 31, 2021 is as follows:

Grantee	Grant date	Vesting start date	Expiry date	Outstanding as at November 8, 2021	Exercised during the year ended December 31, 2021	Lapsed or cancelled during the year ended December 31, 2021	Outstanding as at December 31, 2021	Grant Fee (HK$)
Mr. Luo Haibin[1]	08/11/2021	30/06/2022	Note (3)	8,187,423	–	–	8,187,423	Nil
	08/11/2021	30/06/2022	Note (3)	8,187,423	–	–	8,187,423	0.13
	08/11/2021	30/06/2023	Note (3)	8,187,423	–	–	8,187,423	Nil
	08/11/2021	30/06/2023	Note (3)	8,187,423	–	–	8,187,423	0.13
	08/11/2021	28/06/2024	Note (3)	8,435,527	–	–	8,435,527	Nil
	08/11/2021	28/06/2024	Note (3)	8,435,527	–	–	8,435,527	0.13
Sub-total				49,620,746			49,620,746	
Mr. Mou Yi[2]	08/11/2021	30/06/2022	Note (3)	2,729,141	–	–	2,729,141	Nil
	08/11/2021	30/06/2022	Note (3)	2,729,141	–	–	2,729,141	0.13
	08/11/2021	30/06/2023	Note (3)	2,729,141	–	–	2,729,141	Nil
	08/11/2021	30/06/2023	Note (3)	2,729,141	–	–	2,729,141	0.13
	08/11/2021	28/06/2024	Note (3)	2,811,848	–	–	2,811,842	Nil
	08/11/2021	28/06/2024	Note (3)	2,811,848	–	–	2,811,842	0.13
Sub-total				16,540,248			16,540,248	
TOTAL:				**66,160,994**	**–**	**–**	**66,160,994**	

Notes:

(1) Mr. Luo Haibin is the President of the Company and the President and director of certain wholly-owned subsidiaries of the Company.

(2) Mr. Mou Yi is the Chief Financial Officer and general manager of the Financial Management Department of the Company and director of certain wholly-owned subsidiaries of the Company.

(3) Expiry date of these share awards shall be the earlier of: (i) the tenth (10th) anniversary date of the Adoption Date; or (ii) such date of early termination as may be determined by the Board.

Save as disclosed above, no share awards had been vested, lapsed or cancelled under the 2021 Share Award Scheme during the year ended December 31, 2021.

Report of the Directors

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

As at the December 31, 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[(1)]	Beneficiary owner	Long position	645,912,777	39.05%
Best Partners[(2)]	Interest of controlled corporation	Long position	645,912,777	39.05%
Fino Investment Limited[(3)]	Interest of controlled corporation	Long position	645,912,777	39.05%
Tesco Investments Limited[(4)]	Interest of controlled corporation	Long position	645,912,777	39.05%
Credit Suisse Trust Limited[(3)(4)]	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[(5)]	Beneficiary owner	Long Position	105,758,203	6.39%
Penbay Investments Limited[(6)]	Beneficial owner	Long position	98,613,367	5.96%
Chen Qi[(6)]	Interest of controlled corporation	Long position	98,613,367	5.96%

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 December 31, 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 is deemed to be controlled by Fino Investments Limited and Tesco Investments Limited. Our Director Mr. Liao Jie is 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, 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 was controlled by Mr. Chen Qi and therefore Mr. Chen Qi was 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, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended December 31, 2021.

EVENTS AFTER THE REPORTING PERIOD

The Company was unaware of any significant event since the end of the financial year until the date of this report of the Directors that had a significant impact on the Group.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUIRING CAPITAL ASSETS

Significant investments held by the Group have been disclosed in Management Discussion and Analysis on page 14 and note 24 to the Notes to Consolidated Financial Statements on page 182.

During the year ended 31 December 2021, the Group purchased and held certain wealth management products. Below is a summary of the significant investments purchased and held by the Group during the year ended 31 December 2021:

Name of the wealth management products issuer	Name of the wealth management products	Initial investments cost	Redemption amount	Gain on disposal	Percentage to the Group's net assets as at 31 December 2021
CSC Financial Co., Ltd.[Notes 1, 2]	Beneficiary certificate No. 063 of CSC "Kanzhangbao (看漲寶)" (SPE946/JT5103)	RMB20,000,000	RMB20,503,013.70	RMB503,013.70[Note 4]	Nil
CSC Financial Co., Ltd. [Notes 1, 2]	Beneficiary certificate product No. 064 of CSC "Kanzhangbao (看漲寶)" (SPE947/JT5104)	RMB20,000,000	RMB20,680,745.21	RMB680,745.21[Note 4]	Nil
China Resources SZITIC Trust Co., Ltd.[Notes 1, 3]	Fund-raising Trust Programme No. 1 of CR Trust • Xinbo Jinqu (信博進取)	RMB10,000,000	RMB10,453,815.66	RMB453,815.66[Note 4]	Nil

Notes:

1. These investments were redeemed during the year ended 31 December 2021 and there was no outstanding balance in respect nor unrealized gain/loss thereof as of 31 December 2021.

2. Please refer to the announcement of the Company dated 27 January 2021 for details.

3. Please refer to the announcement of the Company dated 28 January 2021 for details.

4. Realized gain.

Save for those disclosed in this report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review.

The Group will continue to seek opportunities in utilizing its idle cash by investing in appropriate financial products, which are expected to be primarily short term financial investments with a low risk profile.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2021, the aggregate sales to the Group's five largest customers, in aggregate represented approximately 54.6% of the Group's total revenue and sales to the Group's largest customer amounted to approximately 25.5% of the Group's total revenue.

For the year ended December 31, 2021, the aggregate purchases attributable to the Group's five largest suppliers, in aggregate represented approximately 41.1% of the Group's total purchases and purchases attributable to the Group's largest supplier amounted to approximately 10.9% of the Group's total purchases.

For the year ended December 31, 2021, none of the Directors nor any of their associates or any Shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any interest in the five largest suppliers or customers.

BANKING FACILITIES AND OTHER BORROWINGS

Details of the bank facilities and other borrowings of the Group as at December 31, 2021 are set out in note 28 to the consolidated financial statements on page 184.

SUFFICIENCY OF PUBLIC FLOAT

According to information that is publicly available to the Company and within the knowledge of the Board, as at December 31, 2021, the Company has maintained sufficient public float as required under the Listing Rules.

Report of the Directors

CONNECTED TRANSACTIONS

During the year ended December 31, 2021, the Group entered into the following transactions 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 transactions:

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

Reference is made to the announcement of the Company dated May 11, 2021. As disclosed in the announcement 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. The Non-competition Agreement has been approved on the extraordinary general meeting of the Company held on May 28, 2021.

CONTINUING CONNECTED TRANSACTIONS

RHY Lease and Renewal of RHY Lease

Reference is made to the announcement of the Company dated July 31, 2018 and January 29, 2021, respectively. As disclosed in the announcement on January 29, 2021, Beijing RHY, a connected person of the Company, entered into the RHY Lease Renewal Treaty with 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 1 January 2021 and expiring on 31 December 2022 at a quarterly rental fee of RMB930,750. Beijing RHY shall also pay property management fee and other fees to Hongrui Dake for property management services and other ancillary services provided in relation to the lease.

Since Beijing RHY is an associate of Mr. Jiang Hailin and Mr. Liao Jie pursuant the Listing Rules, Beijing RHY is a connected person of the Company and therefore the RHY Lease constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements, but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under the Listing Rules.

The approved annual cap for the RHY Lease for the year ended December 31, 2021 was RMB5,163,000. The rental income, property management fee and other fees from Beijing RHY to Hongrui Dake for the year ended December 31, 2021 was approximately RMB5,115,000.

Report of the Directors

The independent non-executive Directors have reviewed the above-mentioned continuing connected transaction and have confirmed that during the year ended December 31, 2021, the transaction has been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Mazars CPA Limited, the Company's auditor has confirmed that the above-mentioned continuing connected transaction has complied with the matters as set out in rule 14A.56 of the Listing Rules.

RELATED PARTIES TRANSACTIONS

The Group was involved in a number of related party transactions during the year ended December 31, 2021, which have been disclosed in note 38 to the consolidated financial statements on pages 193 to 194.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries subsisted at December 31, 2021 or any time during the year ended December 31, 2021.

NON-COMPETITION DEED

As disclosed in the Prospectus, the independent non-executive Directors will review, on an annual basis, the compliance by the controlling Shareholders with the non-competition undertakings under the Non-competition Agreement (as defined in the Prospectus). The independent non-executive Directors have conducted such review for the year ended December 31, 2021 and found that the Non-competition Agreement has been fully complied with.

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 (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has complied with the code provisions contained in the CG Code for the year ended December 31, 2021.

Detailed information on the corporate governance practice adopted by the Company is set out in the Corporate Governance Report on pages 33 to 43.

AUDIT COMMITTEE

The Group's annual report for the year ended December 31, 2021 has been reviewed by the Audit Committee. Information on the work of the Audit Committee and its composition are set out in the Corporate Governance Report on pages 36 to 37.

Report of the Directors

AUDITORS

The financial statements for the year ended December 31, 2021, were audited by Mazars CPA Limited who will retire as the auditors of the Company and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

Ernst & Young retired as auditors of the Company with effect from the conclusion of the annual general meeting held on May 31, 2019 and Mazars CPA Limited was appointed by the Directors to fill the vacancy so arising. Save for the aforementioned, there has been no other change in the auditors in the past three years.

On behalf of the Board of Directors
China ITS (Holdings) Co., Ltd.
Liao Jie
Chairman

Beijing, March 31, 2022

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company had adopted the code provisions contained in the code of corporate governance practices (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has complied with the code provisions contained in the CG Code for the year ended December 31, 2021.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company for the year ended December 31, 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the standards for the Directors' dealings in the securities of the Company on June 18, 2010. Having made specific enquiry with all the Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the reporting period.

THE BOARD

Board Responsibilities

The Board is collectively responsible for the overall management and implementation of business plans of the Company, including establishing and monitoring the Company's strategic directions and development, financial goals, and assumes the responsibilities of corporate governance of the Company. The senior management is responsible for supervising and executing the plans of the Group and the Directors review those arrangements on a periodic basis.

The Board may from time to time delegate all or any of its powers that it may think fit to a Director or member of senior management of the Company. To maximise the effectiveness of the Board and to encourage active participation and contribution from the Directors, the Board is supported by three committees, which are the Audit Committee, the Remuneration Committee, and the Nomination Committee. The terms of reference of each of the committees are reviewed and amended (if necessary) from time to time, including the committees' structure, duties and memberships.

Board Members

The Board, as at the date of this report, consists of five Directors, including two executive Directors and three independent non-executive Directors. The composition of the Board is set out in the section headed "Report of the Directors — Directors" of this annual report.

Details of the Directors' biographical information are contained in the section headed "Director and Senior Management" of this annual report.

There is no financial, business, family or other material/relevant relationships among the Directors.

Corporate Governance Report

Independent Non-executive Directors

Three members of the Board are independent non-executive Directors, which meets the minimum requirement under the Listing Rules. Mr. Wang Dong, an independent non-executive Director during the year ended December 31, 2021 up to the date of this report, has appropriate financial management expertise in compliance with Rule 3.10 of the Listing Rules.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has received an annual confirmation from each of the independent non-executive Directors on their respective independence pursuant to Rule 3.13 of the Listing Rules and considers that each of them to be independent.

Terms

Save as disclosed in this annual report, all of the executive Directors were appointed for a term of three years, which may be terminated according to the articles of association of the Company (the "**Articles**") and any applicable laws. In accordance with the Articles, at each annual general meeting one-third of the Directors for the time being is required to retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Board Meetings

During the year ended December 31, 2021, there were nine Board meetings held, at which the Directors approved, among other things, the audited consolidated results of the Group for the year ended December 31, 2020 and the unaudited consolidated results of the Group for the six months ended June 30, 2021.

Notices for regular Board meetings are given to each member of the Board at least 14 days prior to the meeting, whereby the Directors are given opportunities to include matters to be discussed in the agenda of the Board/committee meetings. The agenda and the relevant board papers are then circulated to the Directors three days before a scheduled Board meeting and apart from ensuring that the directors have received adequate, complete and reliable information in a timely manner to enable them to make informed decisions during the Board meeting, the chairman will also properly brief the directors present at the Board meeting on issues arising during the Board meeting.

Where the agenda of the Board meetings is in relation to a material matter in which a substantial Shareholder or a Director is deemed to have a conflict of interest, independent non-executive Directors who, and whose associates have no material interest in the transaction, would be invited to attend such Board meetings. Where Board meetings relate to financial and other information, the senior management would provide such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

After the meetings have been held, drafts of the Board minutes and Board committee meeting minutes are circulated to the Directors and the relevant Board committee members respectively for their review before finalization, and the final version of these minutes are kept by the company secretary of the Company (the "**Company Secretary**") and are available for inspection by the Board and auditor of the Company.

Every Director is entitled to have access to Board papers and relevant materials and have unrestricted access to advice and services of the Company Secretary, and is able to seek independent professional advice as and when required at the Company's expense.

Corporate Governance Report

Attendance Record

Code Provision C.5.1 of the Corporate Governance Code stipulates that the Board should meet regularly and meetings should be held at least four times a year at approximately quarterly intervals. During the year ended December 31, 2021, the Board convened a total of nine Board meetings and there were three meetings for the Audit Committee, two meetings for the Remuneration Committee and one meeting for the Nomination Committee based on the need of the operation and business development of the Company. Details of attendance are as follows:

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	General meetings
Executive Directors					
Mr. Liao Jie *(Chairman)*	9/9	N/A	N/A	N/A	3/3
Mr. Jiang Hailin *(Chief Executive Officer)*	9/9	N/A	N/A	N/A	3/3
Independent Non-executive Directors					
Mr. Ye Zhou	9/9	3/3	2/2	1/1	3/3
Mr. Wang Dong *(CICPA, CIMA, AAIA, CGMA)*	9/9	3/3	2/2	1/1	3/3
Mr. Zhou Jianmin	9/9	3/3	2/2	1/1	3/3

The Chairman and the Chief Executive Officer

The Code Provision C.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Throughout the year ended December 31, 2021, Mr. Liao Jie has been the Chairman and Mr. Jiang Hailin has been the Chief Executive Officer. Accordingly, the Company complied with Code Provision C.2.1 at all times during the year ended December 31, 2021.

Corporate Governance Report

BOARD COMMITTEES

Audit Committee

As at December 31, 2021 and the date of this report, the Audit Committee comprised three independent non-executive Directors, being Mr. Wang Dong, Mr. Zhou Jianmin and Mr. Ye Zhou, with Mr. Wang Dong being the chairman of the Audit Committee. The members of the Audit Committee confirm that they are not a former partner or affiliated to the Company's existing auditing firm nor do they have any financial interest in the Company's existing auditing firm.

The primary functions of the Audit Committee are to:

(a) be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and regulations. The audit committee should discuss with the auditor, the nature and scope of the audit and reporting obligations before the audit commences;

(c) develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

(d) monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the committee should focus particularly, on any changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from audit, the ongoing concern assumptions and any qualifications, compliance with accounting standards and compliance with the Listing Rules and other legal requirements to financial reporting;

(e) to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) to review the Company's financial controls, internal control and risk management systems;

(g) to discuss the risk management and internal control systems with the management and to ensure that management has discharged its duty to have an effective systems;

(h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(j) to review the Company's financial and accounting policies and practices;

(k) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(m) to report to the Board on the matters set out in the Code Provisions;

(n) to consider other topics, as defined by the Board;

(o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

(p) to act as the key representative body for overseeing the issuer's relations with the external auditor.

To ensure that the Audit Committee is given the opportunity to discharge its functions effectively, the Audit Committee will be provided with sufficient resources including access to professional advice if considered necessary and members of the Audit Committee must liaise with the Board and senior management and the Audit committee must meet, at least once a year, with the Company's auditors.

During the year, the Audit Committee convened three meetings and drafts and final versions of the minutes of the Audit Committee have been sent to all members of the audit committee for their comment and records, respectively. All resolutions passed at the meetings were duly recorded and retained by a duly appointed secretary of the meeting or the Company Secretary.

A summary of the work performed by the Audit Committee during the year ended December 31, 2021 is set out as follows:

- reviewed the Company's interim report and annual report;
- reviewed accounting policies adopted by the Group and issues related to accounting practice;
- supervised internal auditing of the Group;
- assisted the Board to evaluate on the effectiveness of financial reporting procedure and internal control system;
- advised on material events and draw the attention of management on related risks;
- reviewed the external auditor's independence and approved the engagement of external auditor;
- recommended the Board on the re-appointment of external auditor; and
- noted the amendments to the standards and the development of corporate governance.

Corporate Governance Report

Remuneration Committee

As at December 31, 2021 and the date of this annual report, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Ye Zhou, Mr. Wang Dong and Mr. Zhou Jianmin, with Mr. Ye Zhou being the chairman of the Remuneration Committee.

The primary functions of the Remuneration Committee are to:

(a) evaluate and make recommendations to the Board on the policy and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such policies;

(b) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

(c) conduct reviews and approve performance-based remuneration by reference to corporate goals and objectives resolved by directors from time to time;

(d) review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(e) review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

(f) ensure that no director or any of his or her associates is involved in deciding his own remuneration and advise shareholders on how to vote with respect to service contracts of directors that require shareholders' approval under rule 13.68 of the Listing Rules.

To ensure that the Remuneration Committee is given the opportunity to discharge its functions effectively, the Remuneration Committee will be given opportunities to consult the Chairman and/or Chief Executive Officer about its proposals relating to the remuneration of other executive Directors and be provided with sufficient resources including access to professional advice if considered necessary.

During the year, the Remuneration Committee convened two meetings and the draft and final version of the minutes of the Remuneration Committee have been sent to all members of the Remuneration Committee for their comment and records, respectively. All resolutions passed at the meetings were duly recorded and retained by a duly appointed secretary of the meeting or the Company Secretary.

Corporate Governance Report

A summary of the work performed by the Remuneration Committee during the year ended December 31, 2021 is set out as follows:

- reviewed the Directors' fees; and

- reviewed and made recommendations to the Board on the remuneration structure/package of executive Directors and senior management.

Nomination Committee

As at December 31, 2021 and the date of this annual report, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Zhou Jianmin, Mr. Ye Zhou and Mr. Wang Dong, with Mr. Zhou Jianmin being the chairman of the Nomination Committee.

The primary functions of the Nomination Committee are to:

(a) review the structure, size and composition of the Board regularly and make recommendations to the Board regarding any proposed changes; and

(b) identify, select or make recommendations to the Board on the selection of individuals nominated for directorships to fill vacancies in the Board.

During the year, the Nomination Committee convened one meeting and draft and final version of the minutes of the Nomination Committee have been sent to all members of the Nomination Committee for their comment and records, respectively. All resolutions passed at the meetings were duly recorded and retained by a duly appointed secretary of the meeting or the Company Secretary.

A summary of the work performed by the Nomination Committee during the year ended December 31, 2021 is set out as follows:

- reviewed and recommended the re-appointment of the retiring Directors for Shareholders' approval;

- discussed and reviewed the Board composition of the Company as well as other related matters; and

- recommended on the selection of individuals nominated for directorships.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in the code provision A.2.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CONTINUOUS PROFESSIONAL DEVELOPMENT

According to the CG Code C.1.4, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of the directors.

All Directors have participated in appropriate continuous professional development and refreshed their knowledge and skills during the year. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development for the year ended December 31, 2021:

Name of Director	Attend training sessions organized by professional firms	Attend training sessions required by the relevant professional bodies of which they are members	Read articles and journals on the economy, general business and regulatory matters
Executive Directors			
Mr. Liao Jie	✓	✓	✓
Mr. Jiang Hailin	✓	✓	✓
Independent Non-executive Directors			
Mr. Ye Zhou	✓	✓	✓
Mr. Wang Dong	✓	✓	✓
Mr. Zhou Jianmin	✓	✓	✓

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

Auditor's Remuneration

The Auditor's remuneration amounted to RMB1,310,000 was incurred for the audit of the Group's consolidated financial statement for the year.

During the year, the Group incurred the following service fees to Mazars CPA Limited and its member firm for the provision of non-audit related services to the Group:

	RMB
Interim report	500,000
Audit of financial statements of a subsidiary	60,000
Taxation services for a subsidiary	110,000

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company and for ensuring that the financial statements are balanced and clear and prepared in accordance with applicable statutory requirements and accounting standards.

Auditor's Statement

The statement of the Company's auditor, Mazars CPA Limited, on its reporting responsibilities in respect of the consolidated financial statements of the Group for the year ended December 31, 2021 is set out on pages 113 to 115.

Internal Control and Risk Management

The Board acknowledges that it is responsible for maintaining a sound system of internal controls to safeguard the Shareholders' interest and reviewing the effectiveness of the system of internal control of the Group.

In reviewing the effectiveness of the system of internal control of the Group, the Board will also consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and the training programmes and budget allocated.

The Group's internal control system has been designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably reduced, proper accounting records and financial information are maintained, and, where appropriate, relevant legislation, regulation and best practices are complied with.

The Board has delegated to the Audit Committee responsibility for reviewing the effectiveness of the Group's internal control system and the Audit Committee will report its findings to the Board for discussion. The Audit Committee works with the Group's internal audit department (the "**Internal Audit Department**") to carry out internal audit works based on an internal audit plan which is reviewed and approved by the Audit Committee. The Internal Audit Department, reports its findings and recommendations for any corrective action required to the Audit Committee. The Audit Committee reviews the reports submitted by the Internal Audit Department and the issues on the internal control system of the Group are then discussed and evaluated by the Board every year.

Corporate Governance Report

The Internal Audit Department conducted an examination on various material control aspects during the year including financial, operational and compliance controls with the aim of mitigating the overall business and operational risk of the Group. Internal control reports were submitted to the Audit Committee for review and the findings and recommendations were discussed at the committee meetings. The significant findings have been remediated by the management of the Company.

COMPANY SECRETARY

Mr. Leung Ming Shu, the Company Secretary, is an employee of the Group. During the year ended December 31, 2021, Mr. Leung has complied with Rule 3.29 of the Listing Rules in relation to taking of relevant professional training.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board adopted a board diversity policy (the "**Board Diversity Policy**") on August 27, 2013. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

SHAREHOLDER RIGHTS

Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended December 31, 2021.

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Article 58 of the Articles of Associations of the Company, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for proposing a person for Election as a Director

Pursuant to the Article 85 of the Articles of Associations of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice (as defined therein) signed by a Member (as defined therein) (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Corporate Governance Report

Communications with Shareholders and Investors

The Board values the importance of communications with the Shareholders. The general meetings of the Company provide a forum for communication between the Board and the Shareholders and at such general meetings, the chairman will ensure that an explanation is provided of the detailed procedures for conducting a poll and ensure that resolutions are proposed separately. The Chairman as well as chairman of the Remuneration Committee, the Nomination Committee and the Audit Committee and, in their absence, other members of the respective committees will also be available to answer questions at Shareholders' meetings.

The notice of the 2021 annual general meeting of the Company (the "**AGM**") will be sent to Shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.its.cn, where extensive information and updates on the Company's financial information, corporate governance practices and other information are posted and available for public access.

March 31, 2022

Environmental, Social and Governance Report

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Environmental, Social and Governance Report

ABOUT THIS REPORT

This is the sixth Environmental, Social and Governance Report ("**ESG**") issued by China ITS (Holdings) Co., Ltd. ("**company**", "**the Company**" or "**CIC**" or "**We**"). This report mainly introduces the Company's policies regarding environmental, social and governance issues and detailed measures adopted during the reporting period, which is meant to strengthen communication and engagement with internal and external stakeholders.

Scope of Coverage

The following table illustrates that the scope of coverage of this report comprises China ITS (Holdings) Co., Ltd. and its main domestic and overseas subsidiaries and offices. It added CEECGlobal Limited which is incorporated in Hong Kong , CIC Information Technology Company Limited which is invested to be constructed and commences operation in Myanmar, and Chengdu Chuanda Luan Technology Co., Ltd (成都川達路安科技有限公司) which is operated in domestic, and removed Jiangsu Zhixun Tiancheng Technology Co., Ltd. (江蘇智訊天成技術有限公司) which is deregistered, this year compared with the previous reporting year.

No.	Company
1	Beijing Aproud Technology Co., Ltd. (北京亞邦偉業技術有限公司)
2	Beijing Haotian Jiajie Technology Co., Ltd. (北京昊天佳捷科技有限公司)
3	Beijing Hongrui Dake Technology Co., Ltd. (北京宏瑞達科科技有限公司)
4	Beijing Zhixun Cloud Technology Co., Ltd. (北京智訊雲技術有限公司)
5	Beijing Zhixun Tiancheng Technology Co., Ltd. (北京智訊天成技術有限公司)
6	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)
7	British Cayman Islands China ITS (Holdings) Co., Ltd., Beijing Representative Office (英屬開曼群島中國智能交通系統（控股）有限公司北京代表處)
8	CEECGlobal Limited
9	Chengdu Chuanda Luan Technology Co., Ltd (成都川達路安科技有限公司)
10	Chengdu Zhongzhi Runbang Transportation Technology Co., Ltd. (成都中智潤邦交通技術有限公司)
11	CIC Information Technology Company Limited
12	CIC Infrastructure Industry Investment Limited (中智基礎產業投資有限公司)
13	Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd. (江蘇中智瑞信物聯科技有限公司)
14	Jiangsu Zhongzhi Transportation Technology Co., Ltd. (江蘇中智交通科技有限公司)
15	Myanmar Ahlone Power Plant Company Limited
16	Tibet Intelligent Aviation Transportation Technology Co., Ltd. (西藏智航交通科技有限公司)
17	Zhongtian Runbang Information Technology Co., Ltd. (中天潤邦信息技術有限公司)

Time Range

The Company's ESG report is an annual report and this report is for the period from January 1, 2021 to December 31, 2021.

Basis of Preparation

This report is prepared in accordance with the requirements of the Hong Kong Exchanges and Clearing Limited ("**HKEX**") Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**").

Environmental, Social and Governance Report

1 STRENGTHENING ESG RESPONSIBILITY MANAGEMENT

1.1 Vision of ESG Management

China ITS (Holdings) Co., Ltd. is mainly a provider of products, specialised solutions and services related to infrastructure technology in the PRC and overseas. Focusing on the businesses of Products and Specialised Solutions ("**PSS**") and Value-Added Operation and Services ("**VAOS**"), it provides customers with services that give the maximum comprehensive value and meet their multifaceted requirements in terms of safety, reliability, efficiency, environmental friendliness and ROI.

Since its establishment, CIC has been committed to common development of economy, society and the environment, promoting sustainable business practices. Besides, CIC performs its corporate social responsibilities in order to better capture the opportunities from the development of the industry.

Corporate Vision

Deliver solutions which enhance safety, efficiency, convenience and sustainability for the transportation industry.

Corporate Value

Integrity, Professionalism, Innovation and People

Environmental, Social and Governance Report

1.2 ESG Governance

To effectively implement the ESG governance of the Company, we have established a defined structure for sustainable development governance, which consists of the Board, ESG Task Group, as well as the Company's various functional departments, subsidiaries, to promote the orderly progress of ESG governance of the Company.

Representation of the Board

In 2021, the Company adopted continuous measures to continually achieve the mission vision of making traffic more safe, more efficient, more convenient and more environmentally friendly. The Company was deeply involved in the national "The Belt and Road" cooperation Initiative to steadily promote high-quality development of "The Belt and Road". We embrace the national "3060" dual carbon goal, continue to promote sustainable business practices and perform our corporate social responsibilities in order to better capture the opportunities brought by the development of the industry and create more integrated value for employees, customers, stakeholders and our society.

Improving the ESG Governance. We established an ESG management organization system, which consists of the Board, ESG Task Group, as well as the Company's various functional departments, subsidiaries, and specified the assignment of responsibilities at all levels to promote the implementation of ESG work within the Company. Among them, the Board of Directors is the highest decision-making organization of ESG management, which guides the direction of our sustainable development, formulates the Company's overall vision, goals and management strategies, and reviews the Company's annual ESG report.

Providing High-quality Services. We strictly control the quality of products and dedicate ourselves to building good customer relationships. We adopted big data, cloud platform and other technologies to develop industry-leading railroad communication system operation and maintenance platform, through which we can better meet customers' needs for consumption upgrade; actively explore the infrastructure construction market in countries along the "Belt and Road" Initiative to serve more customers; and set up various complaint mechanisms and complaint methods to listen to customers' demands.

Contributing to Ecological and Environmental Protection. As a non-production high-technology company, we actively practice the concept of energy saving and consumption reduction, create a green and environment-friendly business model and strives to be the faithful practitioner of the "resource-saving" society. We have developed emergency response plans to actively address climate and environmental risks; and comply with local laws and regulations overseas to protect the local environment when establishing presence in overseas markets. We conduct refined and quantifiable field visits on environmental control to factories in accordance with the relevant requirements of Environmental Conservation Department of Myanmar.

Environmental, Social and Governance Report

Achieving Mutual Benefit and Win-win. Adhering to the principles of mutual benefit and win-win cooperation, we actively integrate and share the industry's advantageous resources, form a community with various stakeholders, make profits for the shareholders, bring benefit to the customers, and allow employees to share the results of corporate development. In 2021, we will provide a total of 14,260 hours of training for our employees through internal training such as Tiancheng College, one class per week and external exchanges such as school-enterprise cooperation and Huawei Partner University.

In addition, we are clearly conscious of the fact that it shall be our practical social responsibility to contribute to the public welfare of the community. Adhering to the development concept of "benevolence", we will give back to society with responsibility and public welfare, establish a good corporate image, upgrade corporate culture and enhance the sense of honor of our employees. In the future, we will continually make intensive cultivation in the railroad business segment and infrastructure construction segment, and continue to sell products and professional solutions to meet the needs of our customers through our own technical and service advantages, so as to empower railroad transportation and build blocks for the infrastructure construction in countries along the "Belt and Road" Initiative. We will continue to adjust the sustainable development management strategy and promotion methods according to the expectations of stakeholders and the actual operation of the Company to improve the Company's sustainable development level.

We assume full responsibility for the Company's ESG strategy and ESG reporting and are responsible for assessing and determining the Company's ESG risks and ensuring that the Company has an appropriate and effective ESG risk management and internal control system in place. The Board of Directors and its individual members affirm that this report contains no false or misleading statements or material omissions and that they are jointly and severally responsible for the truthfulness, accuracy, and integrity of its content.

Summary of ESG Governance Structure

The Board of Directors, as the highest decision-making organization of the Company, guides the direction of our sustainable development, and assumes full responsibility of the Company's ESG issues. The Board adopted a board diversity policy which helps to review and provide independent advices in reviewing the ESG report. In the future, the Board will step up efforts to ESG risk management, and assume responsibility of the internal control for ESG risk to ensure the long-term benefits to corporate development and stakeholders.

Meanwhile, the ESG Task Group is responsible for supervision and coordination, implementing decisions of the decision-making organization, communicating and coordinating ESG related affairs, organizing the preparation of ESG reports and reporting to the Board on the implementation of relevant work on an annual basis.

In addition, as executive organizations for specific works, the Company's various functional departments and subsidiaries implement the ESG plan formulated by the Task Group, effectively record and report ESG related information, and fully put the ESG related management work into practice.

ESG Governance Structure of the Company

Organization	Responsibilities
Decision-making organization **The Board**	Responsible for overall ESG governance Supervising and reviewing ESG performance
Coordination organization **ESG Task Group**	Implementing decisions of the decision-making organization Communicating and coordinating on ESG related issues Organizing the preparation of ESG report
Executive organization **Various functional departments, subsidiaries**	Executing ESG work plans Collecting and reporting ESG related information Performing ESG management work

1.3 Assessment of the Importance of Issues

Based on the requirements of the HKEX ESG Reporting Guide and by reference to procedures for the substantive analysis of the Global Reporting Initiative ("**GRI**"), the Company gathered issues concerned by major stakeholders by questionnaires and interviews, analyzed and prioritized these issues so as to determine important corporate issues regarding environment, society, and governance and disclose them in the report.

Process of Importance Assessment

1) Identify ESG issues related to the Company by analyzing the HKEX ESG Reporting Guide and the issues disclosed by peers;

2) Invite important stakeholders to assess the importance of the identified issues, among which the internal stakeholders assess such issues mainly from the perspectives of the Company's long-term development strategy, management upgrading, investment priority, and competitive advantages, while external stakeholders assess them from the perspectives of impact on the Company's evaluation and decision-making, as well as on the interests of themselves to produce the first draft of the importance matrix by integrating the assessment of both internal and external stakeholders;

3) Prioritize issues to be reviewed by the management;

4) Solicit feedbacks on the report for the period from internal and external stakeholders after the reporting period to prepare for the next report.

Environmental, Social and Governance Report

The Information of Stakeholders and Communicating

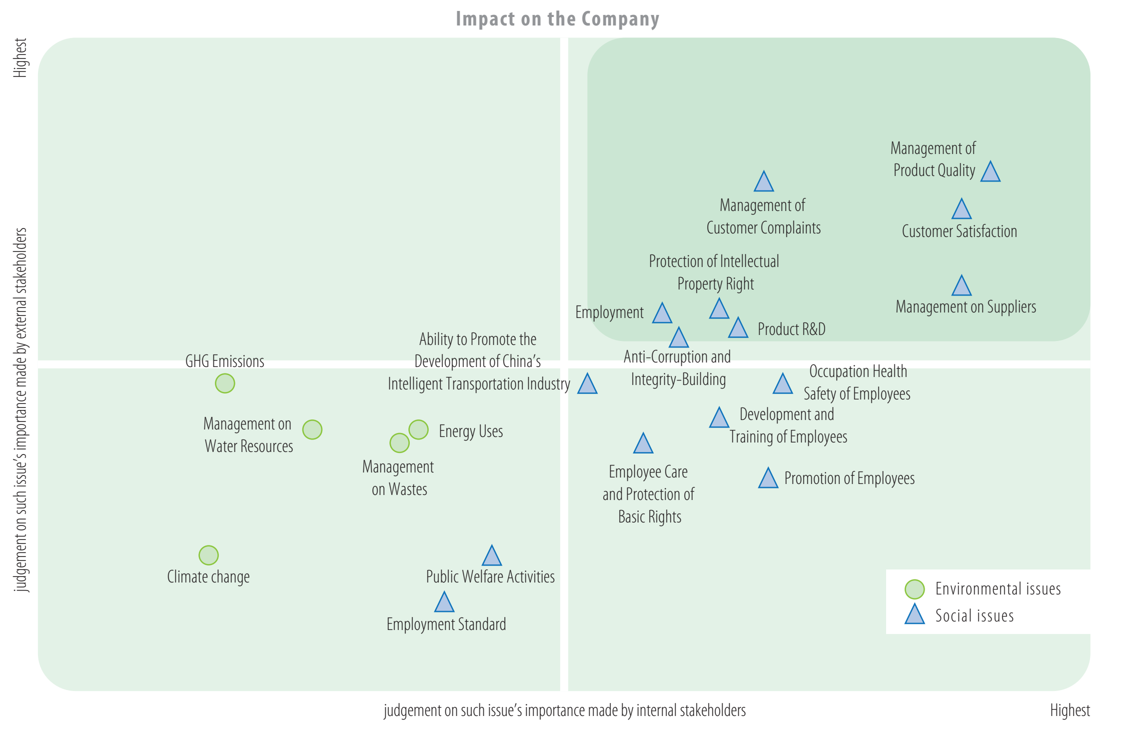
The Company fully considers and effectively responds to the expectations and appeals of stakeholders, in an effort to advance the social development while sharing development results with them.

Stakeholders	Expectations of Stakeholders	Mechanisms of Communication and Participation	Responses from the Company
Investors	• Increase of the Company's market value and profitability • Continuously improve the Company's environmental and social responsibility performance	General meetings, information disclosure, company website.	• Issue reports regularly, disclosing information truthfully and thoroughly, invest effort in making achievements and creating profits • Improve corporate governance and risk management level, convene general meetings, enhance investor relations management and strive to improve environmental and social responsibility management
Customers	• high-quality products • Safeguard customer's legitimate interests	Sign contracts and agreements, customer's satisfaction survey	• Provide high-quality products and services • Establish a sound customer service system and customer opinion feedback and complaints mechanism
Employees	• Uphold employees' remuneration and benefits • Care for safety and health of employees • Offer equal promotion and development opportunities • improve the Communication mechanism; engage in company management	Employment contracts, employee's satisfaction survey	• Strictly observe provisions within employment contracts, improve the remuneration and benefits system • Offer safe and healthy working environment • Offer development paths for employees, and organise staff training • Offer equal communication channel
Governments	• Observe the law, operate in compliance with the regulations, and in line with national policies	Engage in relevant governmental meetings	• Strictly observe relevant laws and regulations, continuously enhance corporate compliance management, and give respond to national policies

Environmental, Social and Governance Report

Stakeholders	Expectations of Stakeholders	Mechanisms of Communication and Participation	Responses from the Company
Suppliers	• Honest, fair and just cooperation, mutual benefits and win-win scenarios to promote industry development	Sign contracts and agreements, and hold tender and bidding, and supplier meetings regularly	• Actively perform the contracts and agreements by adhering to open and transparent business principles, adopt open and transparent procurement model, and develop an accountable supply chain
Peers	• Fair competition, cooperation with integrity, transparent and open information • Comply with industry standards, and advancement of industry innovation	Exchanges with relevant research institutes, associations, mainstream media related to the industry	• strengthen communication and cooperation with peers; jointly create a healthy and orderly competitive environment • Participate in industry innovations and researches and appraisal of outstanding enterprises, achieve mutual benefits, win-win and mutual improvement, and put forward proposals for industry standards

Priority Matrix of Issues



2 PROFESSIONALISM

2.1 Strictly Guaranteeing Product Quality

Strictly complying with the *Product Quality Law of the People's Republic of China* and in adherence to its corporate mission of "making railway communication safer, more efficient, and more convenient with quality service and professional solutions", CIC implements the quality plan and management policy of "Strengthening Management, Ensuring Quality, Dedicated Service and Customer Satisfaction", promotes an institutionalized, systematic, and IT-based quality control and management system and implements project-cycle safety management to cultivate the quality awareness of engineers and service personnel and build high-quality, efficient, and safe intelligent transportation solutions, and it has provided technical support for system upgrade and maintenance during system operation and management to ensure safe transportation for society, partners, and customers.

The Company develop the following quality management systems:

- The delivered project is required to be 100% self-inspected. The project self-inspection report shall be submitted by the person in charge of project quality (engineering supervision) within one week after 80% of the project is completed, including hardware & software quality inspection reports, site photos of hardware quality, project memo, data script, etc..

- Special quality managers are appointed to carry out random inspections on completed projects in various regions. The sampling rate of key projects shall not be less than 50%, and the sampling rate of general projects shall not be less than 20%. The passing score for quality inspection is 90 out of 100, and any problems affecting safe operation of equipment during the hardware inspection must be rectified.

- Establish a database of legacy issues for each project, and track, record, and close-loop management of all project legacy issues.

- The three authorization systems for high-risk operations (customer authorization, technology authorization, management authorization) must be strictly implemented, and technical solutions that affect the operation of all existing network equipment must be sent to the person in charge of the corresponding product line for review in advance. The technical solutions for major operations are sent advanced by one week in advance, while the general operations are 3 days in advance.

- Strictly follow the accident reporting system. In case of communication interruption, relevant persons in charge of project and market are required to be notified within 30 minutes, and relevant personnel in the corresponding Huawei office should also be notified.

Strict quality control of software products

In terms of software product quality, the Company continues to improve its software product quality management system from the four aspects of system, audit, personnel and information system to ensure that the products meet quality measurement requirements and customer needs to continuously improve customer satisfaction.

- The Company has formulated various quality standards such as *Data Network Product Software Quality Management Specification, Optical Network Product Software Quality Management Specification, Access Network Product Software Quality Management Specification, and GSM-R Network Product Software Quality Management Specification*, which require product quality management regulations in all major links from product R&D to delivery.

- In the evaluation process of each stage of product development, in addition to following the ISO quality management system standards ISO9001, ISO14001, OHSAS18001, ISO20000, ISO27001, the Company also follows the overall product R&D evaluation standards, technical evaluation standards, market evaluation standards and input-output evaluations as well as the internal requirements of the Company such as risk factors evaluation standards and controllability evaluation standards.

- The Company has established a full-time quality management team, including technical experts and business experts, and set up quality assurance personnel to monitor the entire product life circle. They would match the evaluation results with target management, performance output, and track feedback and improvement, to promote the product quality effectively by the evaluation process and evaluation results. During the year, the Company has increased participation in peer review between project teams and departments, which has further ensured the quality and enforceability of key review nodes.

- The Company has developed a quality assurance process management information system that meets the actual requirements of the Company, and timely discovered quality risks, summarized the quality assurance results and problems, and formed a closed-loop quality management system that can be continuously improved. During the year, the assurance of quality traceability has been strengthened, and traceable signs have been added by the Company in key quality links, so that products can be quickly located and traced back when re-listing; in terms of R&D specifications, the coding specifications, release specifications and test specifications have been further improved by the Company in accordance with the technical development and the technical ability of R&D personnel.

Environmental, Social and Governance Report

Strict service quality control over construction projects

In terms of the service quality management in construction projects, in accordance with the requirements of GB/T19001-2016/ISO9001:2015 *Quality Management Systems Requirements*, GB/T24001-2016/ISO14001:2015 *Environmental Management System Requirements and Use Guide*, GB/T28001-2011/OHSAS18001:2007 *Occupational Health and Safety Management System Requirements*, and TB10205–99 *Codes for Construction of Railway Communication*, etc., the Company strictly abides by relevant industry standards, and the Company has developed the *General Hardware Quality Management Specification* by its actual service products. On that basis, meanwhile, the Company has set up the quality management goal of project delivery quality with a passing score of 90 and a full score of 100. It has established the Technical and Quality Department to carry out inspections and spot checks on various regional projects.

During the year, the Company continued to improve and upgrade the quality management system for construction project services, including:

- To establish a project quality group, formulate technical disclosure procedures, quality control procedures and technical management pre-control, establish a construction quality control system, determine various quality detection methods, determine quality assurance measures during the construction process, and strictly follow technical assurance measures.

- To improve the quality objectives in product planning and design, and ensure that quality objectives and measures run through the entire product development process. For new construction projects, the requirement for timely filing of process documents is strengthened, which effectively ensures that the project manager pays attention to quality. From the beginning to the end of the project, the project manager is required to collect and submit the following materials in turn: bidding documents, contracts, design drawings, project assignments, project disclosure meeting minutes, arrival receipt, construction plan, weekly report on project progresses, testing and self-inspection reports, acceptance check-in forms and reports, project completion materials, project summaries, and layer-by-layer reviews. At the same time, the Company added automated testing tools to improve the efficiency of the quality assurance process. The product release system pays more attention to quality review, so as to ensure the realization of the quality objectives of product release.

- The service coverage of maintenance projects is very comprehensive, including troubleshooting, technical support, on-duty guarantee, network inspection, spare parts service, skills training, and cutover operation. In 2021, the timely submission requirement and content inspection of weekly and monthly reports on maintenance services and on-site service reports were strengthened, and the weighted percentage of regional KPIs was increased.

The Company has strengthened the on-duty work of customer networks during the pandemic, ensuring the safe and stable operation of customer networks, which has been recognized by customers.

In the future, the Company will exercise stringent control over service quality of construction projects in the following areas:

- The Company will further improve the management and connection of product version management, version release and product after-sales;
- The Company will continue to strictly improve its service quality in accordance with the established project quality standards and systems, and ensure that the pass rate of all projects reaches 100%;
- The Company will adopt effective quality assurance measures to ensure that products meet quality measurement requirements and customer needs, and continuously improve customer satisfaction;

During the year, the Company had no incident of non-compliance that significantly affected the product and service liability to the Group, nor did it have any sold or delivered products recalled for safety and health reasons. The Company's business did not involve advertisements, labels, etc..

2.2 Customer Relationship Building

With a steadfast commitment to "focus on customer concern", CIC has a market-and-customer-oriented management system and continuously improves relevant mechanisms and business processes in the light of its business development and changes in internal and external environments, striving to improve service quality and customer's satisfaction and build a good long term customer relationship.

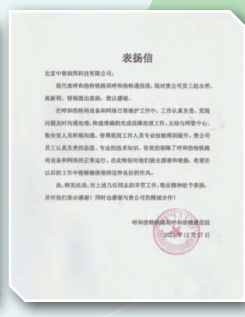
Management of Customer Satisfaction

The Company serves customers exclusively in the railway industry. The Company has set up the goal of 95% customer satisfaction and has established a customer satisfaction evaluation system for it, coupled with diversified surveys in that regard:

1. Written survey: A written survey on customer is conducted every semi-annually to solicit customers' opinions and suggestions, by means of the Customer Satisfaction Survey Form, which is distributed to and then re-collected from customers by the Engineering Department based on its list of customers to be surveyed. The Engineering Department collates and classifies opinions and suggestions received from customers, before forwarding related matters to various departments for feedback;
2. Telephone interview: It is conducted once a month and the Customer Satisfaction Survey Form is completed, covering customers' suggestions for and complaints about our service quality, among others;
3. E-mail survey: It is conducted every quarter. Customers complete the Customer Satisfaction Survey Form and the Engineering Department collects and classifies such forms.

Environmental, Social and Governance Report

As of the end of December 2021, the Company had 22 major projects under construction, including the Daqin Line GSM-R B network base station equipment renewal contract, the Golmud — Korla transmission and access project of Urumqi Railway Bureau, the Beijing-Shenyang-Liaoning section transmission and access, the Beijing-Tongliao transmission and access network of Shenyang Railway Bureau, Yangpingguan — Ankang second-line transmission access project, Beijing-Tangshan intercity transmission, Ganzhou-shenzhen project, Golmud-Lhasa expansion data network project, Zhangjiajie — Jishou — Huaihua transmission and access, Beijing — Zhangjiakou transmission and access, Hubei section of Zhengzhou-Wanzhou Railway, Fujian-Xiamen Transmission and Access Project, Lhasa-Nyingchi Section of New Sichuan-Tibet Railway, Harbin-Jiamusi Data Network, Chongqing East Ring Line, Hefei — Anqing Transmission and Access, Yinchuan — Xi'an Transmission and Access, Yancheng-Nantong Main Line Transmission and Access, Xuzhou-Lianyungang Transmission, Datong-Zhangjiakou passenger dedicated line transmission access, Harbin-jiamusi access network, and Xingguo — Quanzhou railway. A total of 32 customer satisfaction surveys were carried out, and covered 20 projects, accounting for 90% of the projects. The customer satisfaction rate amounted to 100%.



表扬信

北京中智润邦科技有限公司：

我代表呼和浩特铁路局呼和浩特通信段，现对贵公司员工赵志明、高新利，特别提出表扬，致以感谢。

在呼和浩特局设备和网络日常维护工作中，工作认真负责，发现问题及时沟通处理，快速准确的完成故障处理工作。主动与网管中心、数传室人员积极沟通，使得我局工作人员专业技能得到提升。贵公司员工认真负责的态度、专业的技术知识，有效的保障了呼和浩特铁路局设备和网络的正常运行。在此特别对他们提出感谢和表扬，希望在以后的工作中能够继续保持这种良好的作风。

故，特发此函，对上述几位同志的辛苦工作，敬业精神给予表扬，并对他们表示感谢！同时也感谢与贵公司的精诚合作！

呼和浩特铁路局呼和浩特通信段

2021 年 12 月 27 日

The Company has won recognition from customers

In the future, the Company will be committed to optimizing the return visit process, focusing on customer satisfaction at all levels, achieving "control before, during and after the event, self-inspection and random inspection combined". Combined with the analysis of project satisfaction, the Company continues to provide customers with high-quality services to enhance the core competitiveness of the Company, while striving to achieve the customer satisfaction rate of 95%.

Environmental, Social and Governance Report

Management of customer complaints

Based on the Customer Complaint Management System, the Company has established a variety of complaint mechanisms and methods, such as on-site complaints and 400-hotline.

On-site complaints take the form of guiding customers to complain level by level: "Project Manager — Regional Supervisor — Complaints Commissioner of the Company". The form of gradual complaints simplifies the Company's communication with customers and improves the speed of the Company's response to customer complaints.

The procedures for handling 400-hotline complaints are:

1. Listen to customer's opinions: Listen fully and patiently to customers comments and suggestions, and carefully record complaints;

2. Analyze causes of complaints: Understand the causes of customers complaints and conduct comprehensive analysis of complaints to determine whether customer complaints are established;

3. Offer a solution: If it is verified that customer complaints are caused by our products, we will offer a feasible and satisfied solution within 3 days based on specific complaints;

4. Track compliant feedback: After resolving complaints, we will provide tracking service to know whether customers are satisfied with the solution. Continuous improvement and solution are required if customers still have dissatisfaction.

No complaint is filed by customers directly through 400-hotline this year.

Management of customer privacy

In order to protect customer privacy, the confidential system developed by the Company for relevant customer information is led by the Company's technology and quality and safety department. The department arranges special personnel to authorize customer management authority, updates customer related information and is responsible for conducting random checks on customer information usage so as to protect the rights and interests of customers. The Company properly keeps customer information. It is strictly forbidden to provide customer network information and data to the outside without the customer's permission, to copy the customer's existing information, and to operate the customer's existing network. Customer communication is based on the project name and does not reveal the customer's name.

2.3 Actively Protecting Intellectual Property Rights

The Company attaches great importance to the protection of intellectual property rights, strictly abides by the relevant laws and regulations such as the *Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China*, and the *Trademark Law of the People's Republic of China* and establishes intellectual property management system. While continuously improving the Company's level of independent innovation, it prevents all acts that infringe or endanger the legal rights and interests of the Company's intellectual property. The Company establishes intellectual property rights management systems based on the position of the enterprise intellectual property and the Company's development. Considering the medium and long-term development strategies of the Company, the management concept, management organization, management mode, management personnel and other aspects as a whole, we can ensure that the system is practicable.

Innovation is an important guarantee for improving the Company's core competitiveness. Therefore, a review over the annual plan for intellectual property management constitutes an important part of the Company's annual management plan, and the Company will upgrade intellectual property management to the level of corporate development strategy and regard it as an important part of the Company's medium and long-term strategy.

The Company adopted a three-level management system of intellectual property rights under the leadership of the general manager of the Company. The general manager of the Company is responsible for formulating its intellectual property strategy that is commensurate with its current conditions and manifests potential in line with its medium and long-term development strategy. The Company has an intellectual property management department, which formulates various intellectual property management regulations, coordinates intellectual property management tasks by dividing the management scope and responsibilities of the position, and guide, supervise and inspect the intellectual property management work of the relevant functional departments of the Company. In addition, this department shall organize and establish intellectual property file management, and take charge of the applications of intellectual property rights and other external work acting on behalf of the Company. Furthermore, each functional department or organization of the Company including the R&D department, production department, marketing department and component production subsidiaries is mainly responsible for the generation, application, maintenance and management of intellectual property rights within the scope of their own work.

Intellectual property management positions of the Company coordinate and cooperate with all departments, and intellectual property management is integrated into the Company's R&D, marketing, production, personnel administration, brand building and other aspects. At the end of each year, the Company formulates the next year's intellectual property management work plan, and breaks down the plan into departments such as R&D, marketing, production, personnel administration and brand building, and integrates intellectual property management into daily work evaluation.

The Company attaches importance to the protection of independent intellectual property rights, establishes a complete IT management system, adopts professional encryption software to ensure the security of the Company's intranet, achieves effective control and complete protection of R&D materials, products and data, and prevents the confidential information and data of enterprises from the source. The Company requires that software copyrights and related patent certificates be applied to protect intellectual property rights, and a special qualification commissioner is required to keep the relevant patent certificates.

In addition, in order to encourage and promote the smooth development of intellectual property work, the Company occasionally conducts publicity and training of intellectual property protection to employees, and spreads the importance and significance of intellectual property protection to each employee. For those who make outstanding contributions to the formation, protection, and management of intellectual property rights and transformation of scientific and technological achievements, or who make outstanding achievements in effectively preventing infringement and safeguarding the legitimate rights and interests of the Company's intellectual property rights, the Company will grant rewards and remuneration, promotion, better pay grade, title evaluation and other material and spiritual rewards according to the specific regulations of the government and the Company.

During the year, the Company has one licensed invention patent, 11 licensed utility model patents, 39 licensed software copyrights. During the year, 5 new software copyrights were obtained, and the Company had a total of 16 patents and 55 copyrights.

3 INNOVATION

3.1 Continuously Strengthening Product R&D

In terms of product R&D, CIC has been driven by users' demand and oriented by market to encourage innovation. Through the whole-process development and management, CIC meets the requirements of rapid product development, accurate positioning and low costs, thus enabling the commercial applications of its products.

The Company's product management is mainly consisted of four stages of concept design, planning, development and commercial application:

- At the stage of concept design: We conduct a quick assessment of the product opportunity appeal and the overall strategy, and determine the overall product demand range and alternatives;

- At the planning stage: We define products, formulate project and implement plan;

- At the development stage: We complete the design and development of the product, and produce a product which meets the related specifications;

- At the stage of commercial application: We conduct product management from the start of steady production to end of product life.

In order to improve the Company's R&D standards and ensure its leading position in the industry, the Company has adopted a series of measures:

- We regularly organize exchange sessions and study tours for our R&D staff with their counterparts in the industry or in other industries, together with periodic market research and surveys. We also invite industry and technical experts to provide training and guidance at the Company, in addition to in-house R&D training and learning share;
- We investigate the technical capability advantages of new employees during recruitment so as to continuously improve the Company's technical level and ensure the industry advantage of R & D standards;
- We actively participate in communication activities organized by associations or organizations in the transportation industry, security industry and big data industry, etc.. We also actively participate in the early formulation of standards and the opinions and suggestions of the later stages, and improve the Company's popularity in the industry and build product brands;
- We increase investment in scientific research projects, and actively cooperate with scientific research projects of the Academy of Railway Sciences, Road Bureau and other units to maintain a leading position in the industry.

In 2021, the Company continued to increase R & D investment, and significant progress was made in the following areas of our R&D work:

- A basic IoT platform was established to ensure rapid iteration and development of follow-up projects and products;
- A large-scale video analysis algorithm was established to ensure the advancement of the video surveillance field.

In the future, the Company focuses on making further breakthroughs in IoT, unified communication, computer vision algorithms. Particularly, the Company will combine the existing micro-service architecture and IoT collect adapter in IoT-based data collection and control, which can access swiftly to other IoT devices and applications to satisfy the planning and implementation of relevant new products.

The Company's innovative products in the field of intelligent transportation at present include:

Integrated video surveillance system (IVSS)

The IVSS is powered by the all-digital network video technology, with the related networking based on the MSTP transmission system and the IP data communication system. The IVSS consists of video region nodes, video access nodes, video collection points and equipment transmission channels. IVSS sets up the access nodes of the video surveillance system at each station along railway lines, and carries out video surveillance at the communication, signal room, GSM-R base station, interval repeater station and other places along railway lines, supporting automatic monitoring and manual monitoring modes. The IVSS provides unified video monitoring services for the duty officers, public security, communication segments and other business departments of each station along railway lines, and realizes the video resource sharing of each business department through the unified management and deployment of system resources.

The application of the system in various road bureaus has greatly improved the safety of railways and nodes, and effectively guaranteed traffic safety.

Zhixun cloud

Beijing Zhixun Cloud Technology Co., Ltd. (北京智訊雲技術有限公司) (hereinafter referred to as "Zhixun Cloud") was established in 2016, and has its own software R&D team. With more than ten years of railway communication operation and maintenance experiences in the Group's service department, Zhixun Cloud utilizes big data, cloud platform and other technologies to commit itself to the research and development of railway communication system operation and maintenance platform, as well as to reduce the maintenance cost of railway communication equipment, which leads to more convenient and efficient operation and maintenance of railway communication equipment. The Company developed functional modules for transmission systems, GSM-R trains, GSM-R networks and data networks. By conducting intelligent inspection and analysis of big data on key parameters or configurations of communication networks such as GSM-R, the Company can discover the hidden network hazards in advance and prevent them, meanwhile, locate the real-time location of trains, eliminate business hazards that affect traffic and other services, ensure the normal operation of trains and passenger travel safety, improve network security and operation and maintenance efficiency, and reduce maintenance costs.

- The transmission network module monitors the performance of each board of the equipment in real time, and early warning notification is delivered to address abnormal values or fluctuations without triggering any abnormal alarms. When possible board failures are predetermined, the backup board mobilizes resources in advance to minimize the repair time.

- The GSM-R module extracts various parameters of the GSM-R network to monitor the train position in real time, and automatically analyzes abnormal conditions of network coverage, switch, interference, etc. Early warning is delivered to assist users discover network hazards in advance.

- The data network module connects with the router device using the SNMP protocol, and automatically extracts data information such as configuration and performance, realizing maintenance and practical functions such as equipment resource management, IP address analysis, traffic analysis, and compliance inspection. Early warning will be delivered in case of abnormal conditions, enabling users to discover network hazards in advance.

In light of customer requirements, Zhixun Cloud expands and optimizes the functions of the existing transmission modules on the one hand, and adds practical and usable functions for convenient maintenance to the newly developed data network module, so that the intelligent operation and maintenance software platform using Zhixun Cloud can greatly improve the efficiency of customer network maintenance and reduce the labor cost of railway communication network operation and maintenance.

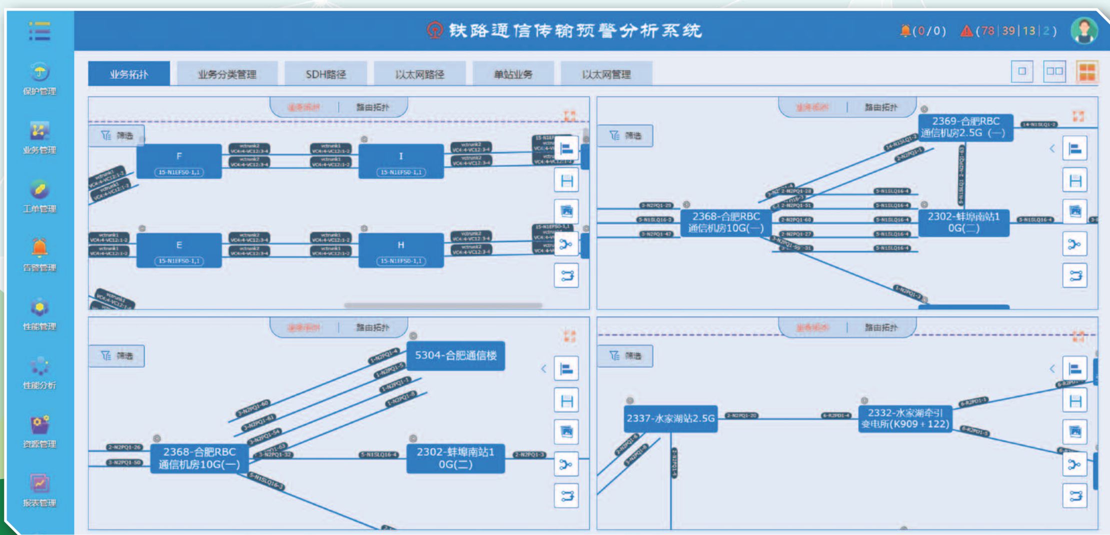
In 2021, Zhixun Cloud technology has made significant improvements in the following aspects:

➢ Functional expansion and optimization of the existing transmission modules

1) Following in an in-depth study of the CORBA interface and protocol, the underlying database tables can be optimized, enabling faster and more stable device configuration data, performance data, and alarm data transmitted by the network management, while the functions and user experiences are improved, which provides necessary guarantee for large-scale access to customer lines in the future.

2) Newly developed function: centralized alarm monitoring collects alarm information of the connected network management in real time, which is displayed in a centralized manner, with sound and light notifications to facilitate the alarm inspection and reporting by maintenance personnel of the customer.

3) New appearances are developed based on the adaption to customer habits and suggestions. A new version of the blue and white appearance and a new menu mode are developed to suit the operation habits and operation convenience of the customers better.



- Function expansion and development of existing data network modules

  1) Traffic analysis. functions of all network elements in the entire network including port traffic historical data query and statistical analysis of bandwidth utilization will be provided, which can perform historical data query on the traffic conditions of all ports in the entire network by time slot,, line, and network element.

  2) Compliance check. Network elements are checked based on the items, which include the network element list and the item checklist. The network element list is not prohibited from modification after the project is created, and the item checklist can be added, deleted and modified as required. The items for checking can be run multiple times, each result of which is distinguished by the running time.

3) Link quality: functions such as query and analysis for historical data of all link detection instances configured on the entire network shall be provided, and the top 15 largest delays and jitters of all tested links in the current month, as well as links that have experienced packet loss, will be displayed. Self-service inquiries can be made by day for statistical inquiries.

4) Host detection: direct connection services on the router will detect the IP addresses actually used in the services through technical means, and count the details of the IP addresses used in the IP address segment configured on the router, so as to understand the actual use of the service IP addresses.

In the future, the Company will develop the existing modular functions of transmission, GSM-R and data network in depth to provide customers with more efficient and convenient operation and maintenance services. In terms of breadth, we will continue to expand into new areas, such as digital adjustment systems, dynamic ring systems, video surveillance, PMIS, travel services and other fields that cater to the customer’s business side, and provide customers with more comprehensive services to ensure the security of railway communication networks by mining and analyzing commensurate data that is collected on an ongoing and massive basis. At the same time, Zhixun Cloud will continue to optimize the functions of existing modules and expand into new areas, and provide customers with more comprehensive services and ensure the security of railway communication networks by mining and analyzing commensurate data that is collected on an ongoing and massive basis. Furthermore, the data platform interface will be opened to share data, which can be used by customers in related specialty and fields, and continue to create value for the platform and customers.

3.2 Leading Industry, Promoting Development

CIC aims to become a leader in the railway industry focusing on the field of communications and information, focuses on railway communications through high-quality services and professional solutions, and grasps the rapidly growing market opportunities and development rhythm through strategic layouts. The Company promotes the corporate value of "integrity, professionalism, innovation, and people", helps railway communication information management more safe, efficient and convenient. Under the background of strong demand for video high-definition, intelligent and resource integration for railway security, the Company, together with CARS Signal & Communication Research Institute and Huawei, Haikang, Dahua participated in drafting the standard document Q/CR 575-2017 to continually promote the orderly development of China's intelligent transportation industry.

At present, the Company has formed a software product system based on multiple systems such as the safety production dispatching command system and the railway field intelligent operation system in the field of information technology. It is widely used in the railway industry. The application systems, with rich modules and multiple functions, developed by the Company has been deployed in several networks of road bureaus, which has improved network security and maintenance efficiency, good functional application feedback, and facilitated cooperative development with several road bureau customers. In addition, our products passed the test and obtained the CRCC standard certification.

At the same time, the Company actively participates in associations or organizations in the transportation industry, security industry and big data industry, etc., and actively participates in the early formulation of standards and the opinions and suggestions of the later stages, to improve the popularity and brand awareness of the Company and its products in the industry and build product brands. The Company also increases investment in scientific research projects, and actively cooperates with scientific research projects of the Academy of Railway Sciences, Road Bureau and other units to maintain a leading position in the industry.

In the future, the Company will continue to invest in technology R&D and deeply explore railway business while maintaining market share in traditional transmission wireless and data networks. In addition, the Company will combine with new technologies such as cloud computing and big data to continuously expend new fields while consistently optimizing the existing module functions. Accordingly, the Company will provide customers with more comprehensive services and ensure the safety of railway communication networks. At the same time, the Company will open the data platform access and share data to continuously create value for the platform and customers. The Company will continue to improve its own strength. Meanwhile, the Company will continue to promote the development of the intelligent transportation industry in China and gradually establish its leading position in the industry by virtue of its achievements and reputation in the intelligent transportation industry.

Environmental, Social and Governance Report

4 PEOPLE

Talent is the core competitiveness for sustainable development of the enterprise. Based on this, the Company will further advance the implementation of the "people-oriented" talent management concept, improve the employment and compensation system, respect and protect the rights and interests of employees, and provide employees with learning opportunities, provide fair and reasonable career development channels, pay attention to the physical and mental health of employees, affirm the value of employees, and strive to create a relaxed, harmonious and free working atmosphere. The Company works with its employees to strive and grow together, and makes unremitting efforts to attract talents in various fields and establish long-term and stable employment relationships.

4.1 Employment and Rights

The Company strives to protect the rights and obligations of employees, continues to improve human resources management systems and procedures.

The Company has compiled and improved the Employee Handbook in strict accordance with relevant laws and regulations, including the *Labour Law of the People's Republic of China* and the *Labour Contract Law of the People's Republic of China*. The Employee Handbook contains the employee's code of conduct, hiring and dismissal, compensations and benefits, training and performance management and employee communication and grievance, so that human resources management can be based on evidence. Employees are tracked and coached by professionals at every link and node from entry to resignation, so that they can quickly adapt to the Company's culture and help personal growth. The Company set up face-to-face resignation interviews for resigned employees, understands the reasons for their resignation, and listens to employees' opinions and suggestions on the Company so as to achieve continuous improvement and optimization.

Employment standards: The Company upholds the concept of long-term employment and abides by relevant labour and human rights regulations, signing labour contracts timely with employees. We insist on equal pay for equal work and equality between men and women, and prohibit the use of child labour and forced labour. And we ensure equal employment opportunities and labour security for employees of different nationalities, races, genders, religious beliefs and cultural backgrounds.

As of December 31, 2021, the Company had a total of 258 employees, all of whom were full-time employees. Employee-related indicators of the Company for 2021 are shown as follows:

Employee type	Number of employees as at the end of 2021 (persons)
Male employees	194
Female employees	64
Beijing-based employees	170
Non-Beijing-based employees	88
Employees at or under 25 years of age	9
Employees at 25-30 years of age	36
Employees at 30-35 years of age	50
Employees at 35-40 years of age	82
Employees at or over 40 years of age	81
Employees with postgraduate diplomas	18
Employees with undergraduate diplomas	148
Employees with junior college degrees or below	92
Grassroots employees	228
Mid-level managers	23
Senior managers	7

Employee type	Employee turnover rate in 2021
Male employees	16.67%
Female employees	4.65%
Beijing-based employees	10.47%
Non-local employees	10.85%
Employees at or under 25 years of age	6.20%
Employees at 25-30 years of age	3.49%
Employees at 30-35 years of age	7.75%
Employees at 35-40 years of age	2.71%
Employees at or over 40 years of age	1.16%

Our AHLONE Power Plant (Myanmar Ahlone Power Plant Company Limited) in Yangon, Myanmar, abides by the local labor laws of Myanmar. In compliance with the Workers' Compensation Law, the Wage Payment Law, the Vacation Law (1951, revised in 2014), the Labor Organization Law, Social Security Law, Minimum Wage Law, Labor Dispute Resolution Law and other local laws and regulations, AHLONE power plant effectively protects labor rights and provides employment opportunities for 450 to 500 local residents during construction. During operation, AHLONE power plant has 80 workers. There has been no incident of discrimination against local workers.

Based on the current business strategic direction and business volume, the Company will streamline and optimize its organizational structure and manpower deployment to refine the work team and maintain employees' enthusiasm for work in the future.

Remuneration and benefits system

The Company strictly abides by relevant laws and regulations such as the *Labour Contract Law of the People's Republic of China* and the *Labor law of the people's Republic of China*, and follows the principles of external competition and internal fairness to provide employees with competitive compensation and benefits. Meanwhile, the Company adjusts employees' salaries dynamically according to their performance and skills in light of the general compensation level in the industry.

The Company actively provides all-round benefits to employees, pays all statutory social security contributions for employees in full and on time, and provides employees with commercial insurance to provide additional protection. The Company implements the paid annual leave system. On the basis of protecting employees' statutory holiday leave in accordance with the law, we provide welfare holidays including one day of full-pay sick leave in each quarter, extra Spring Festival holiday, etc.. In addition, the Company actively provides employees with all-round benefits such as holiday gifts, birthday gifts, lunch subsidies, transportation subsidies, remote mountainous areas subsidies, marriage and childcare gifts, and funeral benefits.

The Company is committed to providing employees with more attractive compensation and benefits guarantees, guiding employees to pursue a happy life, enhancing employees' sense of belonging and happiness, while continuously improving the cohesion within the Company.

Channels of communication

The Company has especially set up public platforms such as OA system, the corporate WeChat and WeChat public account to facilitate timely communication with employees and various departments to understand related demands. The public platform provides an effective channel for communication between employees and the Company. All rules and regulations of the Company are formulated through democratic procedures prescribed by law and implemented after being publicized to employees through the public platform. Employees can also appeal and receive feedback through the platform.

In addition, the management of the Company convenes special meetings from time to time to communicate on various matters, so as to ensure the effectiveness of internal communication, which can promote the exchange of information, enhancement understanding and coordination of actions among various functional departments and levels within the Company.

In 2021, the Company had no labour disputes caused by violations of laws and regulations, child labour or forced labour, or any social insurance violations or defaults.

4.2 Training and Development

The Company adheres to the "people-oriented" philosophy and believes that employees with sufficient skills and experience are the Company's most valuable wealth. Under the guidance of an open, unified, innovative, and shared corporate culture, we continuously improve and deepen talent training, and take learning as the important part of core competitiveness and corporate culture of the Company. The Company continues to integrate internal and external training resources, guided by the professional development needs of employees, gradually builds a three-dimensional and multi-level training system covering all employees, and comprehensively improves employees' professional capabilities to ensure the sustainable and healthy development of the Company.

In 2021, the Company uses various online and offline resources to continuously improve and optimize the curriculum system at all lines and levels. The Company organized and optimized its internal training programs, such as Tiancheng College and to ensure the benign inheritance of the Company's knowledge and the in-depth training of talents. In 2021, the total training hours of our employees were 14,260 hours, including 55.27 average hours for our employees, 57.85 average hours for male employees, 38.06 average hours for female employees, 51.69 average hours for grassroots employees, 67.23 average hours for middle-level employees, and 41.45 average hours for senior management. The total training coverage rate is 86%, of which 94.85% of trained employees are male employees, 60.94% of trained employees are female employees, 86.15% of trained employees are grass-roots employees, 94.23% of trained employees are middle-level employees, and 54.44% of trained employees are the senior management.

Our AHLONE Power Plant (Myanmar Ahlone Power Plant Company Limited) in Yangon, Myanmar, carried out multi-level training for staff at different levels to help staff improve their performance, realize scientific and environmentally friendly operation of power plants, further ensure high power generation efficiency and low failure rate, and meet the growing demand for electricity in Myanmar. The scope of training covers all staff, and senior engineers and commanders are responsible for lesson preparation and lectures giving. The specific forms of training are diversified: including topic seminars for junior staff to improve their technical level, repair and maintenance level and operation level; interactive discussion-style teaching, through which staff can analyze and discuss according to the actual situation, and troubleshoot specific problems.

4.2.1 Internal training

The Company's internal training projects include offline middle-level training camp "Tiancheng College" and special online training for skill enhancement on each business line "**Weekly Class**":

Tiancheng College: It is a brick-and-mortar organization for the cadre management of Tiancheng Group. Tiancheng College advocates the learning culture of "reading after practicing". The College adopts the motto of "greatness in simplicity, realization at Tiancheng; knowledge as action, live and learn". It strengthens strategic recognition and cultural identity, and trains, selects and generates cadres. It teaches the methodologies required for the Company's management personnel to work with, so as to realize the strategic goal of developing talents. The president and other leaders of the Company attach great importance to and participate in such trainings in succession in order to be better equipped for future work.

In 2021, Tiancheng College adopted the offline format and launched a phase-two offline learning session covering 100 employees, helping the Company's cadres and reserve cadres to consolidate their management foundations and fully raise their management capabilities.

Weekly Class: Communication skills and logical thinking represent the cornerstones of the majority of our work. For two important abilities, the Company carried out online learning session for Weekly Class, and gradually cultivated our employees through weekly learning. The audience for Weekly Class is all employees.

Department-specific training: According to the training needs of business departments, we seek external resources to satisfy internal training needs of departments. The participants are mostly from the same department and are expected to sharpen their department-specific business skills.

Technical service department training: the technical service department training was aimed at newly recruited freshmen in 2021, the content of which was Huawei's communication specialty and knowledge. The training time span lasted 20 days with a total of 10 freshmen trained. Their specialties involve transmission network, data network, and access network. The content includes professional theoretical knowledge, equipment product knowledge and experimental operation. After the training, comprehensive assessments such as written test, experiment, and defense will be conducted, and qualified candidates were assigned with due regions and mentors, so that they can quickly undertake the project delivery work.

4.2.2 External Exchange

External talent exchange projects:

Cooperation between Colleges and Enterprises: The Company works with top-notch Chinese colleges and universities in training high-end management personnel. For example, the Company has signed the "Framework Agreement on Strategic Cooperation" with Renmin University of China. In 2020, the original trainees were unable to graduate in time due to the pandemic. Therefore, the Company did not send new trainees to participate in the training of Business School of Renmin University of China, and 8 of the original trainees would graduate this year.

Huawei Partner University: The Company cooperates closely with Huawei. Combining with existing training needs and introducing Huawei's advanced technology, the two parties have jointly conducted business-related communication and training courses, such as the *Process Organization Construction and Practice*.

The *Process Organization Construction and Practice* was provided to the Company's core business backbone, covering 44 people from 21 December 2021 to 22 December 2021 for a period of 2 days. This training session assisted the core business backbone of the Company in reshaping the concept of process-based organization construction, exploring how to break the original barriers through process and organizational reengineering, rebuilding the business value chain, and inspiring everyone to implement the concept in the actual work.

In 2022, CIC will build a three-dimensional online and offline training system, introduce more excellent courses, train more lecturers, and carry out more long-term talent development projects. At the same time, CIC keeps close to the Company's business, popularizes basic product knowledge, consolidates basic capabilities, and cements a solid foundation for business development.

4.2.3 Promotion of Employees

The Company values the career development of each employee, encourages employees to formulate their personal career development plans under the guidance and help of the Company, and provides employees with multi-channel development space, including professional channels, technical channels and management channels, to stimulate personal advantages and guide them to exert the most value in the areas where they excel.

The Company constantly improves and optimizes the assessment and incentive mechanism, adheres to the principle of "striver-oriented", takes the contribution and value created by the employees as an important basis for examining the personal work effectiveness, promotion and appointment, and tests the working level of the employees through the work results. The Company grants honor to the employees at different positions and levels who are constantly striving and making contributions. Meanwhile, it also opens up the promotion channel and provides material incentives, to formulate a positive incentive and establish a system of rewarding the diligent and punishing the slothful, rewarding the good and punishing the bad, an incentive culture of unifying enterprise service and realizing personal value is shaped thereon.

The Company has established an inventory system for qualifications. According to the post qualification model, the Company makes an inventory of the existing staff every year, evaluates the staff's ability through evaluation, examination, defense and other links, combines with the annual performance assessment, and finally evaluates whether the employee meets the post requirements. In addition, the Company provides employees with promotion opportunities based on the assessment results and job requirements.

4.3 Health and Safety

In order to enhance employees' health and safety and ensure the Company's smooth operation, the Company attaches great importance to the employee welfare and pays close attention to each employee's safety and health. On the basis of strictly abiding by the relevant laws and regulations such as the *Law of the People's Republic of China on work safety*, the *Law of the People's Republic of China on Fire Prevention* and the *Law of the People's Republic of China on Occupational Disease Prevention and Control*, the Company took a series of measures to fully protect the health and safety of employees.

Physical examinations: The Company organizes physical examinations for its employees every year and designs targeted physical examination projects by gender and age. After the annual physical examination, the Company communicates with the employees for their experience and suggestions on physical examination, and adjusts projects in time according to their needs.

Buying insurance: The Company proactively purchases personal accident insurance for its employees, and at the same time insures employees for supplementary medical insurance as a supplement to social insurance. For the employees who suffer accident, the Company gives active support and rescue.

Health promotion: The Company regularly organizes health consultation, publicizes first aid knowledge, and helps employees improve their own health awareness and investigate potential health hazards. During the period of COVID-19, the Company issued the measures to prevent the pandemic through its official account to help employees better cope with the risk of the pandemic.

Pandemic protection: the senior management of the Company paid close attention to protecting the health and safety of the Company's employees and contributing to the fight against the pandemic in the midst of the intermittent pandemic in 2021, and therefore set up a special pandemic prevention and control team, with senior executives serving as the team leader and deputy team leader, and attached great importance to the health and safety of employees during the pandemic by addressing the actual needs of our employees and continuing to care for their physical and mental health. At the same time, the Company's property department paid close attention to the prevention and control of the pandemic conditions among our employees, with the following measures taken in 2021:

1. During the year, the property department deployed visual temperature monitoring devices that can realize simultaneous detection of multiple people to ensure the safety of pandemic prevention for our employees in the building.

2. The property department prepared a weekly statistics report on use of vaccines and booster vaccines, and continuously advocated all of our employees in the building to be vaccinated to achieve the sweeping pandemic prevention.

3. During the resurgence of the pandemic, the property department added short-interval disinfection measures for high-probability contact objects on top of routine disinfection every day, such as elevator buttons and printer buttons, which were disinfected every 2 hours. Tissues and paper recycling bins with protective covers were deployed inside the elevator to minimize the possibility of virus transmission by contact.

4. Close contact screening procedures were carried out in high-risk areas every day. Any individual with medium and high-risk close contact was advised to work at home and quarantine for 14 days. Upon completion of the quarantine, the 48-hour nucleic acid test results, Beijing Health Kit green code, and normal body temperature are the three basic conditions for resumption of work.

5. All property maintenance uses environmentally friendly materials to avoid harmful particulate pollution.

6. The property department of the Company prepared the weekly statistics report on use of vaccines and booster vaccinations, and continued to advocate and encourage all employees in the building to be vaccinated to achieve the sweeping pandemic prevention. The vaccination rate of the first two shots of the Company's employees reached 100%, and the vaccination rate of the booster shot reached more than 80%, which was in compliance with the requirement that one who needs vaccination shall be vaccinated.

During the pandemic, in order to protect the health and safety of employees, the Company adopts a flexible working mechanism and gradually returns to work in the form of home office and job rotation. After the resumption of work, the public areas are disinfected regularly, pandemic prevention masks, waterless sanitizer and disposable gloves are distributed daily, and lunch is provided to ensure the safety of employees.

Our Ahlone Power Plant (Myanmar Ahlone Power Plant Company Limited) in Yangon, Myanmar, continued to maintain 24/7 normal and uninterrupted operation in the context of the new round of impact of the COVID-19 pandemic in the world in 2021 to provide stable power supply to residents in Myanmar. By dividing the team into two shifts within 24 hours, and providing our employees with food and accommodation in the plant, the Company ensured that the power plant can operate 24 hours a day without anyone contracting the COVID-19 virus. In addition, the Company conducted nucleic acid tests on employees twice a week, sprayed disinfectant at 5 p.m. every day and ensured that every employee was vaccinated against the COVID-19.

Pandemic Prevention and Control Bulletin at our Power Plant in Myanmar

Occupational health

The Company is committed to building a safety culture, creating a healthy and safe working environment for employees, and preventing the safety risks to employees' occupational health, such as improving office facilities in the office, purchasing office supplies from regular manufacturers, and ensuring product quality and environmental protection.

The Company has taken the following measures to promote employees' occupational health:

- **Family-friendly measures:** Give flexible working hours to pregnant and lactating employees, provide employees with maternity and paternity leave higher than required by law.

- **Safety and health training and advocacy:** All employee induction training content covers occupational safety and health; headquarters and its subsidiaries hold safety production activities and training from time to time; the theme of employee activities is centered around sports and healthy life.

- **Safety risk assessment in the workplace:** Check the safety measures of the office building and the project sites on a regular basis, especially assess the safety risk of the water and electricity facilities, and carry out inspections to prevent fire, theft and others.

By reference to the power plant operation rules in China, as well as in accordance with the Environmental Protection Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, Labor Law of the People's Republic of China, Production Safety Law of the People's Republic of China, Emergency Response Law of the People's Republic of China, and other legal documents, our Ahlone Power Plant (Myanmar Ahlone Power Plant Company Limited) in Yangon, Myanmar has formulated occupational health and safety systems, including occupational safety and health management, distribution, use and management of personal protection products, and occupational hazard notices and warning. The Company strictly implements the occupational health and safety system, and is committed to safeguarding the occupational health of our employees and production safety. In 2021, no safety incidents were identified at the Ahlone Power Plant.

The safety management of workers in on-site engineering

➢ **Establish a safety management organization and allocate full-time safety management personnel:** Establish a project safety leadership group with project managers as the chief safety officer, on-site safety officers, project technical leaders and project team leaders as its members, responsible for from start to completion of the whole process of safe production.

— The allocation of full-time safety management personnel must comply with the provisions of the Measures for the Establishment of Safety Production Management Institutions and the Distribution of Full- time Safety Production Management Staff in Construction Enterprises and have three requirements: First is that they must have certain professional knowledge and safety management skills to be able to discover hidden safety hazards, know how to deal with hidden dangers, and at the same time be able to organize relevant personnel to carry out related safety production activities; the second is to have a rigorous work style, namely, "diligent and meticulous", a strong sense of responsibility; the third is to have a service mentality and modesty.

➢ **Establish, improve and strictly implement the safety production responsibility system and various management systems:** The safety production responsibility system is an important organizational measure to do a good job of safety, and is the core and central link of safety production management.

— Make clear stipulations on the responsibilities, rights and benefits of the responsible persons at all levels, functional departments and various types of construction personnel in the process of construction;

— The Safety Production Responsibility Letter is stipulated in accordance with the job responsibility system of management personnel and implemented and signed level by level, so as to meet the requirement of "Supervisor is responsible; Person who is on duty is responsible", and investigate related responsibilities as required.

➢ **Define safety production goals and formulate safe construction organization design:** According to the project situation, the Company formulates practicable safety production goals, and clarifies the standards to be achieved for on-site safety management, such as safety investment, civilized construction goals, so that safety management has a clear direction. Meanwhile, the person in charge of the project technology must compile relevant and targeted safe construction organization designs and plans to play a guiding role in on-site safe construction.

- **Strengthen education and training, and do a good job in safety technology disclosure and team safety activities:** "Accept training first before on duty". To ensure safety, training must come first. Adhere to the principle of training before on duty, and the principle of no entry without passing the exam.

  — Value and strictly implement safety education and training for new workers and migrant workers entering the field;

  — Safety education must be combined with the actual situation of the project, and resolutely put an end to "the fake, the exaggerated, the impractical" and other articles.

- **Carry out safety inspections, flexibly apply normative standards and immediately rectify any hidden dangers.** Relevant personnel carry out a detailed inspection to the field every day. The inspection standards must be "strict" and "accurate". When any hidden danger is discovered, rectification should be proposed "as required", and the rectification requirements should be agreed in accordance with the relevant norms and standards and the actual situation of the field.

At the same time, to safeguard production safety, our subsidiary Ahlone Power Plant in Yangon, Myanmar, also formulated stringent policies for factory operation and management for the purposes of risk prevention and control related to public affairs, including:

- Emergency Plan for Natural Gas Leakage Accidents
- Treatment Plan for Explosion and Leakage of Pressure-Bearing Parts of Boilers and Pressure Vessels and Pressure Pipelines
- On-site Treatment Plan for Fire Accidents in Hazardous Chemicals Warehouses
- Cable Fire Incident Action Plan
- Disposal Plan for Fire Accidents in Centralized Control Rooms
- On-site Treatment Plan for Hazardous Chemical Leakage Accidents
- On-site Disposal Plan for Waste Oil and Sewage Incident
- Sealed Space Operation Safety Management Standards
- Natural Gas Safety Management Standards
- Fire Safety Management Standards
- Management Standards for Major Accident Prevention Measures
- Major Hazard Safety Management Standards
- Work Safety Standards to Prevent Personal Injury and Death

In 2021, the Company did not violate any relevant laws and regulations that have a significant impact on the Company. The number and rate of work-related deaths in the Company from 2019 to 2021 are shown in the table below.

	2021	2020	2019
The number of work-related death (Persons)	0	0	1
Work-related death rate	0	0	0.31%
The number of working days lost by employees due to work-related injuries (days)	0	0	0

In the future, the Company will continue to implement the quality plan management policy, including management enhancement, quality assurance, dedicated service, and customer satisfaction. With the goal of customer satisfaction, we will enhance management, cultivate the quality awareness of engineering and service personnel, and improve the quality of engineering delivery and service products, all of which are aimed at building a first-class engineering and service team.

4.4 Care and Cohesion

In order to enhance employees' sense of belonging, the Company organizes a variety of activities relating to employee care, providing employees with a platform to show their talents and to communicate with each other. Such initiatives not only satisfy employees' psychological needs but also enhance their happiness.

➢ **Employee birthday party:** The Company organizes birthday parties for its employees on a regular basis and mobilizes the work enthusiasm of the employees as well as creates an atmosphere of unity, mutual assistance and fraternity.

➢ **Sweet pantry and employee dormitory:** The Company has considerately established a pantry and coffee house where are equipped with direct drinking water equipment and also provided employee dormitories for colleagues who work overtime. Employees can take a break from work, which improves the comfort and happiness level of employees.

Employee Birthday Party

Employee care plan: Make a year-round family condolences plan and implement condolences in accordance with the plan (mainly for frontline employees and employees who travel frequently); Increase team building activities before the holidays (Such as New Year's Day, Spring Festival, Lantern Festival and Dragon Boat Festival). Motivate employees to participate in team building activities, create an atmosphere of corporate culture and enhance employees' sense of belonging; Establish standards for employees' family members' condolence money (newborn baby condolence, immediate family members' death condolence money) based on job rank.

Children are the root of happiness in every family and the foundation of stability behind the enterprise. The Company presents gifts to employees' children on Children's Day under the principles of exquisiteness, generosity and meeting the needs of children, and shares the joy with employees' children. The above reflects the Company's humanistic feelings and the service consciousness of caring for employees' children with practical actions, and builds harmonious and active corporate atmosphere.

Environmental, Social and Governance Report

5 INTEGRITY

5.1 Eliminating Corruption in Accordance with Law and Regulations

Combating corruption and upholding integrity work is a significant component of enterprise management and also a critical link to self-restraint mechanism. Strengthening the combating corruption and upholding integrity work of enterprises is an internal requirement for boosting the reform and development of enterprises, but also forms a necessary option to regulate enterprise operation management activities.

In 2021, CIC made earnest efforts in anti-corruption and integrity-building, strictly abiding by the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and other laws and regulations. In order to prevent corruption, bribery, extortion, fraud, money laundering and other illegalities, the Company has constantly improved its internal anti-corruption supervision mechanism, and strengthened integrity publicity and education on employees, so as to enhance the vigilance of employees against corruption. As a result, a good atmosphere of discipline and law compliance, integrity and self-discipline, and honesty and trustworthiness is formed.

The Company mainly completes the combating corruption and upholding integrity work mechanism among the following aspects, so as to improve its actual efficiency:

- In terms of the internal anti-corruption supervision mechanism, the Company implements the relevant requirements of the regulatory agencies on anti-corruption work, effectively exerts the effective role of internal linkage meetings, makes full use of internal supervision resources such as audit, law, financial accounting and risk, and continuously improves internal anti-corruption supervision mechanism from senior management to key positions to clarify and implement the anti-corruption responsibilities of personnel in various departments. Procurement and related procurement employees are responsible for their own integrity and self-discipline, and all members of the Company supervise the integrity and self-discipline involved in procurement. Regarding the integrity risks and blind spots of supervision and restriction that may exist in the internal control management, the Company has established a scientific investigation plan, carried out the investigation by relying on the information network platform of the Company, and formulated corresponding anti-corruption measures according to the investigation results.

- In terms of strengthening integrity education among employees, the Company is committed to increasing employees' awareness of professional ethics and anti- corruption and further increases efforts to education on integrity so as to create an atmosphere of integrity. The Company increases training on combating corruption and upholding integrity in the departments involved in purchasing so as to improve their anti-corruption awareness. The Company requires its employees to carefully study the relevant anti-corruption regulations in the Employee Handbook: Employees must not use their positions for personal fraud and bribery, and severe punishment will be imposed on those who commit serious misconduct. At the same time, the Company conducted relevant training to enhance employees' awareness of the risk prevention of corruption. In 2021, the Company will carry out the training of "Enhancing the Awareness of Integrity and Self-discipline, Building a Solid Foundation for Anti-corruption and Refusing to Degenerate" to enhance employees' awareness of risk prevention of corruption.

- In view of possible corruption in its economic business processes, the Company has adopted supervision and control procedures at critical points, with continuous improvement of the approval process regarding the reimbursement of marketing expenses. In addition, we have properly concentrated or decentralized power to form an effective system of checks and balances so as to avoid any corrupt practice.

- The Company has set up a special complaint department to accept corruption reports from within the Company. The acceptance and investigation process of the reports are strictly confidential, avoiding disclosing the personal information of the reporters and complying with its own professional norms and ethics.

The Company requests the incorporation of anti-corruption clauses in contracts with its core suppliers and customers, among others:

- The supplier should warrant that it will reject any request for bribes by employees of the purchaser and will file a signed complaint to competent departments of the purchaser. The supplier shall be deemed to offer bribes to the purchaser if it entertains any request for bribes by employees of the purchaser instead of rejecting or reporting the same;

- The supplier should warrant that it will not engage in any economic relations with employees or relatives of the purchaser and shall declare any affiliation if have. In the event of any de facto affiliation, the supplier should warrant that it will no longer engage in any business with the purchaser;

- The supplier should also guarantee adherence to the principle of good faith during the contractual performance, ensuring the truthfulness and accuracy of the documents, information and data it provided for the purchaser. The supplier should warrant that it will not collude with employees of the purchaser to falsify business results. The supplier shall guarantee that abide by the commitments made to the purchaser, the contracts, agreements and memoranda signed by the two parties, and do not conceal any information that may affect the interests of the purchaser.

Meanwhile, the Company strictly deals with the procurement employees and suppliers who violate relevant regulations, commitments or terms. For procurement employees who have violations, the Company has the right to unilaterally and irrevocably terminate the labor contract, and reserves the right to hold the parties responsible; for suppliers who have violations, the Company will first put them on the supplier blacklist, disqualify the supplier and have no responsibility for terminating the business contract. At the same time, the Company will hold the suppliers legally responsible and claim compensation for losses in accordance with the terms of the commitment guarantee.

In 2021, the Company did not find any significant risks relating to corruption and was not subject to any confirmed corruption cases involving the Company or any corruption litigation against the Company or any of its employees. In the future, the Company will continue to place priority on anti-corruption and integrity, strengthen supervision of anti- corruption department, expand the scope of external supervision, establish a sound internal audit system, and provide a green guarantee for the healthy development of the Company.

5.2 Conducting Compliant Procurement to Ensure Quality

Sincere cooperation with suppliers is an important guarantee for CIC to realize the Company's strategy, and it is also an inexhaustible driving force for the Company's development. The Company values communication with suppliers, actively builds cooperation platforms, and strives to establish closely long-term and mutually beneficial cooperative relationships with suppliers, and work together to provide customers with quality products and services to promote the sustainable and stable development of the industry.

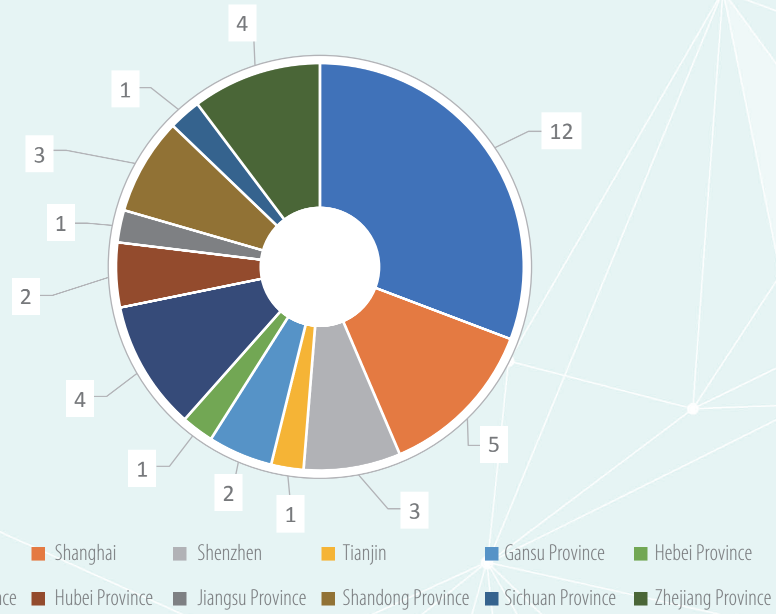
In order to meet the requirements of the Company's development, regulate the behavior of the Company and related cooperation units, guide the cooperation units to improve service awareness, in accordance with the relevant laws and regulations of the *Contract Law of People's Republic of China* and relevant regulations relating to the Company, under the principles of complementary advantages, equality and voluntary, CIC has formulated the Supplier Management Measures. In addition to the main supplier, Huawei Technologies Co., Ltd., the Company's suppliers also include cable suppliers, cabinet suppliers, computer suppliers, etc.

In the process of selecting suppliers, our AHLONE Power Plant (Myanmar Ahlone Power Plant Company Limited) in Yangon, Myanmar, fully takes the ESG performance of the suppliers into consideration. For example, in order to avoid serious negative impacts on the environment and production caused by transformer oil leakage accidents, in the procurement process, AHLONE Power Plant cooperated with companies with good ESG assessment results when selecting suppliers. For example, in the process of selecting transformer suppliers, we selected a large-scale transformer supplier with good ESG assessment results. In practice, the transformer performed well, which fully avoided negative environmental and social impacts, and ensured the safe and stable operation of the AHLONE Power Plant.

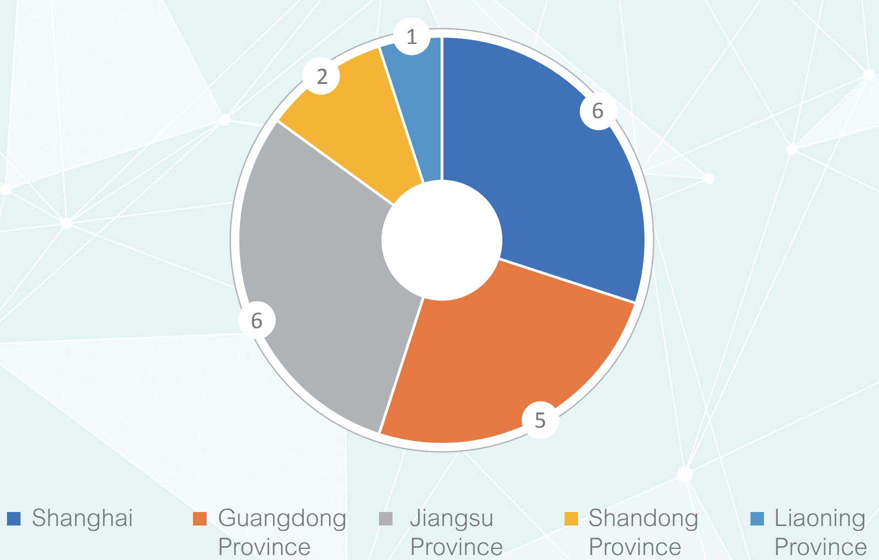
The Company currently has 59 suppliers. Among which, China ITS (Holdings) Co., Ltd. has a total of 39 suppliers, including 12 in Beijing, 5 in Shanghai, 3 in Shenzhen, 1 in Tianjin, 2 in Gansu Province, 1 in Hebei Province, 4 in Henan Province, 2 in Hubei Province, 1 in Jiangsu Province, 3 in Shandong Province, 1 in Sichuan Province, and 4 in Zhejiang Province.

In 2021, ALONE Power Plant had a total of 20 suppliers, including 6 in Shanghai, 5 in Guangdong Province, 6 in Jiangsu Province, 2 in Shandong Province, and 1 in Liaoning Province. The number of suppliers of the Company by region is shown in the following diagram:

Number of Suppliers of China ITS (Holdings) by Region



Number of Suppliers of AHLONE Power Plant by Region



Access of suppliers

The Company adopts the database of qualified suppliers to implement supplier access management. The Company adopts a supplier access qualification certification system, which mainly evaluates suppliers from their qualifications (including registered capital, whether they have obtained relevant certifications required by the industry, product testing reports, etc.), business scale, financial condition and industry reputation and other aspects. For suppliers involved in related environmental and social risks in the production process, the Company requires such suppliers to have"Environmental Management System Certification", "Occupational Health and Safety Management System Compliance Standard Certificate", etc.. For the purchase of large-scale equipment, the Company's procurement department and product department will go to the supplier's factory to conduct an on-site assessment in respect of environmental, safety and quality. Only qualified suppliers can enter the supplier database. During the year, all suppliers of the Company adopt the supplier access system.

Bidding for the project

For general products, the Company will conduct bidding in the supplier database at the beginning of each year, and the evaluation criteria include the supplier's product quality, price and cooperation status in the previous year;

For the single bidding of non-general products, the Company determines the qualified bidding of suppliers according to the process screening criteria introduced by new suppliers, and investigates the suppliers in terms of environmental protection according to the needs of users. The suppliers shall have the certification certificate of environmental license.

Performance process management of suppliers

The Company carries out strict inspection and supervision in the process of supplier performance, especially in terms of environmental and social risks. We strictly manage the supplier personnel to ensure that the supplier personnel meet the on-site needs. We pay attention to the project process management of suppliers to ensure that the progress, quality and cost of the project are controllable. At the same time, we strictly supervise the suppliers and require them to make technical and safety disclosure to guarantee the skills and personal safety of the personnel on the project site.

Annual assessment of suppliers

According to the cooperation with suppliers in the current year, the Company will conduct comprehensive evaluation from the aspects of product quality compliance, price, supply cycle, after-sales service cooperation, etc., these evaluations would be deemed as the criteria for whether the supplier can continue to be a qualified supplier of the Company and the purchase quantity in the next year.

Green procurement

The Company shall consider the environmental performance of products when selecting suppliers, to ensure that the products purchased meet the requirements of relevant environmental indicators, and give priority to purchasing green products under the same conditions.

For the suppliers management in the future, the Company will continue to strengthen the standardization and timeliness, and tend to choose to cooperate with well-known brand manufacturers on the basis of social responsibility.

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6 BENEVOLENCE

As a responsible social citizen, CIC adheres to the development philosophy of "Benevolence", actively participates in community public welfare undertakings, assumes corporate social responsibilities and obligations, feeds back the society with responsibilities and public welfare, and establishes a good corporate image, sublimates the corporate culture, and improves employees' sense of honor.

6.1 Commitments to education

Benzhai Town Central School is located in Benzhai Village, Benzhai Town, Zhenning Autonomous County, Guizhou Province. Being located in a remote place where the ethnic minorities cluster, the school falls into the category of a poverty-stricken frontier where ethnic minorities reside, the local economy is underdeveloped, and the school infrastructure does not meet its current actual requirements. In particular, in the implementation of the "Student Nutrition Improvement Plan", boarding was the most prominent challenge. 632 students in the whole school ate lunch in a cafeteria less than 200 square meters, which could cater to 200 people. Most of the students only ate in the open air. Students had to use umbrellas over their lunch during rainy days, while they had to sweat over their lunch during blazing hot days. Therefore, "boarding issue" has become a major issue in the school.

In 2021, the Company supported Benzhai Town Central School by providing funds to help build a 320-square-meter steel shed, successfully resolving the "boarding issue".

The improved school cafeteria after donation

In addition, the Company donated RMB1.5 million to the Tsinghua University Education Foundation in 2021, which is aimed to support the construction and development of the Business Model Innovation Research Center of Tsinghua University School of Economics and Management, as well as the development and cultivation of young teachers and students of Tsinghua University School of Economics and Management in the related areas.

Myanmar Ahlone Power Plant Company Limited, an AHLONE power plant of the Company located in Yangon, Myanmar, has set up a corporate social responsibility fund internally with an intention to make its contribution to the public interest and give back to the community, so as to promote its sustainable development. The Company will donate teaching aids to schools around the community in Yangon City where the power plant is located and plans to provide scholarships to 10 students from selected schools each year. In addition, the Company will provide employment opportunities for local young people in Myanmar and plans to plant trees every rainy season during the five-year initiative.

In 2021, the Company invested a total of RMB1,544,800 for charitable purposes.

6.2 Benefiting the Community

In view of the establishment of AHLONE power plant in Yangon, Myanmar, the Company pays close attention to the interests and needs of local communities in Myanmar, while advancing infrastructure construction and meeting electricity demand. During the construction of the AHLONE power plant project, hundreds of jobs were created for local communities.

In order to ensure no adverse impact of the construction of the AHLONE power plant of the Company on the local environment, take into account stakeholders and for the purpose of gaining the recognition of the local community, Myanmar Ahlone Power Plant Company Limited held a public consultation meeting (PCM) on 15 October 2021 in Ahlone Town, Yangon to clarify the potential environmental and social impacts of the Myanmar Ahlone Gas-fired Power Plant (MAGPP). A total of 14 persons, including four officials from the Ministry of Electric Power of Myanmar, four staff from the Administration Department and six from Myanmar Survey Research Co. Ltd., attended the PCM, at which most participants mentioned that they were pleased with the construction of the power plant and there were no objections to the construction and operation of the Myanmar Ahlone gas-fired power plant.

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At the PCM

7 SUSTAINABILITY

CIC always believes that it is duty-bound to promote sustainable development. We strictly abide by laws and regulations related to environmental protection, including the *Environmental Protection Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China*, etc.. The Company practices green concepts and builds a low-carbon society. And we acknowledge the goal of synergistic development of economic and environmental benefits. While developing our business, we thoroughly implement the concept of energy conservation and environmental protection, and we take various measures to achieve clean, efficient, green and smart development.

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7.1 Clean Energy and Green Production

In 2020, in response to the national call of "The Belt and Road" and to strengthen cooperation with countries along the route of "The Belt and Road" initiative, Myanmar Ahlone Power Plant Company Limited, an overseas subsidiary of China ITS has successfully obtained a power production license from the Ministry of Electricity and Energy (MOEE) of Myanmar and has started the construction and upgrading of a 151.54 MW combined cycle steam and natural gas power plant with the latest technology in Yangon City, Myanmar. The AHLONE Power Plant project undertaken by China ITS, which is in line with the Myingyan Independent Power Plant (IPP) program of the Government of the Union of Myanmar, has eased the shortage of power supply caused by the rapid development of the local economy, and guaranteed 24/7 power supply for local households, manufacturing, service industries and other industries. With the commencement in September 2019, the AHLONE Power Plant of China ITS realize gas turbine power generation in April 2020 and combined cycle gas and steam turbine power generation in January 2021, with an installed capacity of 151 MW.

In addition to the daily operation of the power plant, Myanmar Ahlone Power Plant Company Limited, a subsidiary of China ITS located in Yangon, Myanmar also attaches importance to the local environment, society and corporate governance. In order to strengthen its credibility, on 10 August 2020, being the beginning of the plant design and construction, the subsidiary of China ITS located in Yangon, Myanmar engaged Myanmar Survey Research Co. Ltd. to conduct a detailed and quantifiable on-site environmental control survey from 10 August 2020 in accordance with the relevant requirements of the Myanmar Environmental Protection Agency. Myanmar Survey Research Co. Ltd., which is a certified service provider of environmental and social impact assessment reports in Myanmar authorized by the Ministry of Natural Resources and Environmental Protection of Myanmar and operates legally and in compliance with the law, officially submitted its environmental impact assessment report on the company to the Myanmar Environmental Protection Agency on 25 February 2022, after more than one year of assessment.

7.2 Creating Green Office and Eliminating Waste

Use of energy

Energy is an important material foundation for national economic and social development. Energy shortage has become an important factor restricting the sustainable development of the national economy. CIC attaches great importance to issues related to energy use, and actively promotes energy conservation, reduction of energy consumption and emissions reduction. The Company takes the establishment of an energy-saving culture as the lead to enable employees to develop a good habit of saving electricity, water and protecting the environment. The Company's administrative department cooperates with property management and maintenance to ensure better implementation and management of energy-saving work.

Energy consumed by the Company during its operation mainly involved the use of gasoline for business vehicles and the use of electricity in office areas. Table of use of gasoline and electricity by the Company in 2021 are as follows:

Energy consumption and intensity of China ITS (domestic)

Energy type	2021 Energy use	2021 Intensity	2020 Energy use	2020 Intensity
Gasoline (tonne)	2.83	–	8.76	–
Electricity	745,581.39 KWh	138.88 KWh/m^2	871,109.16 KWh	163.58 KWh/m^2
Integrated energy consumption[1]	779,463.10 KWh	3,021.17 KWh/person	975,986.82 KWh	3,562.00 KWh/person

Energy and resource consumption of AHLONE Power Plant (overseas)

Energy type	2021	2020
Gasoline (tonne)	5.26	3.00
Electricity (KWh)	24,253,000	6,000
Integrated energy consumption (MWh)	2,595,577.16	292,769.61
Natural gas (standard cubic)	237,600,000[2]	27,049,800

[1] The calculation of integrated energy consumption: the sum of the Company's gasoline and electricity consumption multiplied by the corresponding emission factors. For the emission factor, please refer to the China Energy Statistical Yearbook.

[2] The AHLONE Power Plant was put into trial operation in 2020 and generated a total of approximately 1.2 billion kWh in 2021, which is almost full capacity, resulting in a large difference in natural gas consumption in two years.

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In the construction of the AHLONE Power Plant of the Company in Yangon, Myanmar, the natural gas fuel of the power plant in Myanmar is connected through the main natural gas pipeline in Myanmar. In the combustion process of natural gas, 50% of the combustion heat requires to be removed by the condenser through evaporation. The cooling water of AHLONE power plant comes from the water furnace, and the main part of the water consumption is the mechanical cooler. Since the cooling water is lost when it evaporates and enters the atmosphere, the water needs to be supplemented by pumping water from the river. Due to the poor quality of river water near the power plant, it needs to be filtered before use.

In strict compliance with local laws, regulations and rules related to energy use in Myanmar, such as the Myanmar National Electrification Plan (NEP), the Myanmar Energy Master Plan (2015), the Electricity Law (2014) and its rules, and the Petroleum and Petroleum Products Law (2017), the AHLONE power plant formulates an internal operation management system, a reward and punishment system and conducts assessment according to rules to maintain water system and ensure that it can operate within the range of design parameters. The lubricating oil used by the unit is added at the time of installation, and it does not need to be replaced or will not leak within ten years of operation, which can effectively control environmental risks.

Energy saving and environmental protection

Adhering to the principle of "Energy Conservation, Reduction of Energy Consumption, Protection of the Environment and Harmonious Development", the Company carries out proactive publicity within the Company, strictly implements austerity and green office, follows the philosophy of green development and green and low-carbon requirements, and effectively reduces unreasonable consumption behavior. As a non-production high-technology company, CIC actively implements the philosophy of energy conservation and consumption reduction, creates a green and environment-friendly business model and strives to be the faithful practitioner of the "resource-saving" society.

The Company takes the establishment of an energy-saving culture as the lead to enable employees to develop a good habit of saving electricity, water and protecting the environment. The Company's administrative department cooperates with property management and maintenance to ensure better implementation and management of energy-saving work.

In 2021, the Company adopted the following measures to save energy:

➢ Save electricity for lighting. Offices and other public areas make the best use of natural light during the day to reduce the use of lighting lamps; reduce the number of lamps in places with low lighting requirements, such as public areas, corridors and aisles, and prevent the occurrence of "lamps which burn day and night";

➢ Save electricity for air conditioning. Control the air-conditioning temperature of the office, conference room and other office areas. The temperature should not be lower than 26°C in summer and not higher than 25°C in winter. The security guards should conduct patrol inspection on whether the window is closed when the air conditioning is turned on. Based on practical research from the Company's property department, which finds that maintaining low-temperature operation at 19°C at night is more power-efficient than shutting down at night and starting in the morning, while employees feel more comfortable working in the morning;

- After work and during weekends and holidays, security guards should patrol the building every hour, switching off lights in unoccupied office areas at once; only one elevator shall be open, the other one is open as the case may be.

- When purchasing computers, printers, refrigerators, etc., priority is given to low-power models.

- In order to save gasoline consumption and reduce the cost of vehicles, the Company recharges fuel cards in a fixed amount according to the vehicle's displacement and frequency of use; The Company should strengthen the management of business vehicles and rationally arrange cars for official use. Reduce unnecessary use of business vehicles and choose green travel modes.

- During the year, the property department increased the number of inspections in the building between 17:00 and 22:00, shortened the time interval between two adjacent inspections, and dealt with the non-essential power use situation immediately, so as to control the waste of electricity and energy in a more timely and effective manner. During the year, the property department made toilet open for use through location during the holiday of more than 2 days, and disconnected all the non-essential power supply to reduce the waste of non-essential electricity and water resources.

- The Company's free commuter shuttle bus which runs at fixed time and place, goes directly to the subway entrance, with four times per daily, including morning and evening. Employees are encouraged to commute to work by company shuttle bus.

By 2021, the Company has achieved a 5% reduction in energy consumption on the basis of 2020. The company has also achieved the targets of saving fuel by 5%,saving electricity by 5% and reducing per capita energy consumption by 5% on the basis of 2020. In the future, the Company will continue to make efforts in promoting the use of new energy-saving and environment-friendly products in administrative offices, regional offices and other daily workplaces, encouraging the use of energy-saving facilities and appliances, and eliminating products that do not meet the national energy-saving standards.

The core of AHLONE power plant's energy-conservation control is to select world-class modern unit technology while ensuring that it operates in accordance with regulations during the operation stage. The generation unit adopts the modern unit of GE Company, and maintains the power generation efficiency to be at the best level by controlling the power plant to generate electricity under the rated state. In strict accordance with the operation requirements of GE Company, the power plant regularly repairs and maintains the units to ensure that the units are maintained in good working conditions, so as to achieve the medium and long-term energy-conservation goals. In addition, equipment, lighting and other electrical facilities of the plant are controlled by quotas to ensure that electricity is saved during the work process.

Water resources management

In terms of water resources management, the Company adheres to strengthen employees' awareness of water saving, develops water recycling as appropriate, and improves water resource utilization efficiency; meanwhile, the Company strictly complies with laws and regulations related to water resources formulated by the State and a special qualification commissioner is responsible for water saving management and supervises the implementation. During the operation of the Company, water resources are mainly used for drinking and cleaning. During the year, the Company did not have any problems in obtaining suitable water sources. Table of use of water resource by the Company in 2021 are as follows:

Water consumption and intensity of China ITS

	2021	2020
Total water consumption domestic (m^3)	700.52	1,037.52
Total water consumption abroad (AHLONE Power Plant)	2,000,000.00	1,800,000.00
Intensity of water consumption domestic (m^3/m^2)	0.13	0.19
Intensity of water consumption abroad (AHLONE Power Plant) (m^3/m^2)	4,000	3,600

In 2021, the Company adopted the following measures to improve the utilization efficiency of water resources:

- Enhance inspection management. Maintenance staff of the property company conducts two patrols each day, one in the morning and the other in the afternoon, covering office areas, equipment rooms, toilets, water meter rooms, etc., in order to avoid running, emitting, dripping and leaking and other phenomena;

- Timely troubleshooting. In case of any running, emitting, dripping and leaking and other phenomena, deal with it as soon as possible, analyze the cause of the troubles and formulate a maintenance plan; If need the construction party's cooperation, such maintenance staff should actively contact them to repair and restore the original condition as soon as possible;

- Cultivate awareness of water conservation. The Company organizes and conducts the training about saving water. All leaders set a good example and take consciously more care of water facilities with staff. Promote employees to save water, if any water waste is found, the property management department will warn and punish according to the seriousness of the situation;

- Strengthen water recycling. Under reasonable circumstances, increase the recycling and reuse of water resources. For example, the cleaners can flush the toilet with water used during the cleaning process.

In 2021, based on the actual situation of the Company, we have successfully achieved the target of water saving by 5% on the basis of 2020. In the future, the Company will raise employees' awareness of water conservation, and encourage them to participate in propaganda to make every employee aware of water conservation, and will give incentives or rewards to the employees who have made remarkable achievements in water conservation.

With regard to the use of packaging materials, the Company's products are distributed directly to customers by our provider Huawei, and no packaging materials are generated during the operation.

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In 2022, the Company will continue the management objectives of the previous year and strengthen the energy conservation and environmental protection and respond to the climate change. Specific management plans include:

- ➢ Make monthly statistics on electricity consumption and compare with last month's data to find and solve problems and save energy from hardware equipment; Promote the use of new energy-saving and environment-friendly products in administrative offices, regional offices and other daily workplaces, encourage the use of energy-saving facilities and appliances, and eliminate products that do not meet the national energy-saving standards.

- ➢ Keep the energy use target at the same level as that of the previous year, re-examine the energy use specifications, check leaks and fill the vacancy, put forward high standards and requirements on the building's hardware equipment and the management of tenants as far as possible, and standardize the work flow of department personnel to strengthen the management of energy use.

- ➢ Strengthen the management of water supply and use facilities, repair damaged water supply and use facilities in time, put an end to the phenomenon of running, emitting, dripping and leaking.

- ➢ Formulate emergency response plans for extreme weather, for example, emergency response work that department personnel need to involved during windy weather, blizzards and rainstorms, and make relevant emergency plan training and emergency drill.

- ➢ Comprehensively and systematically plan the time of turning on and off lights and the start and stop time of air conditioning cooling and heating period in each area of the building.

7.3 Controlling Emissions, Reducing Pollution

Solid wastes generated during the operation of the Company mainly come from the office process, including waste papers, ink cartridges, toner cartridges, batteries, etc.. Amongst, ink cartridges, toner cartridges and batteries may cause environmental pollution. The table of the Company's hazardous and non-hazardous solid wastes emission and per capita intensity in 2021 is as follows:

Emission volume of wastes and intensity of China ITS

	2021		2020	
Wastes	Emission volume of wastes (Kg)	Per capita intensity (Kg/person)	Emission volume of wastes (Kg)	Per capita intensity (Kg/person)
Ink cartridge	158.20	0.61	183.50	0.64
Toner cartridge	138.50	0.54	158.50	0.55
Fluorescent tube	14.50	0.06	15.00	0.05
Battery	53.30	0.21	61.60	0.22
Paper	4,060.00	15.74	4,125.00	14.42
Domestic waste	8,000.00	31.01	10,000.00	38.76

The Company has adopted the following measures to control emissions, reduce pollution, and achieve energy conservation and emissions reduction:

➢ Dispose of waste reasonably. Set up waste recycling bins, sign with recycling companies and contact suppliers to recycle batteries and ink cartridges, and other hazardous solid waste is delivered to a qualified third-party unit for processing avoiding contamination; non-hazardous solid waste is collected and delivered to a waste paper recycling station.

➢ Reduce paper usage. Promote paperless office and reduce unnecessary printing content; paste a sign in relation to saving paper, energy conservation and environmental protection in the printing room to remind printer users, and promote double-sided printing.

➢ Implement garbage classification. In compliance with the Beijing Administrative Regulation on Waste Sorting, the property department replaced the rubbish bins in the building in accordance with the property requirements of the park. The property department sets up clearly marked sorting bins on the floors, sends emails to each tenant company for notification, and provides on-site guidance during the peak hours of garbage collection. The cleaning staff transports the garbage in the bucket to the garbage station in the park for secondary classification every day, so as to avoid garbage confusion and ensure the efficiency of classification.

In 2021, according to the Beijing Administrative Regulation on Waste Sorting and the property requirements of the park, the property department continued to use sorting bins for garbage classification and posted garbage classification posters conspicuously in the building. The staff of the property department also provided on-site guidance and promotion to other employees during the peak hours of garbage collection. Through continuous promotion and on-site guidance, 100% waste separation and disposal has been basically achieved in the building.

In 2021, there were no confirmed cases relating to any violation of environmental protection laws or regulations with a significant impact on the Company.

In 2021, the total domestic sewage discharged by the Company was 805.19 cubic meters. The exhaust gas and greenhouse gas emissions of the Company mainly came from the power generation process of the AHLONE Power Plant during the year, and a small part came from the business vehicle exhaust and office power consumption of the Company. The main emissions are shown in the table below:

Exhaust and greenhouse gases[3] emissions[4] and intensity of China ITS in 2021

Type	Emission Volume	Unit
Sulphur dioxide	42,613.72	kg
NOx	418,152.64	kg
Particulate matter	56,251.99	kg
Direct GHG emissions	963,489.74	tonnes of Carbon Dioxide Equivalent
Indirect GHG emissions	15,251.63	tonnes of Carbon Dioxide Equivalent
Total GHG emissions	978,741.37	tonnes of Carbon Dioxide Equivalent
GHG emission intensity	13.22	tonnes of Carbon Dioxide Equivalent per million in business income

In the construction of the AHLONE power plant project of the Company in Yangon, Myanmar, the waste discharged includes construction waste and waste oil. We strictly comply with local laws and regulations, and signed an agreement with the environmental protection authority of Yangon municipal government of Myanmar, which stipulates that the environmental protection authority is responsible for the regular removal and treatment of the emissions.

3 The calculation of GHG is as follows:
Direct GHG emissions: gasoline and natural gas consumption of the Company is multiplied by the corresponding emission factor. For the emission factor, please refers to ① China Energy Statistical Yearbook ② IPCC 2006;
Indirect GHG emissions: outsourcing power consumption of the Company is multiplied by the corresponding emission factor. For the emission factor, please refer to the Guidelines for Verification of Greenhouse Gas Emission Reports by Enterprises (Trial) by the Ministry of Ecology and Environment ; Total GHG emissions: Sum of direct GHG emissions and indirect GHG emissions.

4 The AHLONE Power Plant consumed more natural gas in 2021 due to operation in almost full capacity, resulting in an increase in exhaust and greenhouse gases emissions in 2021 as compared with 2020.

For the control and management of the emissions during the operation phase of the AHLONE project, the core of management lies in the adoption of advanced technology level, equipment level and design parameters to ensure the management of long-term safety, stability and compliance of the emissions. The strict inspection of various parameters by the operators could make the equipment and units operate under the design parameters, ensure the consistency between the emissions and designed emissions, so as to meet the requirements and achieve standard discharge of emissions.

- For waste gas, the main emissions include NOX, SOX and CO2. AHLONE power plant project adopted the modern GE gas turbine, which reduced the emissions by taking effective technical means. Thereinto, the greenhouse gas CO2 is the inevitable emissions for power plants. Given the small number of power plants in Myanmar and the shortage of electric power supply there, the CO2 emissions generated by power plants within the scope of Myanmar's commitment are deemed as reasonable emission and do not violate the Paris Agreement. The AHLONE power plant operates and conducts supervision under the GE requirements, which ensures the effective management of waste gas emissions and avoids the environmental risks to the surrounding environment of the construction project and risk of global climate change.

- For noise pollution, the noise level of GE units adopted by the power plant is controlled below 50dB, which is in full compliance with international standards and has no negative impact on the environment and human health. In addition, the power plant is strictly inspected during its internal operations, and the units are regularly repaired and maintained according to regulations to ensure that the units maintain stable and good operation.

- For the sewage generated during operations, AHLONE power plant is equipped with a dedicated sewage treatment pool to treat the sewage and put the effluent water into recycling use. The operation of the power plant strictly abides by the environmental protection preparation conditions, follows the basic environmental protection requirements for power plant construction, and achieves zero pollution discharge of water from the power plant through advanced and high-level equipment and design. Sodium chloride, sodium sulfate and other miscellaneous salt are properly treated by sewage treatment pools, dry mud machines and other equipment, and other wastes are treated regularly by the Yangon Municipal Environmental Protection Department.

- For waste, it mainly includes ink cartridges, toner cartridges, fluorescent tubes, batteries, paper and domestic waste. The domestic waste discharged from AHLONE Power Plant is treated regularly by the Yangon Municipal Environmental Protection Department.

In strict compliance with local regulations and policies in Myanmar, such as the Constitution of the Republic of the Union of Myanmar (2008), the Myanmar Sustainable Development Strategy (2009) and Plan (2018 — 2030), the National Environment Policy of Myanmar (1994), Agenda 21- Myanmar, the National Biodiversity Strategy and Action Plan (NBSAP), the Prevention of Hazard from Chemical and Related Substances Law (2013), , the Company's construction and operation of the AHLONE Power Plant is controlled in accordance with the standards of the Paris Agreement and the Chinese government, which is in conformity with requirements of the Myanmar government. In 2021, the Company neither received any government penalties or lawsuits due to environmental protection problems, nor did any environmental protection incidents occur. In the future, the Company will also continue to pay attention to environmental protection and continue to fulfill its social responsibilities in terms of the environment.

7.4 Responding to Climate Change Actively

Although climate change has an immaterial impact on the Company, we still plan to take some countermeasures based on the assessment results of important issues and the characteristics of the Company's business. We plan to propose emergency solutions for extreme weather, such as strong winds, blizzards and rainstorms. For the emergency handling work involved, we will conduct relevant emergency plan training and emergency drills. At the same time, we strive to reduce unnecessary energy use and pollutant emission in the operation process, such as advocating the saving of electricity, reducing electrical appliances and other harmful waste emissions, setting up harmful waste recycling bins, and signing a recycling company to recycle batteries and ink cartridges to avoid pollution. In the future, we plan to increase publicity on energy conservation and environmental protection, promote green travel, and implementation of waste sorting, which is the responsibility of everyone.

The AHLONE Power Plant of the Company is located in Yangon, Myanmar, which is vulnerable to natural disasters such as cyclones, earthquakes, floods, landslides and forest fires due to its geographical characteristics. While man-made disasters can be eliminated with the help of technologies and facilities in related sectors, the occurrence of natural disasters other than tropical storms is unpredictable. It is therefore essential to consider the risks and hazards associated with natural disasters and to make emergency plans. As a result, the AHLONE Power Plant in Myanmar has developed an extensive emergency plan for various incidents, including utility failures (power outages, pipeline failures, gas leaks, steam line breaks, ventilation problems, elevator failures, etc.), fires, earthquakes, storms, floods and other natural disasters. At the same time, the Company will conduct regular induction training or courses related to emergency plans and procedures for all employees and staff.

Environmental, Social and Governance Report

APPENDIX

INDEX OF THE HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORTING GUIDE

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A1.1	The types of emissions and respective emissions data.	7.3 Controlling Emissions, Reducing Pollution
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.3 Controlling Emissions, Reducing Pollution
A1.3	Total hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.3 Controlling Emissions, Reducing Pollution
A1.4	Total non-hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.3 Controlling Emissions, Reducing Pollution
A1.5	Description of emission target(s) set and steps taken to achieve them.	7.3 Controlling Emissions, Reducing Pollution
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	7.3 Controlling Emissions, Reducing Pollution

ESG Reporting Guide		Content	
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A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7.2	Creating Green Office and Eliminating Waste
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7.2	Creating Green Office and Eliminating Waste
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A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	7.4	Responding to Climate Change Actively

Environmental, Social and Governance Report

ESG Reporting Guide		Content
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B1.1	Total workforce by gender, employment type (such as full-time or part-time), age group, and geographical region.	4.1 Employment and Rights
B1.2	Employee turnover rate by gender, age group and geographical region.	4.1 Employment and Rights
Aspect B2: Health and Safety		
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.3 Health and Safety
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B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.2 Conducting Compliant Procurement to Ensure Quality
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.2 Conducting Compliant Procurement to Ensure Quality
B5.4	Description of practices that promote the use of environmental preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.2 Conducting Compliant Procurement to Ensure Quality

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B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	2.1 Strictly Guaranteeing Product Quality
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B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to anti-bribery, extortion, fraud and money laundering.	5.1 Eliminating Corruption in Accordance with Law
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.1 Eliminating Corruption in Accordance with Law
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Director and Senior Management

BOARD OF DIRECTORS

As at the date of this report, the Board consisted of five Directors, two of whom are executive Directors, three are independent non-executive Directors.

The table below sets forth certain information regarding the Directors who held office as at the date of this annual report:

Name	Age	Title
Mr. Liao Jie	56	Chairman and executive Director
Mr. Jiang Hailin	53	Executive Director
Mr. Ye Zhou	54	Independent non-executive Director
Mr. Wang Dong	46	Independent non-executive Director
Mr. Zhou Jianmin	55	Independent non-executive Director

Executive Director

Mr. LIAO Jie (廖杰), 56, is the chairman of the Board (the "**Chairman**") and an executive Director, responsible for formulating strategy of the Company. He was appointed as the executive Director and the chief executive officer of the Company (the "**Chief Executive Officer**") on August 24, 2011 and was responsible for the overall business operations and mergers and acquisitions of the Company. On July 9, 2012, Mr. Liao has been elected as the Chairman and retired from his position as the Chief Executive Officer. Mr. Liao is also one of the controlling shareholders of the Company (the "**Controlling Shareholder**"), and serves as a director of China ITS Co., Ltd. ("**Holdco**", one of the Controlling Shareholders), Best Partners Development Limited ("**Best Partners**", one of the Controlling Shareholders), and Joyful Business Holdings Limited ("**Joyful Business**", one of the Controlling Shareholders). Mr. Liao has been appointed as a director of Visual China Group Co., Ltd. (formerly known as Far East Industrial Stock Co., Ltd., a company listed on the Shenzhen Stock Exchange, stock code: 000681, "**Visual China**") from May 9, 2014 and the chairman of Visual China from May 29, 2014. Mr. Liao became a director of Beijing RHY Technology Development Co., Ltd. in May 2002, responsible for strategic planning and operational management in the expressway segment and retired from the directorship when he started serving as a senior advisor of the Board of the Company on business strategy and operational direction of the Group in January 2008. Mr. Liao has served as the Chairman of Beijing RHY Technology Development Co., Ltd. since July 2020.

Prior to joining the Company, Mr. Liao served as a senior engineer of Nortel Canada in 1995. From 1996, he spent a total of four years in North America running an international IT supply chain business before returning to the PRC in 1999. In 1999, Mr. Liao and his family founded Beijing Bailian Youli Information Technology Co., Ltd. (the investment holding company prior to the establishment of Bailian Youli (Beijing) Investment Co., Ltd.), which invested and co-founded Visual China, CSDN Group Limited and the Group.

Mr. Liao holds a master's degree in applied science from the University of Toronto, and a bachelor degree in industrial automation from the Huazhong University of Science and Technology. Mr. Liao has a long established understanding of the businesses of the Group and deep industry expertise, as a result of which he can help the Group to reshape its business model, achieve operational excellence and diversify our business mix across different transport industry segments.

Director and Senior Management

Mr. JIANG Hailin (姜海林), 53, is an executive Director and the Chief Executive Officer, responsible for overall business operation of the Company. Mr. Jiang was appointed as the Director on February 20, 2008, and was then elected as the Chairman. On July 9, 2012, Mr. Jiang has been re-appointed as the Chief Executive Officer and therefore resigned from his position as the Chairman. He is also one of the Controlling Shareholders, a director of Holdco and Sea Best Investments Limited ("**Sea Best**", one of the Controlling Shareholders). Since he joined our Group in May 2002, Mr. Jiang has held various positions within our Group including (i) a director of Aproud Technology from August 2002 to February 2010 and again from November 2010 to October 2012, vice chairman of the board of directors of Aproud Technology from November 2012 to February 2016 and chairman of the board of directors of Aproud Technology since March 2016; (ii) chairman of the board of directors of Haotian Jiajie since March 2007; (iii) an executive director and general manager of Jiangsu Zhongzhi Transportation since December 2011; (iv) an executive director of Zhixun Tiancheng since November 2014; and (v) an executive director of Hongrui Dake from November 2015 to July 2019. In addition, Mr. Jiang has served as the director of Beijing RHY Technology Development Co., Ltd. from May 2002 to July 2014 and since July 2020.

Prior to joining our Group, Mr. Jiang was employed by China Ocean Shipping Co., Ltd., a PRC incorporated company listed on the Shanghai Stock Exchange (stock code: 600428) where he was responsible for the development of ground transportation logistics network, in particular, the development of the cargo movement monitoring systems for ground transportation in the China ITS industry. He has established his business relationship and network in the transport industry since 2000.

Mr. Jiang received a bachelor's degree in computing from Nankai University in July 1990 and an EMBA degree from Tsinghua University in July 2006. Mr. Jiang possesses a total of approximately 28 years of experience in general management and over 20 years of experience in the China ITS industry.

Independent Non-Executive Director

Mr. YE Zhou (葉舟), 54, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Ye was appointed as Director on July 15, 2016. Mr. Ye is and has been the chief executive officer of ULSee Inc. since 2014. Prior to his current position at ULSee Inc., from 1994 to 1996, he was a senior product engineer of General Motors Company. From 1996 to 1997, Mr. Ye was the director of wireless communication department of UTStarcom Holdings Corp. From 1997 to 2006, Mr. Ye was the vice president of Asia Pacific region of UTStarcom Holdings Corp. From 2007 to 2016, Mr. Ye was the chief executive officer of CyWee Group Ltd..

Mr. Ye graduated from Pennsylvania State University with a master's degree in electrical engineering in 1994.

Mr. WANG Dong (王冬), 46, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. Mr. Wang was appointed as Director on June 21, 2018. Since October 2009, Mr. Wang has been acting as the chief financial officer of ORG Technology Co., Ltd. (Shenzhen Stock Exchange stock code: 002701, formerly known as ORG Packaging Co., Ltd.), of which he has also been serving as a director and deputy general manager since February 2014. Prior to joining ORG Technology Co., Ltd., Mr. Wang was the financial controller of our Company from January 2007 to September 2009, and worked at PricewaterhouseCoopers Zhong Tian LLP from July 1998 to December 2006 who was a senior manager of audit department when he left PricewaterhouseCoopers. Mr. Wang was also an independent director of Visual China Group Co., Ltd. (Shenzhen Stock Exchange stock code: 000681) from June 2014 to October 2018. Visual China Group Co., Ltd. is an associate of Mr. Liao Jie and the controlling shareholders of the Company.

Director and Senior Management

In addition, Mr. Wang has been appointed as (i) a director of Huangshan Novel Co., Ltd. (Shenzhen Stock Exchange stock code: 002014) since January 2016; (ii) an independent director of Shaanxi Baoguang Vacuum Electric Device Co., Ltd. (Shanghai Stock Exchange stock code: 600379) since May 2017.

Mr. Wang is a member of the Chinese Institute of Certified Public Accountants, a member of Chartered Institute of Management Accountants, an associate member of Association of International Accountants and Chartered Global Management Accountant. Mr. Wang graduated with a bachelor's degree in Marketing from Shandong University of Finance and Economics and a Finance MBA degree from the Chinese University of Hong Kong. Mr. Wang has more than 23 years of experience in accounting and finance and 15 years of experience in business management.

Mr. Zhou Jianmin (周建民), aged 55, is an independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. Mr. Zhou is currently the co-chairman of the Center for Global Merger Acquisition and Restructuring of PBC School of Finance of Tsinghua University, and the executive vice president of the Shandong Chamber of Commerce in Beijing.

Mr. Zhou is also currently, and has been since March 1999, the chairman of the board of directors and the general manager of Jinan Jinri International Advertising Development Co., Ltd.* (濟南金日國際廣告發展有限公司). Prior to these roles, Mr. Zhou served at Shandong Dafengche Industrial Co., Ltd.* (山東大風車實業有限公司), which he founded in December 1996, as a director and the general manager of this company from December 1996 to September 2018. Mr. Zhou was also the executive director and general manager at Beijing Dafengche Education Technology Development Co., Ltd.* (北京大風車教育科技發展有限公司) from December 2009 to September 2014.

Mr. Zhou has served as an executive director of Wudaokou Capital Company Limited* (北京五道口投資基金管理有限公司) from March 2014 to March 2016 and again since March 2020, and has served as the vice chairman of Chery Holding Co., Ltd. since December 2019.

Mr. Zhou graduated with a Bachelor of Arts degree in Chinese Language from Shandong University in July 1989 and obtained an EMBA degree from PBC School of Finance of Tsinghua University in August 2018. Mr. Zhou engaged in the advertising and education industries after his graduation before he founded Shandong Dafengche Industrial Co., Ltd.* (山東大風車實業有限公司).

SENIOR MANAGEMENT

The table below sets forth information regarding the senior management of the Company (including Directors who also hold executive positions):

Name	Age	Position
Mr. Jiang Hailin	53	Chief Executive Officer
Mr. Luo Haibin	45	President
Mr. Mou Yi	55	Chief Financial Officer, general manager of Financial Management Department

For information on Mr. Jiang Hailin, please see "Directors and Senior Management — Board of Directors" above.

Director and Senior Management

Mr. LUO Haibin (羅海濱), 45, President. He is responsible for the business operation and daily management of the Company. Mr. Luo joined the Group in November 2007 and served as the general manager of the Central South area of Zhixun Tiancheng, responsible for the marketing in the Central South area. He then served as the general manager of the Department of Sales Management, general manager of the Marketing Department, vice general manager and general manager of Zhixun Tiancheng. He has been the legal representative and the president of Zhixun Tiancheng, responsible for the operational management of railway business of the Company since November 2014. Mr. Luo served as the vice president of the Company from February 2015 to March 2018, and has served as the president of the Company since March 2018. In addition, Mr. Luo has also held various positions within our Group, including (i) an executive director of Zhongtian Runbang since December 2014; (ii) a director and general manager of Aproud Technology since March 2016; (iii) an executive director of 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) since March 2020, and the legal representative and manager of Zhongzhi Runbang Intelligent Railway since November 2020; and (iv) the legal representative, chairman of the board of directors of Beijing Zhixun Cloud Technology Co., Ltd. (北京智訊雲技術有限公司) since October 2016 and its executive director and manager since September 2020, at which time he resigned as chairman of the board of directors.

Prior to joining our Group, Mr. Luo served as the marketing director of the Department of Military Network of Beijing Jiaxun Feihong Co., Ltd., responsible for the industrial marketing management of the military.

Mr. Luo graduated from Beijing Information Science and Technology University of computer software specialty and received a master's degree in business administration from Tsinghua University in January 2022. Mr. Luo possesses approximately 21 years of experience in marketing and management.

Mr. MOU Yi (牟軼), 55, is the Chief Financial Officer and general manager of Financial Management Department. He is responsible for overall financial management and investment of the Company. Mr. Mou was appointed as chief financial officer of the Company in March 2018, and has served as general manager of Financial Management Department since October 2009, being responsible for internal financial management. Mr. Mou served as the supervisor of Hongrui Dake from November 2015 to July 2019 and its legal representative, executive director, and manager since August 2019. He served as the director and general manager of Haotian Jiajie since August 2017. Each of Hongrui Dake and Haotian Jiajie is a wholly-owned subsidiary of the Company. Mr. Mou served as the director of Forever Opensource Co., Ltd., a company listed on Beijing Stock Exchange(stock code: 834415), since September 2017 and its vice chairman of the board of directors since December 2021. Since December 2018, he served as the director of Shenzhen Anxiao Investment Co., Ltd.. He also served as the director of Shenzhen Honglu Technology Co., Ltd. since February 2019. The Group owns approximately 22%, 10% and 10% equity interest in Forever Opensource Co., Ltd., Shenzhen Anxiao Investment Co., Ltd. and Shenzhen Honglu Technology Co., Ltd., respectively.

Mr. Mou joined our Group in October 2004 and has served as many roles of the Group. He started as vice president of Beijing RHY Technology Development Co., Ltd. and was then promoted to Group vice president of our Turnkey Solution responsible for the internal and daily operations such as financial control, human resources and other administrative functions of the Turnkey Solution business unit. In addition, Mr. Mou has served as a Director of the Company from October 2008 to June 2009, and served as the vice president of the Company from November 2011 to June 2014. He has also served as the Director of Zhixun Tiancheng from June 2011 to November 2014.

Director and Senior Management

Prior to joining our Group, Mr. Mou served as vice president of Lang Chao Mobile Communication Products Co., Ltd. which is the subsidiary of Inspur Group Co., Ltd.* (浪潮集團有限公司), where he was responsible for the overall operational management of the company. Mr. Mou also served as vice president of Shanghai Zarva Software Application and Service Co., Ltd. where he was responsible for domestic sales and the management of branch offices in the PRC. Mr. Mou served as a manager of Legend Computer Group Co. (Qingdao branch) which is the predecessor of Lenovo Group Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 0992), where he was responsible for the sales and software development. Prior to that, he served as a manager of Jinan Tuopu Software Research Centre where he was also responsible for the sales and development of software.

Mr. Mou received a bachelor's degree in science and a bachelor's degree in economics from the Tianjin Nankai University in July 1990. Mr. Mou was qualified as an accountant in December 1992, and senior economist in November 2008. Mr. Mou possesses extensive experience in operational management and internal financial management.

Independent Auditor's Report

To the shareholders of China ITS (Holdings) Co., Ltd.
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China ITS (Holdings) Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 116 to 203, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accounts ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition on products and specialised solutions *Refer to notes 2.4 and 5 to the consolidated financial statements* The Group derives a significant portion of its revenue from products and specialised solutions for which revenue is recognised over time, using the input method to measure progress towards complete satisfaction of the performance obligations. The input method involved the use of significant judgement and estimates by management, including the scope of deliveries and services required, total budgeted cost and total contract revenue, etc. As a result, we considered this as a key audit matter.	 Our key procedures, on a sample basis where applicable, in relation to the revenue recognition on products and specialised solutions included: — Reviewing the content of the contracts and interviewing the responsible personnel of the Group to understand terms of the contracts and the scope of deliveries and services required; — Performing recalculation on revenue using budgeted cost estimates provided by the Group; — Reviewing the budgeted costs by checking the details against purchase contracts, etc. and discussing with management on changes in budget costs during the current year; — Checking purchase contracts, invoices, goods delivery notes and acceptance reports to ascertain the actual costs incurred to date; and — Comparing the gross profit in the current year to the prior year for existing contracts.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill *Refer to notes 2.4 and 16 to the consolidated financial statements*	
As at December 31, 2021, the carrying amount of goodwill amounted to RMB123.8 million. Management assessed the recoverable amounts of the goodwill, with the involvement of an independent professional valuer, which involved value in use calculations. As set out in note 3 to the consolidated financial statements, the value in use calculations involved exercise of significant judgements and estimations. As a result, we considered this as a key audit matter.	Our key procedures in relation to the impairment of goodwill included: — Reviewing the valuation reports from the valuer and discussing with the management and the valuer to understand the valuation basis and methodology used, and underlying assumptions applied; — Evaluating the objectivity, capabilities and competence of the valuer; — Examining the determination of the recoverable amount which is the value in use of cash-generating units to which goodwill has been allocated; — Assessing the reasonableness of the assumptions, methodologies and key inputs used in the value in use calculations; — Considering the result of sensitivity analysis on reasonably possible downside changes in key assumptions; and — Checking arithmetical accuracy of the calculations.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to notes 2.4 and 15 to the consolidated financial statements*	
As at December 31, 2021, the Group had investment properties stated at fair value of RMB92.3 million. The fair value of the investment properties was valued by an independent professional valuer at the end of the year, which involved significant judgement and estimations from management. As a result, we considered this as a key audit matter.	Our key procedures in relation to the valuation of investment properties included: — Assessing the competence, objectivity and capabilities of the valuer; — Reviewing the valuation reports from the valuer and discussing with management and the valuer to understand the valuation basis and methodology used, and underlying assumptions applied; — Evaluating reasonableness of key assumptions used; and — Checking arithmetical accuracy of the calculations.
Allowance for impairment of trade receivables and contract assets *Refer to notes 2.4, 21 and 23 to the consolidated financial statements*	
The Group uses simplified approach to calculate the expected credit loss ("ECL") on trade receivables and contract assets. The establishment of provision matrix involves assessment of the Group's historical observed default rates and forecast economic conditions, which involved significant estimations. As a result, we considered this as a key audit matter.	Our key procedures in relation to the ECL included: — Discussing with management to understand judgement involved in estimating the ECL on trade receivables and contract assets; — Assessing the reasonableness of estimates used to determine the ECL by considering historical collection, default rate and subsequent settlement information; — Checking accuracy of ageing of trade receivables and contract assets; and — Checking arithmetical accuracy of the calculation of the ECL on trade receivables and contract assets.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited
Certified Public Accountants
42/F., Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Hong Kong, March 31, 2022

The engagement director on the audit resulting in this independent auditor's report is:

Yip Ngai Shing
Practising Certificate number: P05163

Consolidated Statement of Profit or Loss

Year ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**740,293**	930,536
Cost of revenue	7	**(472,970)**	(739,025)
Gross profit		**267,323**	191,511
Other income and gains	6	**66,947**	49,427
Selling, distribution and administrative expenses		**(148,092)**	(148,862)
Impairment losses on financial and contract assets, net	7	**(14,158)**	(76,205)
Other expenses		**(12,814)**	(119,908)
Finance costs	8	**(18,037)**	(38,146)
Share of loss of an associate		**–**	(563)
PROFIT (LOSS) BEFORE TAX	7	**141,169**	(142,746)
Income tax expense	11	**(35,814)**	(23,121)
PROFIT (LOSS) FOR THE YEAR		**105,355**	(165,867)
Attributable to:			
Owners of the Company		**74,519**	(177,104)
Non-controlling interests		**30,836**	11,237
		105,355	(165,867)
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		**RMB**	RMB
Basic	13	**0.05**	(0.11)
Diluted	13	**0.05**	(0.11)

Consolidated Statement of Comprehensive Income

Year ended December 31, 2021

	2021 RMB'000	2020 RMB'000
PROFIT (LOSS) FOR THE YEAR	**105,355**	(165,867)
OTHER COMPREHENSIVE (LOSS) INCOME		
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(88,364)**	10,543
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(88,364)**	10,543
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**16,991**	(155,324)
Attributable to:		
Owners of the Company	**23,321**	(166,157)
Non-controlling interests	**(6,330)**	10,833
	16,991	(155,324)

Consolidated Statement of Financial Position

At December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property and equipment	14	**511,799**	624,502
Investment properties	15	**92,252**	73,260
Goodwill	16	**123,759**	123,759
Other intangible assets	17	**24,550**	31,273
Investment in an associate	19	**1,000**	1,000
Financial assets at fair value through profit or loss	24	**193,102**	177,415
Loan receivables	22	**30,000**	30,000
Prepayments, deposits and other receivables	22	**720**	1,876
Prepayment for the acquisition of property and equipment		**21,547**	–
Total non-current assets		**998,729**	1,063,085
CURRENT ASSETS			
Inventories	20	**405,007**	372,356
Contract assets	23	**261,064**	396,296
Trade and bills receivables	21	**632,640**	764,297
Financial assets at fair value through profit or loss	24	**10**	–
Prepayments, deposits and other receivables	22	**382,295**	437,911
Amounts due from related parties	38(b)	**27,706**	36,616
Pledged deposits	25	**30,269**	172,024
Cash and cash equivalents	25	**317,869**	240,622
Total current assets		**2,056,860**	2,420,122
CURRENT LIABILITIES			
Trade and bills payables	26	**308,321**	305,484
Contract liabilities, other payables and accruals	27	**501,015**	688,715
Interest-bearing bank borrowings	28	**279,713**	556,216
Amounts due to related parties	38(b)	**327**	325
Income tax payable		**67,404**	50,050
Total current liabilities		**1,156,780**	1,600,790
NET CURRENT ASSETS		**900,080**	819,332
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,898,809**	1,882,417

Consolidated Statement of Financial Position

At December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,898,809**	1,882,417
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**35,000**	40,250
Deferred tax liabilities	29	**9,363**	4,783
Total non-current liabilities		**44,363**	45,033
Net assets		**1,854,446**	1,837,384
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	**290**	290
Reserves		**1,772,424**	1,730,863
		1,772,714	1,731,153
Non-controlling interests		**81,732**	106,231
Total equity		**1,854,446**	1,837,384

These consolidated financial statements on pages 116 to 203 were approved and authorised for issue by the Board of Directors on March 31, 2022 and signed on its behalf by

Liao Jie
Director

Jiang Hailin
Director

Consolidated Statement of Changes in Equity

Year ended December 31, 2021

		Attributable to owners of the Company									
	Note	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	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2021		**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 year		–	–	–	–	–	–	74,519	74,519	30,836	105,355
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	–	(51,198)	–	(51,198)	(37,166)	(88,364)
Total comprehensive income for the year		–	–	–	–	–	(51,198)	74,519	23,321	(6,330)	16,991
Derecognition of a subsidiary		–	–	(161)	–	–	–	–	(161)	–	(161)
Transfer upon the forfeiture of share options	32	–	–	–	(181)	–	–	181	–	–	–
Share award expenses	33	–	–	–	232	–	–	–	232	–	232
Transfer from retained earnings		–	–	8,594	–	–	–	(8,594)	–	–	–
Transfer	18(c)	–	–	–	–	–	–	18,169	18,169	(18,169)	–
Total transactions with owners		–	–	8,433	51	–	–	9,756	18,240	(18,169)	71
At December 31, 2021		**290**	**1,088,725***	**201,067***	**593,891***	**7,782***	**(141,941)***	**22,900***	**1,772,714**	**81,732**	**1,854,446**

Consolidated Statement of Changes in Equity

Year ended December 31, 2021

		Attributable to owners of the Company									
	Note	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	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2020		290	1,088,725*	191,274*	594,028*	7,782*	(101,690)*	186,836*	1,967,245	27,235	1,994,480
Loss for the year		–	–	–	–	–	–	(177,104)	(177,104)	11,237	(165,867)
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	–	10,947	–	10,947	(404)	10,543
Total comprehensive loss for the year		–	–	–	–	–	10,947	(177,104)	(166,157)	10,833	(155,324)
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	(1,772)	(1,772)
Transfer upon the forfeiture of share options	32	–	–	–	(188)	–	–	188	–	–	–
Transfer from retained earnings		–	–	1,360	–	–	–	(1,360)	–	–	–
Transfer	18(c)	–	–	–	–	–	–	(69,935)	(69,935)	69,935	–
Total transactions with owners		–	–	1,360	(188)	–	–	(71,107)	(69,935)	68,163	(1,772)
At December 31, 2020		290	1,088,725*	192,634*	593,840*	7,782*	(90,743)*	(61,375)*	1,731,153	106,231	1,837,384

* These reserve accounts comprise the reserves of RMB1,772,424,000 (2020: RMB1,730,863,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (Loss) before tax		**141,169**	(142,746)
Adjustments for:			
Depreciation		**50,790**	23,808
Amortisation		**6,729**	6,595
Share award expenses		**232**	–
Loss on acquisition of a subsidiary		**–**	7,550
Loss on derecognition of a subsidiary		**3,629**	–
Gain on disposal of a subsidiary		**–**	(6,243)
Write-off of other intangible assets		**–**	312
Write-off of property and equipment		**1,034**	–
Gain on disposal of financial assets at fair value through profit or loss		**(1,546)**	(4,355)
Loss on disposal of property and equipment		**–**	1,607
Impairment (Reversal of impairment) of contract assets		**3,515**	(1,030)
(Reversal of impairment) Impairment of trade receivables		**(11,820)**	9,800
Impairment of financial assets included in prepayment, other receivables and other assets		**22,463**	67,435
Impairment of goodwill		**–**	98,863
Share of loss of an associate		**–**	563
Gain on transfer from inventories to investment properties		**(5,857)**	–
Loss on transfer from investment properties to inventories		**–**	350
Changes in fair value of contingent consideration		**–**	6,479
Changes in fair value of investment properties		**740**	250
Changes in fair value of financial assets at fair value through profit or loss		**(30,953)**	(1,038)
Dividend income from financial assets at fair value through profit or loss		**(2,789)**	(2,186)
Finance income		**(6,913)**	(15,398)
Finance costs		**18,037**	38,146
		188,460	88,762
Changes in assets and liabilities:			
Inventories		**(46,526)**	(160,292)
Contracts assets		**131,717**	42,360
Trade and bills receivables		**143,477**	127,410
Prepayments, deposits and other receivables		**26,009**	(50,293)
Amounts due from related parties		**8,910**	342,679
Pledged deposits		**141,755**	147,593
Trade and bills payables		**2,837**	(53,784)
Amounts due to related parties		**2**	(4,444)
Contract liabilities, other payables and accruals		**(187,700)**	27,861
Cash generated from operations		**408,941**	507,852

Consolidated Statement of Cash Flows

Year ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash generated from operations		**408,941**	507,852
Interest received		**11,423**	17,971
Interest paid		**(18,037)**	(38,146)
Income tax paid		**(13,880)**	(8,461)
Net cash flows generated from operating activities		**388,447**	479,216
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property and equipment		**(39,230)**	(274,065)
Purchase of other intangible assets		**(6)**	(81)
Dividend received from investments		**2,789**	5,757
Prepayment for acquisition of property and equipment		**(21,547)**	–
Proceeds from disposal of a subsidiary		**–**	862
Disposal of financial assets at fair value through profit or loss		**19,099**	10,955
Acquisition of financial assets at fair value through profit or loss		**(2,297)**	–
Acquisition of a subsidiary		**–**	264
Net cash flows used in investing activities		**(41,192)**	(256,308)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing bank borrowings	34	**233,899**	459,957
Repayment of interest-bearing bank borrowings	34	**(515,652)**	(711,508)
Net cash flows used in financing activities		**(281,753)**	(251,551)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**65,502**	(28,643)
Effect of foreign exchange rate changes, net		**11,745**	10,543
Cash and cash equivalents at beginning of year		**240,622**	258,722
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	**317,869**	240,622

1. CORPORATE AND GROUP INFORMATION

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

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

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

(b) 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..

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration	Place of operations	Kind of legal entity	Issued ordinary/ registered capital	Percentage of equity interest attributable to the Company indirectly	Principal activities
Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd.	Mainland China November 19, 2013	Mainland China	Limited liability company	RMB100 million	100	Internet information technology, real estate development, and sale of electronics
Zhongtian Runbang Information Technology Co., Ltd.	Mainland China December 8, 2014	Mainland China	Limited liability company	RMB50 million	100	Technology specialised services and sale of electronics
Beijing Hongrui Dake Technology Co., Ltd.	Mainland China October 17, 2014	Mainland China	Limited liability company	RMB196 million	100	Commercial properties leasing
Beijing Haotian Jiajie Technology Co., Ltd.	Mainland China March 30, 2007	Mainland China	Limited liability company	RMB125 million	100	Communications specialised solutions and value-added operation and services
Beijing Aproud Technology Co., Ltd. ("Aproud Technology")	Mainland China February 15, 2001	Mainland China	Limited liability company	RMB280 million	100	Communications, surveillance specialised solutions and value-added operation and services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration	Place of operations	Kind of legal entity	Issued ordinary/ registered capital	Percentage of equity interest attributable to the Company indirectly	Principal activities
Beijing Zhixun Tiancheng Technology Co., Ltd.	Mainland China June 25, 2007	Mainland China	Limited liability company	RMB500 million	100	Communications specialised solutions
Jiangsu Zhongzhi Transportation Technology Co., Ltd.	Mainland China December 15, 2011	Mainland China	Limited liability company	US$30 million	100	Intelligent Transportation system service
Tibet Intelligent Aviation Transportation Technology Co., Ltd.	Mainland China June 8, 2017	Mainland China	Limited liability company	RMB10 million	100	Communications specialised solutions and value-added operation and services
Chengdu Zhongzhi Runbang Transportation Technology Co., Ltd.	Mainland China November 26, 2009	Mainland China	Limited liability company	RMB30 million	100	Communications specialised solutions and value-added operation and services
CEECGlobal Limited ("CEEC")	Hong Kong October 16, 2014	Myanmar	Limited liability company	HK$10,000	58	Sales of products and provision of specialised solutions for various segments of overseas electric power industry and communication industry
CIC Infrastructure Industry Investment Limited	Hong Kong April 23, 2012	Mainland China	Limited liability company	HK$100	58	Provision of purchasing service for inter-group company
CIC Information Technology Company Limited	Myanmar May 17, 2017	Myanmar	Limited liability company	US$550,000	58	Sales of products and provision of specialised solutions for various segments of overseas electric power industry and communication industry
Myanmar Ahlone Power Plant Company Limited	Myanmar January 17, 2020	Myanmar	Limited liability company	US$500,000	54	Power generation
Myanmar Hlawga GGE Power Plant Company Limited (formerly known as Supa Four Greenergy Co., Ltd.)	Myanmar July 7, 2021	Myanmar	Limited liability company	US$500,000	58	Power generation, but not yet commenced operation at December 31, 2021

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. No debt securities were issued by the Company's subsidiaries.

Notes to Consolidated Financial Statements

Year ended December 31, 2021

2.1 BASIS OF PRESENTATION

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

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

2.2 CHANGES IN ACCOUNTING POLICIES

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

Amendments to IAS 39, IFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in September 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures — a company will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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

2.3 ISSUED BUT NOT EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these consolidated financial statements:

Amendments to IFRS16	Covid-19-Related Rent Concessions beyond June 30, 2021 [1]
Amendments to IAS 16	Proceeds before Intended Use [2]
Amendments to IAS 37	Cost of Fulfilling a Contract [2]
Amendments to IFRS 3	Reference to the Conceptual Framework [2]
Annual Improvements to IFRSs	2018–2020 Cycle [2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current [3]
Amendments to IAS 1	Disclosures of Accounting Policies [3]
Amendments to IAS 8	Definition of Accounting Estimates [3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction [3]
IFRS 17	Insurance Contracts [3]
Amendment to IFRS 17	Initial Application of IFRS 17 and IFRS 9 — Comparative Information [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

[1] Effective for annual periods beginning on or after April 1, 2021
[2] Effective for annual periods beginning on or after January 1, 2022
[3] Effective for annual periods beginning on or after January 1, 2023
[4] The effective date to be determined

The directors are in the process of assessing the possible impact of the future adoption of the new/revised IFRSs but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long-term interest of generally not less than 20% of the voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, financial assets, investment properties, and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel service to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Buildings	5 to 49.2 years
Power supply equipment	15 years (second hand)/25 years (new)
Computers and electronic equipment	3 to 5 years
Office equipment	3 to 5 years
Motor vehicles	5 years
Software	5 years
Leasehold improvements	Over the shorter of the expected life of the leasehold improvements and the lease terms

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building or equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under a lease for a property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets (other than goodwill)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underling products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Other intangible assets (continued)

Customer relationships and non-compete agreements

Both of customer relationships and non-compete agreements which were acquired in a business combination are recognised upon acquisition of business. Their useful life is estimated to be 5 to 6 years, based on the assessment of a number of factors that may impact useful life, such as historical performance and length of the non-compete agreements.

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

As lessor — operating lease

The Group applies the derecognition and impairment requirements in IFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. Dividend or interest income is presented separately from fair value gain or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when internal or external information indicates that the debtor is unlikely to pay its creditors, including the Group, in full before taking into account any credit enhancements held by the Group or there is a breach of financial covenants by the counterparty as historical experience indicates that the Group may not receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

General approach (Continued)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products and the provision of specialised solutions for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred taxes. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries and associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Products and specialised solution business

Revenue from the products and specialised solution is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

Revenue from the sale of products which does not form part of a contract for the provision of specialised solution services is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

(b) Maintenance services

The Group provides maintenance services to its specialised solution customers.

Revenue from maintenance services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The output method recognises revenue on the basis of the completed maintenance period to the total contract maintenance period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(c) *Power supply*

Revenue from provision of electricity is recognised over time when electricity is supplied to the customer. Revenue is measured based on the monthly power meter readings.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease term.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs

Other than the costs which are capitalised as inventories, property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates share option and share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The assets of the scheme are held separately from that of the Group in an independently administered fund. These subsidiaries are required to contribute 16% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The Company's executive directors who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the CODM that make strategic decisions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Since the Company conducts its primary business operations through its subsidiaries established in Mainland China, the Company adopts RMB as the presentation currency of the Group. The Company's functional currency is the Hong Kong dollar. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or transaction of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of foreign operations. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on changes in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain non-Mainland China subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of foreign operations are translated into RMB at the rates of exchange prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of foreign operations, the component of other comprehensive income relating to that particular foreign operations is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of non-Mainland China subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of non-Mainland China subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) *Identifying performance obligations for products and specialised solutions*

The Group's promise in its contract with the customer is to provide products and specialised services in accordance with the customer's specifications. The Group considers that goods and services are highly interdependent and highly integrated with each other and the equipment and the various promised services are not separately identifiable under IFRS 15. Therefore, the Group accounts for all of the goods and services promised in the contract as a single performance obligation.

(ii) *Determining the contract price for products and specialised solutions*

In the absence of a signed contract with the customer, the Group recognises revenue from the provision of products and specialised solutions to the extent of cost incurred because the contract price is subject to change until the signed contract is obtained from the customer and the Group expects that it can recover the costs incurred.

Deferred taxation on investment property

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment properties and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has considered the deferred taxes impact arising from changes in fair value of investment properties on the basis of through use.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are set out in note 16 to the consolidated financial statements.

Provision for expected credit losses on trade receivables and contract assets

The Group uses provision matrixes to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrixes are initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 21 and note 23 to the consolidated financial statements, respectively.

Loss allowance for other financial assets

The Group's management estimates the loss allowance for financial assets included in prepayments, other receivables and other assets by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of financial assets included in prepayments, other receivables and other assets. Details of the key assumption and inputs used in estimating ECL are set out in note 42.

Percentage of completion of products and specialised solutions

The Group recognises revenue using the input method for individual contracts of specialised solution services and sale of products, which requires estimation by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding revenue is also estimated by management. Due to the nature of the activity undertaken in products and specialised solutions, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both revenue and costs in the budget prepared for each contract as the contract progresses. Where the actual revenue is less than expected or actual costs are more than expected, a loss may arise.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Current income tax and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Judgement is required to determine the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain deductible temporary differences and unused tax losses are recognised as and when management considers it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss for the year in which such a reversal takes place.

Fair value of investment properties

The Group estimates the fair value of its investment properties with reference to valuation performed by an independent professional valuer. The valuation of investment properties is performed using the income approach. The income approach requires estimates of rental value and capitalisation rate as detailed in note 15 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

(i) Railway business

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

(ii) 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..

4. OPERATING SEGMENT INFORMATION (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that finance income, finance costs, dividend income from and changes in fair value of financial assets at fair value through profit or loss, changes in fair value of investment properties, gain/loss on transfers between inventories and investment properties as well as head office and corporate income and expenses are excluded from this measurement.

Year ended December 31, 2021	Railway business RMB'000	Electric power business RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	**551,271**	**189,022**	**740,293**
Segment results	**24,332**	**105,288**	**129,620**
Reconciliation:			
Finance income			**6,913**
Finance costs			**(18,037)**
Changes in fair value of investment properties			**(740)**
Gain on transfers from inventories to investment properties			**5,857**
Changes in fair value of financial assets at fair value through profit or loss			**30,953**
Dividend income from financial assets at fair value through profit or loss			**2,789**
Corporate and other unallocated income and expenses			**(16,186)**
Profit before tax			**141,169**
Other segment information:			
Gain on disposal of financial assets at fair value through profit or loss	**1,546**	**–**	**1,546**
Loss on derecognition of a subsidiary	**(3,629)**	**–**	**(3,629)**
Impairment of financial and contract assets, net	**(11,333)**	**(2,825)**	**(14,158)**
Depreciation and amortisation	**(17,488)**	**(40,031)**	**(57,519)**
Capital expenditure*	**192**	**39,044**	**39,236**

4. OPERATING SEGMENT INFORMATION (continued)

Year ended December 31, 2020	Railway business RMB'000	Electric power business RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	788,655	141,881	930,536
Segment results	(118,681)	31,894	(86,787)
Reconciliation:			
Finance income			15,398
Finance costs			(38,146)
Changes in fair value of contingent consideration			(6,479)
Changes in fair value of investment properties			(250)
Loss on transfer from investment properties to inventories			(350)
Changes in fair value of financial assets at fair value through profit or loss			1,038
Dividend income from financial assets at fair value through profit or loss			2,186
Corporate and other unallocated income and expenses			(29,356)
Loss before tax			(142,746)
Other segment information:			
Share of loss of an associate	(563)	–	(563)
Gain on disposal of a subsidiary	6,243	–	6,243
Gain on disposal of financial assets at fair value through profit or loss	4,355	–	4,355
Loss on acquisition of a subsidiary	(7,648)	–	(7,648)
Write-off of other intangible assets	(312)	–	(312)
Impairment of goodwill	(98,863)	–	(98,863)
Impairment of financial and contract assets	(75,404)	(489)	(75,893)
Depreciation and amortisation	(18,334)	(12,069)	(30,403)
Capital expenditure*	11,044	387,757	398,801

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2021 RMB'000	2020 RMB'000
Mainland China	**535,021**	770,068
Overseas, mainly Myanmar	**205,272**	160,468
	740,293	930,536

(b) Non-current assets

	2021 RMB'000	2020 RMB'000
Mainland China	**504,589**	478,239
Overseas, mainly Myanmar	**370,427**	375,555
	875,016	853,794

Information about major customers

A customer under the electric power business segment contributed 25.5% (2020: 8.3%) of the Group's revenue for the year. Other than that, no individual customer of the Group contributed 10% or more of the Group's revenue.

5. REVENUE

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within IFRS 15	**740,293**	930,536

(i) Disaggregated revenue information

Year ended December 31, 2021	Railway business RMB'000	Electric power business RMB'000	Total RMB'000
Type of goods or services			
Sale of products and provision of specialised solutions	481,011	463	481,474
Maintenance services	70,260	–	70,260
Power supply	–	188,559	188,559
Total revenue from contracts with customers	551,271	189,022	740,293
Geographical markets			
Mainland China	535,021	–	535,021
Overseas	16,250	189,022	205,272
Total revenue from contracts with customers	551,271	189,022	740,293
Timing of revenue recognition			
Goods and services transferred at a point in time	39,634	–	39,634
Goods and services transferred over time	511,637	189,022	700,659
Total revenue from contracts with customers	551,271	189,022	740,293

5. REVENUE (continued)

(i) Disaggregated revenue information (continued)

Year ended December 31, 2020	Railway business RMB'000	Electric power business RMB'000	Total RMB'000
Type of goods or services			
Sale of products and provision of specialised solutions	709,900	64,443	774,343
Maintenance services	78,755	–	78,755
Power supply	–	77,438	77,438
Total revenue from contracts with customers	788,655	141,881	930,536
Geographical markets			
Mainland China	770,068	–	770,068
Overseas	18,587	141,881	160,468
Total revenue from contracts with customers	788,655	141,881	930,536
Timing of revenue recognition			
Goods and services transferred at a point in time	300,056	–	300,056
Goods and services transferred over time	488,599	141,881	630,480
Total revenue from contracts with customers	788,655	141,881	930,536

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products and provision of specialised solutions	**112,882**	64,995
Maintenance services	**7,681**	–
	120,563	64,995
Revenue recognised from performance obligations satisfied in previous periods:		
Gross margin not previously recognised due to the contracts not signed	**216**	353

5. REVENUE (continued)

(ii) Performance obligations

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2021 are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**557,044**	548,887
More than one year	**172,087**	248,147
	729,131	797,034

The amounts disclosed above do not include variable consideration which is constrained.

6. OTHER INCOME AND GAINS

	2021 RMB'000	2020 RMB'000
Changes in fair value of financial assets at fair value through profit or loss	**30,953**	1,038
Dividend income from financial assets at fair value through profit or loss	**2,789**	2,186
Finance income	**6,913**	15,398
Gain on disposal of a subsidiary	**–**	6,243
Gain on disposal of financial assets at fair value through profit or loss	**1,546**	4,355
Gain on transfer from inventories to investment properties (note 15)	**5,857**	–
Government grants*	**791**	4,036
Gross rental income	**15,852**	8,532
Income from the sale of properties, net	**–**	710
Bad debt recovered	**–**	2,563
Others	**2,246**	4,366
	66,947	49,427

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

7. PROFIT (LOSS) BEFORE TAX

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

	2021 RMB'000	2020 RMB'000
Cost of inventories	**472,970**	739,025
Depreciation (note 14)	**50,790**	23,808
Amortisation of other intangible assets (note 17), included in selling, distribution and administrative expenses	**6,729**	6,595
	57,519	30,403

7. PROFIT (LOSS) BEFORE TAX (continued)

	2021 RMB'000	2020 RMB'000
Staff costs (including directors' remuneration)		
Wages and salaries	**40,516**	55,628
Pension scheme contributions * (defined contribution scheme)	**4,733**	2,886
Social insurance costs and staff welfare *	**2,883**	4,976
Equity-settled share-based payment expenses	**232**	–
	48,364	63,490
Lease payments		
Short-term leases	**4,904**	2,677
Impairment (Reversal of impairment) of financial and contract assets, net		
Contract assets (note 23)	**3,515**	(1,030)
Trade receivables (note 21)	**(11,820)**	9,800
Financial assets included in prepayments, other receivables and other assets (note 22)	**22,463**	67,435
	14,158	76,205
Impairment of goodwill (note 16), included in other expenses	**–**	98,863
Write-off of other intangible assets	**–**	312
Write-off of property and equipment	**1,034**	–
Auditors' remuneration	**3,425**	2,236
Changes in fair value of contingent consideration	**–**	6,479
Changes in fair value of investment properties (note 15)	**740**	250
Changes in fair value of financial assets at fair value through profit or loss	**(30,953)**	(1,038)
Direct operating expenses of investment properties	**1,566**	1,251
Rental income	**(15,852)**	(8,532)
Gain on disposal of a subsidiary	**–**	(6,243)
Loss on acquisition of a subsidiary	**–**	7,648
Loss on derecognition of a subsidiary	**3,629**	–
Gain on disposal of financial assets at fair value through profit or loss	**(1,546)**	(4,355)
Loss on disposal of property and equipment	**–**	1,607
Research and development cost, included in selling, distribution and administrative expenses	**27,159**	21,402
Exchange losses	**8,193**	914
Dividend income from financial assets at fair value through profit or loss	**(2,789)**	(2,186)

* Ministry of Human Resources and Social Security of the PRC has announced on 20 February 2020 to waive employer obligations on social security insurance ("SSI") contributions during February 2020 to June 2020 and further announced on 22 June 2020 to extend the exemption period of SSI contributions to December 2020 to ease the burden of enterprises under the impact of COVID-19.

8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank borrowings	**18,037**	38,146

9. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and the disclosure requirements of the Companies Ordinance, is as follows:

	2021 RMB'000	2020 RMB'000
Fees	**1,397**	1,397
Other emoluments:		
Salaries, allowances and benefits in kind	**2,307**	2,033
Pension scheme contributions	**53**	4
	2,360	2,037
	3,757	3,434

During the year, no payments were made by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

(a) Independent non-executive directors

	2021 RMB'000	2020 RMB'000
Mr. Zhou Jianmin	**185**	185
Mr. Ye Zhou	**185**	185
Mr. Wang Dong	**185**	185
	555	555

9. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

2021	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Jiang Hailin	**842**	**800**	**53**	**1,695**
Mr. Liao Jie	**–**	**1,507**	**–**	**1,507**
	842	**2,307**	**53**	**3,202**

2020	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Jiang Hailin	842	526	4	1,372
Mr. Liao Jie	–	1,507	–	1,507
	842	2,033	4	2,879

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2020: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2020: three) non-director highest paid employees for the year are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**1,932**	1,534
Pension scheme contributions	**149**	11
Equity-settled share-based payment expenses	**232**	–
	2,313	1,545

The non-director highest paid employees fell within the following bands:

	Number of employees 2021	2020
Nil to HK$1,000,000 (equivalent to RMB841,600)	**2**	3
HK$1,000,001 (equivalent to RMB841,601) to HK$1,500,000 (equivalent to RMB1,262,400)	**1**	0

During the year, no payments were made by the Group to the non-director highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

11. INCOME TAX

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

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

A subsidiary of the Group in Tibet, China is subject to PRC Enterprise Income Tax at a rate of 9% (2020: 9%), and subsidiaries in other areas of Mainland China of the Group are subject to PRC Enterprise Income Tax at a rate 25% (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% (2020: 15%) preferential income tax rate.

No provision for Hong Kong profits tax has been made for the year ended December 31, 2021 (2020: nil), as the Group had no assessable profits arising in Hong Kong during the year.

Subsidiaries incorporated in Myanmar are subject to Corporate Income Tax at a rate 25% on their 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.

11. INCOME TAX (continued)

According to the PRC tax regulations, from January 1, 2008 onwards, non-resident enterprises without an establishment or place of business in Mainland China or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in Mainland China are subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from entities in Mainland China. Distributions of the pre-2008 earnings are exempted from such withholding tax. As at December 31, 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) because in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

The major components of income tax expense are as follows:

	2021 **RMB'000**	2020 RMB'000
Current tax:		
PRC Enterprise Income Tax		
— Provision for the year	**12,769**	6,738
— Under-provision in prior year	**2,105**	5,537
Myanmar Corporate Income Tax	**14,412**	–
Myanmar withholding tax	**1,948**	14,992
	31,234	27,267
Deferred tax:		
Origination and reversal of temporary differences (note 29)	**4,580**	(4,146)
Income tax expense	**35,814**	23,121

11. INCOME TAX (continued)

Reconciliation of income tax expense

	2021 RMB'000	2020 RMB'000
Profit (Loss) before tax	**141,169**	(142,746)
Income tax at applicable tax rate	**26,608**	(52,847)
Preferential tax rate entitled by certain subsidiaries	**(4,983)**	1,260
Income not taxable for tax	**(34,622)**	(34,485)
Expenses not deductible for tax	**25,577**	50,936
Under-provision in prior years	**2,105**	5,537
Unrecognised temporary differences	**23,966**	28,775
Recognition of previously unrecognised temporary differences	**(3,172)**	3,403
Loss attributable to an associate	**–**	70
Utilisation of previously unrecognised tax losses	**(2,166)**	(461)
Myanmar withholding tax	**1,948**	14,992
Tax losses not recognised	**553**	5,941
Income tax expense	**35,814**	23,121

The applicable tax rate is the weighted average of the tax rates prevailing in the locations in which the Group entities operate.

12. DIVIDENDS

No dividend was proposed by the Company for the years ended December 31, 2021 and December 31, 2020.

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

Basic earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the profit for the year attributable to owners of the Company of RMB74,519,000 (2020: loss for the year attributable to owners of the Company of RMB177,104,000), and the weighted average number of 1,654,024,868 (2020: 1,654,024,868) ordinary shares outstanding during the year.

Diluted earnings (loss) per share

The calculation of diluted earnings (loss) per share is based on the profit for the year attributable to owners of the Company of RMB74,519,000 (2020: loss for the year attributable to owners of the Company of RMB177,104,000), and the weighted average number of ordinary shares in issue during the year, as used in the basic earnings (loss) per share calculation, plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all the dilutive potential ordinary shares into ordinary shares, calculated as follows:

	2021	2020
Shares		
Weighted average number of shares in issue	**1,654,024,868**	1,654,024,868
Effect of deemed issue of shares under the Company's share award scheme for nil consideration (note 33)	**560,699**	–
Weighted average number of shares in issue	**1,654,585,567**	1,654,024,868

No adjustment had been made to the basic loss per share presented for the year ended December 31, 2020 as the outstanding share options had an anti-dilutive effect on the amount presented.

14. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Power supply equipment RMB'000	Computers and electronic equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Software RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Reconciliation of carrying amount — Year ended December 31, 2021									
At January 1, 2021	**292,196**	**324,372**	**1,287**	**2,874**	**674**	**66**	**3,033**	**–**	**624,502**
Additions	**4,430**	**30,525**	**153**	**445**	**1,032**	**28**	**–**	**2,617**	**39,230**
Written off	**–**	**–**	**(399)**	**(160)**	**(32)**	**(22)**	**(421)**	**–**	**(1,034)**
Depreciation	**(21,443)**	**(27,232)**	**(510)**	**(873)**	**(529)**	**(72)**	**(131)**	**–**	**(50,790)**
Exchange realignment	**(11,395)**	**(88,596)**	**–**	**(10)**	**(108)**	**–**	**–**	**–**	**(100,109)**
At December 31, 2021	**263,788**	**239,069**	**531**	**2,276**	**1,037**	**–**	**2,481**	**2,617**	**511,799**
Reconciliation of carrying amount — Year ended December 31, 2020									
At January 1, 2020	242,075	–	1,856	3,471	544	139	3,073	–	251,158
Additions	66,484	330,748	742	498	235	–	66	–	398,773
Acquisition of a subsidiary	–	–	28	–	–	–	–	–	28
Disposal of a subsidiary	–	–	(42)	–	–	–	–	–	(42)
Disposals	(592)	–	(681)	(279)	–	(50)	(5)	–	(1,607)
Depreciation	(15,771)	(6,376)	(616)	(816)	(105)	(23)	(101)	–	(23,808)
At December 31, 2020	292,196	324,372	1,287	2,874	674	66	3,033	–	624,502

14. PROPERTY AND EQUIPMENT (continued)

	Building RMB'000	Power supply equipment RMB'000	Computers and electronic equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Software RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At December 31, 2021									
At cost	**319,843**	**263,602**	**10,375**	**6,256**	**10,865**	**744**	**4,023**	**2,617**	**618,325**
Accumulated depreciation and impairment	**(56,055)**	**(24,533)**	**(9,844)**	**(3,980)**	**(9,828)**	**(744)**	**(1,542)**	**–**	**(106,526)**
	263,788	**239,069**	**531**	**2,276**	**1,037**	**–**	**2,481**	**2,617**	**511,799**
At December 31, 2020									
At cost	331,766	330,748	10,810	5,988	10,589	738	4,444	–	695,083
Accumulated depreciation and impairment	(39,570)	(6,376)	(9,523)	(3,114)	(9,915)	(672)	(1,411)	–	(70,581)
	292,196	324,372	1,287	2,874	674	66	3,033	–	624,502

The Group's buildings comprised a building situated on leasehold land in Mainland China with lease term of 45 years and a building situated in Myanmar for power generation with operating right granted by the Myanmar government expiring in January 2026.

15. INVESTMENT PROPERTIES

	2021 RMB'000	2020 RMB'000
Carrying amount at January 1	**73,260**	83,710
Transfer from (to) inventories	**13,875**	(10,200)
Net gain (loss) from fair value adjustment	**5,117**	(250)
Carrying amount at December 31	**92,252**	73,260

The Group's investment properties are situated on leasehold land in Mainland China and are leased to third parties under operating leases.

The Group's investment properties were revalued by Savills Valuation and Professional Services Limited, an independent firm of professional valuer, on December 31, 2021 at RMB92,252,000 (2020: RMB73,260,000). Each year, when the Group decides to appoint an external valuer for the valuation of the Group's investment properties, selection criteria including market knowledge, reputation, independence and whether professional standards are maintained have been considered. The management of the Group has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting purpose.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement at December 31, 2021 using			
	Quoted prices in active market (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**92,252**	**92,252**

	Fair value measurement at December 31, 2020 using			
	Quoted prices in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	73,260	73,260

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

15. INVESTMENT PROPERTIES (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000	Industrial properties RMB'000
Carrying amount at January 1, 2020	73,510	10,200
Transfer to inventories	–	(10,200)
Changes in fair value recognised in "selling, distribution and administrative expenses" (note 7)	(250)	–
Carrying amount at December 31, 2020 and January 1, 2021	**73,260**	**–**
Transfer from inventories	**13,875**	**–**
Gain on transfer from inventories to investment properties in "other income and gains" (note 6)	**5,857**	**–**
Changes in fair value recognised in "selling, distribution and administrative expenses" (note 7)	**(740)**	**–**
Carrying amount at December 31, 2021	**92,252**	**–**

Below is a summary of the valuation technique used and the key inputs to the valuation of the investment properties:

	Valuation Technique	Significant unobservable inputs	Weighted average 2021	2020
Commercial properties	Income approach	Estimated rental value (per sq.m. and per month)	**RMB307–RMB401/ RMB33–RMB44**	RMB307–RMB401/ RMB40–RMB63
		Capitalisation rate	**6.5%/6.0%**	6.5%/6.0%

Under the income approach, the fair value is determined based on capitalisation of rental income of contractual tenancies for the unexpired term of tenancies. The reversionary market rent after the expiry of tenancies is also taken into account.

The capitalisation rate and estimated rental value are derived from market transactions. A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate would also result in a significant decrease (increase) in the fair value of the investment properties.

16. GOODWILL

	2021 RMB'000	2020 RMB'000
At January 1	**123,759**	222,622
Impairment	**–**	(98,863)
At December 31	**123,759**	123,759

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Aproud subgroup
- CEEC subgroup

The carrying amount of goodwill allocated to the cash-generating units is as follows:

	2021 RMB'000	2020 RMB'000
Aproud subgroup	**77,348**	77,348
CEEC subgroup	**46,411**	46,411
	123,759	123,759

16. GOODWILL (continued)

Aproud subgroup

Aproud Technology and its subsidiaries (collectively "Aproud subgroup") are principally engaged in sale of communication products and specialised solutions in the railway business. The Group has engaged an independent professional valuer to assess the recoverable amount of Aproud subgroup as at December 31, 2021. The recoverable amount of Aproud subgroup has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 10.9% (2020: 12.9%). The cash flows beyond the five-year period is extrapolated using zero growth rate (2020: 0%).

CEEC subgroup

CEEC and its subsidiaries (collectively "CEEC subgroup") are primarily engaged in investment, sales of equipment and provision of specialised solutions for various segments of electric power industry and power generation in Southeast Asia and Myanmar. The recoverable amount of CEEC subgroup has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 16.5% (2020: 19.4%). The growth rate used to extrapolate the cash flows beyond the five-year period is 0% (2020: 0%).

The following describes the key assumptions on which management has based for preparing the cash flow projections for impairment testing of goodwill:

Gross profit ratio — Gross profit ratios are based on past history and expectations of future changes in the market.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the cash-generating unit.

Growth rates — The Group determines the growth rates which shall not exceed the long-term average growth rate of the relevant market in Mainland China (for Aproud subgroup) and Southeast Asia and Myanmar (for CEEC subgroup).

At the end of the reporting period, the Group assessed the recoverable amount of goodwill for Aproud subgroup and CEEC subgroup, with a result that no impairment loss was necessary for the year ended December 31, 2021 (2020: Goodwill for Aproud subgroup and CEEC subgroup was impaired by RMB98,863,000 and nil respectively).

The management considers that any reasonably possible change of the key assumptions on an individual basis would not cause additional impairment loss/impairment loss on goodwill allocated to Aproud subgroup/CEEC subgroup.

17. OTHER INTANGIBLE ASSETS

	Deferred development cost and software RMB'000	Customer relationships and non-compete agreements RMB'000	Total RMB'000
Reconciliation of carrying amount			
Year ended December 31, 2021			
At January 1, 2021	**4,660**	**26,613**	**31,273**
Additions	**6**	**–**	**6**
Amortisation	**(564)**	**(6,165)**	**(6,729)**
At December 31, 2021	**4,102**	**20,448**	**24,550**
Reconciliation of carrying amount			
Year ended December 31, 2020			
At January 1, 2020	5,938	32,779	38,717
Additions	81	–	81
Disposal of a subsidiary	(618)	–	(618)
Written off	(312)	–	(312)
Amortisation	(429)	(6,166)	(6,595)
At December 31, 2020	4,660	26,613	31,273
At December 31, 2021			
Cost	**18,785**	**36,376**	**55,161**
Accumulated amortisation and impairment	**(14,683)**	**(15,928)**	**(30,611)**
	4,102	**20,448**	**24,550**
At December 31, 2020			
Cost	20,297	36,376	56,673
Accumulated amortisation and impairment	(15,637)	(9,763)	(25,400)
	4,660	26,613	31,273

18. MATERIAL NON-CONTROLLING INTERESTS

The following tables show the information relating to each of the non-wholly owned subsidiaries that has material non-controlling interests ("NCI"). The summarised financial information represents amounts before inter-company eliminations.

(a) CIC Infrastructure Industry Investment Limited

	2021 RMB'000	2020 RMB'000
Percentage of equity interest held by NCI	**42%**	42%
	RMB'000	RMB'000
Current assets	**485,532**	499,822
Current liabilities	**(323,285)**	(373,143)
Net assets	**162,247**	126,679
Carrying amount of NCI	**68,144**	53,205
Revenue, other income and gains	**23,463**	526,396
Costs, expenses and tax	**(608)**	(399,710)
Profit for the year	**22,855**	126,686
Adjustments for intragroup transactions (note (c))	**–**	(139,849)
Adjusted profit (loss) for the year	**22,855**	(13,163)
Other comprehensive income	**12,713**	–
Total comprehensive income (loss)	**35,568**	(13,163)
Profit (Loss) for the year attributable to NCI	**9,599**	(5,528)
Total comprehensive income (loss) for the year attributable to NCI	**14,939**	(5,528)
Dividends paid to NCI	**–**	–
Net cash flows from:		
Operating activities	**220**	85
Investing activities	**–**	–
Financing activities	**–**	–

18. MATERIAL NON-CONTROLLING INTERESTS (continued)

(b) CEEC sub-group

	2021 RMB'000	2020 RMB'000
Percentage of equity interest held by NCI	**42%**	42%
	RMB'000	RMB'000
Current assets	**160,351**	152,476
Non-current assets	**401,189**	583,217
Current liabilities	**(524,465)**	(609,482)
Net assets	**37,075**	126,211
NCI within CEEC sub-group	**3,771**	(3,933)
Net assets attributable to owners of CEEC	**40,846**	122,278
Carrying amount of NCI	**17,155**	51,357
Revenue, other income and gains	**189,023**	168,764
Costs, expenses and tax	**(132,723)**	(106,513)
Profit for the year	**56,300**	62,251
Adjustments for intragroup transactions (note (c))	**–**	(26,663)
Adjusted profit for the year	**56,300**	35,588
NCI within CEEC sub-group	**7,426**	(3,771)
Profit for the year attributable to owners of CEEC	**63,726**	31,817
Other comprehensive loss	**(145,159)**	(1,183)
Adjustments for intragroup transaction (note (c))	**39,498**	–
Total comprehensive (loss) income	**(41,935)**	30,634
Profit for the year attributable to NCI	**26,765**	13,363
Total comprehensive (loss) income for the year attributable to NCI	**(17,613)**	12,866
Dividends paid to NCI	**–**	–
Net cash flows from(used in):		
Operating activities	**102,106**	102,595
Investing activities	**(46,602)**	(510,629)
Financing activities	**(55,721)**	394,640

18. MATERIAL NON-CONTROLLING INTERESTS (continued)

(c) For the purposes of calculating the profit (loss) and total comprehensive profit (loss) for the year attributable to NCI, the amount of intragroup transactions have been eliminated. However, in order to reflect the interests of NCI on the equity of the respective subsidiaries, the balance of net assets of the respective subsidiaries includes the total comprehensive (loss) income arising from intragroup transactions which have been eliminated upon consolidation. Difference arising between the amount recorded in i/the consolidated statement of comprehensive income/profit or loss; ii/the consolidated statement of financial position was recorded as transfer between retained earnings and non-controlling interests in the consolidated statement of changes in equity.

19. INVESTMENT IN AN ASSOCIATE

	2021 **RMB'000**	2020 RMB'000
Share of net assets	**3,530**	3,530
Impairment	**(2,530)**	(2,530)
	1,000	1,000

As at December 31, 2021, the amount due to an associate was RMB1,000,000 (2020: RMB1,000,000), which is grouped under contract liabilities, other payables and accruals (note 27 to the consolidated financial statements).

20. INVENTORIES

	2021 **RMB'000**	2020 RMB'000
Completed properties	**175,687**	60,650
Properties under development	**–**	48,259
Materials, parts and equipment	**229,320**	263,447
	405,007	372,356

21. TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**625,103**	770,538
Impairment	**(75,496)**	(87,384)
	549,607	683,154
Bills receivables	**83,033**	81,143
	632,640	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.

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:

	2021 RMB'000	2020 RMB'000
Less than 6 months	**30,849**	27,530
6 months to 1 year	**209,321**	356,214
1 year to 2 years	**147,832**	170,191
2 years to 3 years	**91,256**	67,564
Over 3 years	**70,349**	61,655
	549,607	683,154

21. TRADE AND BILLS RECEIVABLES (continued)

Impairment

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

	2021 RMB'000	2020 RMB'000
At January 1	**87,384**	77,806
(Reversal of impairment) Impairment (note 7)	**(11,820)**	9,800
Disposal of a subsidiary	**–**	(222)
Written off	**(68)**	–
At December 31	**75,496**	87,384

The breakdown of the loss allowance is as follows:

At December 31, 2021	Credit– Impaired RMB'000	Expected credit losses Aproud Technology RMB'000	 Entities other than Aproud Technology RMB'000	Total RMB'000
Gross carrying amount	**27,192**	**3,800**	**594,111**	**625,103**
Credit loss	**27,192**	**1,098**	**47,206**	**75,496**
Average credit loss rate	**100.00%**	**28.89%**	**7.95%**	**12.08%**

At December 31, 2020	Credit– impaired RMB'000	Expected credit losses Aproud Technology RMB'000	 Entities other than Aproud Technology RMB'000	Total RMB'000
Gross carrying amount	34,619	3,121	732,798	770,538
Credit loss	34,619	1,407	51,358	87,384
Average credit loss rate	100.00%	45.07%	7.01%	11.34%

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

21. TRADE AND BILLS RECEIVABLES (continued)

Impairment (continued)

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

Aproud Technology

Aproud Technology was engaged in providing intelligent transportation services in the expressway sector in prior years. Since 2017, no such business has been conducted. The receivable amounts aged less than 1 year at December 31, 2021 and December 31, 2020 represented additional billing for old projects completed in current and prior years.

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

At December 31, 2021	**Expected credit loss rate**	**Gross carrying amount RMB'000**	**Expected credit losses RMB'000**
Past due:			
Less than 1 year	**9.06%**	**2,252**	**204**
1 to 2 years	**19.82%**	**328**	**65**
2 to 3 years	**–**	**–**	**–**
3 to 4 years	**53,83%**	**431**	**232**
4 to 5 years	**71.09%**	**211**	**150**
5 to 6 years	**77.34%**	**578**	**447**
Over 6 years (credit-impaired)	**100.00%**	**2,095**	**2,095**
		5,895	**3,193**

At December 31, 2020	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Past due:			
Less than 1 year	11.51%	942	108
1 to 2 years	–	–	–
2 to 3 years	27.64%	492	136
3 to 4 years	57.29%	288	165
4 to 5 years	70.67%	842	595
5 to 6 years	72.22%	558	403
Over 6 years (credit-impaired)	100.00%	1,599	1,599
		4,721	3,006

21. TRADE AND BILLS RECEIVABLES (continued)

Impairment (continued)

Entities other than Aproud Technology

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

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

At December 31, 2021	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Past due:			
Less than 1 year and not yet due	**1.57%**	**241,922**	**3,800**
1 to 2 years	**5.14%**	**155,571**	**8,003**
2 to 3 years	**10.27%**	**101,704**	**10,448**
3 to 4 years	**20.68%**	**51,153**	**10,577**
4 to 5 years	**30.48%**	**39,931**	**12,172**
5 to 6 years	**57.60%**	**3,830**	**2,206**
Over 6 years (credit-impaired)	**100.00%**	**14,118**	**14,118**
		608,229	**61,324**

At December 31, 2020	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Past due:			
Less than 1 year and not yet due	2.01%	390,766	7,856
1 to 2 years	5.63%	180,351	10,160
2 to 3 years	11.16%	75,651	8,443
3 to 4 years	21.60%	53,959	11,656
4 to 5 years	33.84%	19,796	6,699
5 to 6 years	53.31%	12,275	6,544
Over 6 years (credit-impaired)	100.00%	19,362	19,362
		752,160	70,720

Other than the loss allowance using the provision matrix, included in the above allowance for impairment of trade receivables is a provision for individually impaired trade receivables of RMB10,979,000 (2020: RMB13,658,000) with a carrying amount before provision of RMB10,979,000 (2020: RMB13,658,000).

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Prepayments to suppliers for purchases of goods (net of loss allowance of RMB6,914,000 (2020: RMB2,382,000))	**211,166**	251,514
Loan receivables (Note) (net of loss allowance of RMB4,869,000 (2020: RMB3,401,000))	**66,840**	73,442
Tender deposits (net of loss allowance of RMB5,000,000 (2020: Nil))	**12,250**	13,698
Contract deposits	**11,986**	29,319
Advances to staff (net of loss allowance of RMB2,664,000 (2020: Nil))	**19,462**	30,229
Interest receivable	**5,611**	10,121
Guarantee deposit	**19,878**	14,199
Others (net of loss allowance of RMB60,644,000 (2020: RMB57,830,000))	**65,822**	47,265
	413,015	469,787
Less: Loan receivables — non-current (Note)	**30,000**	30,000
Guarantee deposit — non-current	**720**	1,876
	382,295	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 Software Inc. ("Forever Opensource"); (ii) Loan of RMB12,600,000 (2020: RMB12,600,000) to an independent third party which is repayable in 2022 (2020: 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 loan of RMB9,563,000 (2020: RMB10,609,000) to independent third party which bears interest at a rate of 7% to 8% per annum and (iv) Unsecured loans of RMB17,194,000 (2020: RMB20,233,000) to independent third parties which are interest-free and repayable in 2022. (v) Loan of AUD500,000 to an independent third party which is repayable in 2022, bears interest at a rate of 5% per annum and is secured by the pledge of shares of a listed company in Australia.

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

	2021 RMB'000	2020 RMB'000
At January 1	**63,613**	49,833
Impairment (note 7)	**22,463**	67,435
Write-off	**(5,985)**	(53,655)
At December 31	**80,091**	63,613

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Financial assets included in prepayments, deposits and other receivables mainly represent contract deposits, tender deposits with customers, loan receivables and advances to staff. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of the counterparty and the historical loss record of the Group. The write-off was due to long outstanding of the balances and lost contact of the counterparties.

As at December 31, 2021, the Group performed impairment assessment on other receivables from various parties based on 12-month or lifetime ECL based on the assessed credit risk. As a result, the Group provided for a loss allowance amounting to RMB22,463,000 (2020: RMB67,435,000) in the current year.

23. CONTRACT ASSETS

	2021 **RMB'000**	2020 RMB'000
Contract assets	**292,429**	424,146
Impairment	**(31,365)**	(27,850)
	261,064	396,296

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

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

	2021 **RMB'000**	2020 RMB'000
Within 1 year	**261,064**	267,042
More than 1 year	**–**	129,254
	261,064	396,296

23. CONTRACT ASSETS (continued)

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

	2021 RMB'000	2020 RMB'000
At January 1	**27,850**	29,678
Impairment (Reversal) (note 7)	**3,515**	(1,030)
Disposal of a subsidiary	**–**	(798)
At December 31	**31,365**	27,850

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

Impairment

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

		Expected credit losses		
At December 31, 2021	**Credit-impaired RMB'000**	**Aproud Technology RMB'000**	**Entities other than Aproud Technology RMB'000**	**Total RMB'000**
Gross carrying amount	**27,256**	**5,650**	**259,523**	**292,429**
Credit loss	**27,256**	**2,581**	**1,528**	**31,365**
Average credit loss rate	**100.00%**	**45.68%**	**0.59%**	**10.73%**

		Expected credit losses		
At December 31, 2020	Credit-impaired RMB'000	Aproud Technology RMB'000	Entities other than Aproud Technology RMB'000	Total RMB'000
Gross carrying amount	17,979	17,982	388,185	424,146
Credit loss	17,979	2,070	7,801	27,850
Average credit loss rate	100.00%	11.51%	2.01%	6.57%

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Current		
— Unlisted equity investment	**10**	–
Non-current		
— Unlisted equity investments	**7,755**	6,684
— Listed equity investments	**185,347**	170,731
	193,102	177,415

Included in the listed equity investments was 21.64% (2020: 21.64%) equity interest in Forever Opensource with carrying amount of RMB168,340,000 as at December 31, 2021 (2020: RMB145,398,000). The Group considers that it has no significant influence over Forever Opensource as Forever Opensource's actual controller (實際控制人) is Ma Yue (馬越) and the Group has appointed only one (out of 8) director of Forever Opensource.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**317,869**	240,622
Pledged or fixed deposits		
— Current deposits	**30,269**	172,024
	348,138	412,646
Less: Pledged and fixed deposits with/for		
— Maturity over 3 months	**(5,500)**	(4,553)
— Letter of guarantee for projects	**(20,917)**	(39,148)
— Bills payables	**–**	(23,000)
— Interest-bearing bank borrowings (note 28)	**–**	(104,704)
— Tenders	**(454)**	(619)
— Restricted cash	**(341)**	–
— Frozen under jurisdictional actions	**(3,057)**	–
Cash and cash equivalents	**317,869**	240,622

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

The cash and bank balances and pledged or fixed deposits of the Group denominated in RMB amounted to RMB335,712,000 in Mainland China) as at December 31, 2021 (2020: RMB361,928,000). In Mainland China, RMB is not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. 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:

	2021 **RMB'000**	2020 RMB'000
Current or less than 1 year	**171,674**	222,059
1 to 2 years	**94,305**	20,077
Over 2 years	**42,342**	63,348
	308,321	305,484

The Group's bills payable of nil (2020: RMB23,000,000) was secured by pledged deposits of the Group of nil as at December 31, 2021 (2020: RMB23,000,000).

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

27. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2021 **RMB'000**	2020 RMB'000
Contract liabilities (a)	**285,829**	385,353
Business advance deposits	**50,346**	33,914
Staff costs and welfare accruals	**19,083**	19,986
Other borrowings (b)	**29,445**	78,809
Other taxes payable	**65,340**	78,437
Interest payables	**–**	2,135
Accrued purchases	**21,443**	25,842
Others (b)	**29,529**	64,239
	501,015	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 the decrease in short-term advances received from customers in relation to the sale of products, provision of specialised solution services as a result of the decrease in ongoing projects at the end of the year.

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

28. INTEREST-BEARING BANK BORROWINGS

	2021 Effective interest rate %	2021 RMB'000	2020 Effective interest rate %	2020 RMB'000
Current				
Short term bank loans — secured	**115% of PBOC LPR/ 3.5-5.8**	**216,109**	115% of PBOC LPR/ 4.1-8.0	509,457
Bills receivable discounted or endorsed	**0-5.9**	**63,604**	0-2.9	46,759
		279,713		556,216
Non-current				
Long term bank loans — secured	**115% of PBOC LPR**	**35,000**	115% of PBOC LPR	40,250
		35,000		40,250
		314,713		596,466

Analysed into:	**2021 RMB'000**	2020 RMB'000
Bank loans repayable:		
Within 1 year or on demand	**279,713**	556,216
After 1 year but within 2 years	**22,500**	–
After 2 years but within 5 years	**12,500**	40,250
	314,713	596,466

Notes:

(i) Current bank loans of nil as at December 31, 2021 (2020: in aggregate RMB103.2 million) were secured by pledged deposits of nil (2020: RMB104.7 million) of the Group (note 25).

(ii) Bank loans of nil as at December 31, 2021 (2020: RMB30.0 million) were guaranteed by the Group. Bank loans of nil as at December 31, 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 RMB105.0 million as at December 31, 2021 (2020: RMB350.0 million) were secured by buildings of the Group with a carrying amount of RMB200.4 million (2020: RMB204.1 million), trade receivables of RMB151.0 million. (2020: RMB240.0 million) and guaranteed by Jiang Hailin and Liao Jie.

(iv) Current bank loans of RMB19.0 million (2020: RMB6.3 million) and non-current bank loans of RMB35.0 million (2020: RMB40.3 million) were secured by properties of the Group with a carrying amount of RMB65.0 million (2020: RMB55.0 million).

(v) Current bank loans of RMB4.9 million as at December 31, 2021 (2020: nil) were secured by certificate of time deposit.

(vi) Current bank loans of RMB55.0 million as at December 31, 2021 (2020: nil) were guaranteed by Jiang Hailin.

(vii) Current bank loans of RMB19.3 million (2020: nil) as at December 31, 2021 were secured by intra-group receivables of RMB28.5 million and were guaranteed by Jiang Hailin.

(viii) Discounted bills receivable of RMB46.9 million as at December 31, 2021 (2020: nil) and RMB10.0 million were secured by investment properties of the Group with a carrying amount of RMB72.5 million and guaranteed by Jiang Hailin, respectively.

As at December 31, 2021, the Group's bank loans of RMB197.0 million (2020: RMB503.2 million) were charged at fixed interest rates and bank loans of RMB54.0 million (2020: RMB46.5 million) were charged at floating interest rates based on 115% of loan prime rates (LPR) set by the People's Bank of China ("PBOC").

29. DEFERRED TAX

The movements in deferred tax assets and liabilities for the year are as follows:

	Assets		Liabilities	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
At January 1	**–**	–	**4,783**	8,929
Charged/credited to profit or loss	**17,022**	18,091	**21,602**	13,945
Offsetting	**(17,022)**	(18,091)	**(17,022)**	(18,091)
At December 31	**–**	–	**9,363**	4,783

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accrued charges	**501**	532	**–**	–
Fair value adjustment on investment properties	**–**	–	**15,876**	14,597
Fair value adjustment on financial assets at fair value through profit or loss	**570**	2,668	**3,619**	2,343
Impairment of trade and bills receivables and contract assets	**1,104**	1,206	**–**	–
Recognition of revenue	**12,617**	11,554	**6,890**	5,934
Tax losses	**2,230**	2,131	**–**	–
	17,022	18,091	**26,385**	22,874
Offsetting	**(17,022)**	(18,091)	**(17,022)**	(18,091)
Deferred tax liabilities, net	**–**	–	**9,363**	4,783

29. DEFERRED TAX (continued)

Unrecognised deferred tax assets arising from:

	2021 RMB'000	2020 RMB'000
Before multiplied by the applicable tax rates:		
Deductible temporary differences	**236,700**	303,826
Tax losses	**53,779**	70,586
	290,479	374,412

The Group has tax losses of RMB53,779,000 and Nil arising in Mainland China (2020: RMB46,820,000) and Mynamar (2020: RMB23,766,000) respectively that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in loss-generating subsidiaries and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

30. SHARE CAPITAL

	2021 HK$'000	2020 HK$'000
Authorised		
1,900,000,000 ordinary shares of HK$0.0002 each	**380**	380
	RMB'000	RMB'000
Issued and fully paid:		
1,654,024,868 ordinary shares of HK$0.0002 each	**290**	290

31. RESERVES

Share premium

The balance of share premium represented the difference between the subscription price and nominal value of the Company's ordinary shares upon the Company issuing shares at a premium, less subsequent distributions.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

Statutory reserve

According to the PRC Company Law, subsidiaries of the Company in Mainland China are required to transfer 10% of their respective after-tax profits, calculated in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that the fund is maintained at a minimum level of 25% of the registered capital.

Capital reserve

The capital reserve of the Group consists of: (i) reserves arising from the reorganisation before the listing of the Company on the Stock Exchange; (ii) reserves arising from the share options and share awards granted by China ITS Co., Ltd. and the Company as set out in notes 32 and 33 to the consolidated financial statements; (iii) capitalised retained earnings to the capital of certain subsidiaries; and (iv) the difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received, on changes in the Group's interests in subsidiaries that do not result in the Group losing control.

Asset revaluation reserve

The balance represented the asset revaluation reserve of the Group's buildings included in property and equipment upon the transfer to investment properties in prior years.

Exchange fluctuation reserve

This reserve is dealt with in accordance with the accounting policies as set out in note 2.4 to the consolidated financial statements.

32. 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 "Share Option Scheme"). 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 of directors may, at its absolute discretion, offer an option to eligible participant to subscribe for the shares of the Company 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.

On January 18, 2012, the board of directors resolved to grant share options under the Share Option Scheme 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 installments 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.

The following share options were outstanding under the scheme during the year:

	2021		2020	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At January 1	**1.05**	**60,528**	1.05	61,011
Forfeited during the year	**1.05**	**(464)**	1.05	(483)
At December 31	**1.05**	**60,064**	1.05	60,528

32. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Batches	Number of Options 2021 '000	2020 '000	Exercise Price HK$ per share	Exercise period
Batch 1	**2,736**	2,774	1.05	April 19, 2012 to January 18, 2022
Batch 2	**2,736**	2,774	1.05	July 19, 2012 to January 18, 2022
Batch 3	**2,736**	2,774	1.05	October 19, 2012 to January 18, 2022
Batch 4	**2,736**	2,774	1.05	January 19, 2013 to January 18, 2022
Batch 5	**5,003**	5,042	1.05	April 19, 2013 to January 18, 2022
Batch 6	**5,003**	5,042	1.05	July 19, 2013 to January 18, 2022
Batch 7	**5,003**	5,042	1.05	October 19, 2013 to January 18, 2022
Batch 8	**5,003**	5,042	1.05	January 19, 2014 to January 18, 2022
Batch 9	**7,271**	7,310	1.05	April 19, 2014 to January 18, 2022
Batch 10	**7,271**	7,310	1.05	July 19, 2014 to January 18, 2022
Batch 11	**7,271**	7,310	1.05	October 19, 2014 to January 18, 2022
Batch 12	**7,295**	7,334	1.05	January 19, 2015 to January 18, 2022
	60,064	60,528		

* The expiry date of these share options shall be the earlier of: (a) the date on which the share option is forfeited in accordance with the share option scheme and (b) the date falling ten years from the date of acceptance by the grantee.

464,000 (2020: 483,000) share options were forfeited during the year which resulted in the transfer from capital reserve to retained earnings amounting to RMB181,000 (2020: RMB188,000).

As at December 31, 2021, the Company had 60,064,000 (2020: 60,528,000) share options outstanding under the scheme, which represented approximately 3.63% of the Company's shares in issue at that date (2020: 3.66%).

33. SHARE AWARD SCHEME

The Company adopted the share award scheme (the "Share Award Scheme") on September 16, 2021. The purposes of the Share Award Scheme are to recognise the contributions of eligible participants and to retain and motivate them to strive for the future development and expansion of the Group. The board of directors may from time to time at its absolute discretion select any eligible participants for participation in the Share Award Scheme and determine the number of awarded shares to be granted. The board of directors is entitled to impose any condition as it deems appropriate with respect to the entitlement of the selected participant to the awarded shares, provided that such condition is communicated to such selected participant at the same time as he/she is notified of his/her award.

The Share Award Scheme shall be subject to the administration of the board of directors and the trustee. Awarded shares may be acquired by the trustee (holding such awarded shares for the benefit of selected participants until vesting of the relevant award(s)) by way of (i) allotment and issue of new shares by the Company pursuant to the relevant general mandate or specific mandate granted to the board of directors by the shareholders of the Company in general meetings of the Company from time to time; or (ii) purchase of shares in the open market by the trustee.

Any awarded shares shall vest in the relevant selected participants in accordance with the vesting schedule determined by the board of directors at its sole discretion, subject to (a) satisfaction of any vesting conditions specified in the grant letter; (b) the selected participant remaining an eligible participant at the time when the relevant awarded shares are scheduled to vest according to the relevant vesting schedule; and (c) the selected participant not having been summarily dismissed by the Group, not having been bankrupt or failed to pay his debts, not having been convicted for any criminal offence and not having been charged, convicted or held liable for any offence under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or any other similar applicable laws or regulations in force from time to time.

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

33. SHARE AWARD SCHEME (continued)

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

The vesting of the awarded shares is also subject to the conditions as set out in the Share Award Scheme and the following vesting conditions as specified by the board of directors in the relevant grant letters:

1. The selected participant remains as an eligible participant on and before the relevant vesting date in accordance with the vesting schedule;

2. The selected participant achieved his/her respective performance target(s) as specified in the relevant grant letter;

3. With respect to half of the awarded shares to be vested in each tranche, the selected participant has duly paid the grant fee of HK$0.13 per share, or RMB equivalent, to the Group (if applicable); and

4. The selected participant has completed the relevant filings and obtained the necessary approvals in respect of the transfer of the awarded shares by the trustee to himself/herself (if required).

The fair value of the awarded shares was HK$6,968,000 (equivalent to RMB5,684,000). The Binomial Model was used to estimate the fair value. Inputs to the model were as follows:

Grant date	December 15, 2021
Weighted average share price on grant date	HK$0.16
Exercise price	Grant fee of nil/HK$0.13
Risk-free rate	0.198% to 0.731%
Time to maturity	0.54 to 2.54 years
Expected volatility	47.145% to 69.612%
Dividend yield	0%

The expected volatility was determined based on the historic volatility of the Company's share price.

The Group recognised an expense of approximately RMB232,000 for the year ended December 31, 2021 in relation to the awarded shares granted by the Company.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans	
	2021	2020
	RMB'000	RMB'000
At January 1	**596,466**	848,017
Changes from financing cash flows, net	**(281,753)**	(251,551)
At December 31	**314,713**	596,466

35. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bills payables and bank borrowings are included in notes 26 and 28 to the consolidated financial statements respectively.

36. OPERATING LEASE COMMITMENTS

As lessor

The Group leases its investment properties and offices properties to certain independent third parties and related parties, with leases negotiated for terms of 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 leasing of investment properties and offices properties.

	2021	2020
	RMB'000	RMB'000
Year 1	**21,185**	16,505
Year 2	**8,759**	15,958
Year 3	**6,714**	8,676
Year 4	**7,031**	7,030
Year 5 above	**15,137**	7,382
Undiscounted lease payments to be received	**58,826**	55,551

37. CAPITAL COMMITMENTS

As at December 31, 2021, the Group had the following capital commitments:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Equipment	**67,508**	73,494

38. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Group had the following major transactions with related parties during the year:

	Notes	2021 RMB'000	2020 RMB'000
Rental income, property management fee and other fees			
Associates	(i)	**–**	24
King Victory and its affiliates	(i)	**5,115**	3,667
eSOON Information Technology Co., Ltd	(i)	**1,123**	685
Interest income			
King Victory and its affiliates		**–**	9,954

Notes:

(i) The rental income, property management fee and other fees arose from the rental of the Group's office buildings, and were based on prices mutually agreed by both parties.

38. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

As disclosed in the consolidated statement of financial position, the Group had the following outstanding balances with related parties:

	Notes	2021 RMB'000	2020 RMB'000
Due from related parties			
King Victory and its affiliates	(i)	**17,708**	30,190
Directors	(ii)	**928**	628
Joint operation	(ii)	**9,070**	5,798
Total		**27,706**	36,616
Due to related parties			
eSOON Information Technology Co., Ltd	(ii)	**327**	325
Total		**327**	325

Notes:

(i) The balances of RMB17.7 million (2020: RMB30.2 million) are unsecured, non-interest bearing and repayable on demand.

(ii) The amounts are unsecured, non-interest bearing and repayable on demand.

Greatest outstanding amount during the year	2021 RMB'000	2020 RMB'000
Directors		
Liao Jie	**228**	290
Jiang Hailin	**700**	400

(c) Compensation of key management personnel of the Group

	2021 RMB'000	2020 RMB'000
Fees	**1,397**	1,397
Salaries, bonuses, allowances and benefits in kind	**4,239**	4,409
Pension plan contributions	**202**	15
Equity-settled share-based payment expenses	**232**	–
Total compensation paid to key management personnel	**6,070**	5,821

39. CONTINGENT LIABILITIES

As at December 31, 2021, the Group did not have any significant contingent liabilities (2020: Nil).

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each category of financial instruments as at the end of the reporting period are as follows:

Financial assets

2021

	Mandatory financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	–	632,640	632,640
Financial assets included in prepayments, other receivables and other assets	–	147,569	147,569
Amounts due from related parties	–	27,706	27,706
Financial assets at fair value through profit or loss	193,112	–	193,112
Pledged deposits	–	30,269	30,269
Cash and cash equivalents	–	317,869	317,869
	193,112	1,156,053	1,349,165

2020

	Mandatory financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	–	764,297	764,297
Financial assets included in prepayments, other receivables and other assets	–	206,590	206,590
Amounts due from related parties	–	36,616	36,616
Financial assets at fair value through profit or loss	177,415	–	177,415
Pledged deposits	–	172,024	172,024
Cash and cash equivalents	–	240,622	240,622
	177,415	1,420,149	1,597,564

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	2021 Financial liabilities at amortised cost RMB'000	2020 Financial liabilities at amortised cost RMB'000
Trade and bills payables	**308,321**	305,484
Financial liabilities included in other payables and accruals	**130,764**	144,871
Interest-bearing bank borrowings	**314,713**	596,466
Amounts due to related parties	**327**	325
	754,125	1,047,146

Management has assessed that the fair values of financial instruments of the Group stated at amortised cost approximate to their carrying amounts largely due to the short-term maturities of these instruments.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments measured at fair value as at December 31, 2021 and December 31, 2020:

	Fair value measurement using			
At December 31, 2021	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	**185,347**	**–**	**7,765**	**193,112**

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	Fair value measurement using			
At December 31, 2020	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	170,731	–	6,684	177,415

The Group's policy is to recognise transfers into and out of different levels of fair value measurements as at the end of the reporting period in which the transfers occur.

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

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

Below is a summary of significant unobservable inputs to the valuation of Level 3 investments together with a quantitative sensitivity analysis as at December 31, 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Market Approach	Average EV/Sales (2020: Average EV/EBITDA) multiple of peers	2.04 (2020: 26.3)	1% increase/decrease in multiple would result in increase/decrease in fair value by RMB75,000 (2020: RMB53,000)
		Discount for lack of marketability	24% (2020: 35%)	1% increase/decrease in discount would result in decrease/increase in fair value by RMB59,000 (2020: RMB94,000)

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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets at fair value through profit or loss, interest-bearing bank borrowings, cash and cash equivalents, and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, amounts due from/to related parties, financial assets included in prepayments, deposits and other receivables, trade and bills payables, and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its interest-bearing borrowings with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. If there had been a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the Group's profit before tax would have decreased/increased by approximately RMB540,000 for the year ended December 31, 2021 (2020: the Group's loss before tax would have increased/decreased by RMB143,000).

Equity price risk

The Group is exposed to price risks arising from equity investments held under financial assets at fair value through profit or loss amounting to RMB193 million (2020: RMB177 million). The Group does not actively trade these investments. The sensitivity analysis has been determined based on the exposure to equity price risk. At the end of the reporting period, if the equity price had been 18% (2020: 5%) higher/lower while all other variables were held constant, the Group's profit before tax would have increased/decreased by RMB35 million (2020: the Group's loss before tax would have decreased/increased by RMB9 million) due to change in the fair value of financial assets at fair value through profit or loss. The Group's sensitivity to equity price has not changed significantly from the prior year.

Foreign currency risk

Substantially all of the Group's sales and purchases are denominated in RMB and Myanmar Kyat. The Group's certain bank balances are denominated in US$, HK$ and certain expenses of the Group are denominated in currencies other than RMB.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity as at December 31, 2021 and December 31, 2020 to a reasonably possible change in the US$ and HK$ exchange rate, with all other variables held constant, of the Group's profit or loss before tax.

	2021		2020	
	Increase/ (decrease) in exchange rate %	**Increase/ (decrease) in profit or loss before tax RMB'000**	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit or loss before tax RMB'000
If RMB weakens against US$	**5**	**(18,045)**	5	3,629
If RMB strengthens against US$	**(5)**	**18,045**	(5)	(3,629)
If RMB weakens against HK$	**5**	**5,831**	5	(3,336)
If RMB strengthens against HK$	**(5)**	**(5,831)**	(5)	3,336

Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of receivables are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. As the Group's major customers are PRC stated-owned enterprises, the Group believes that they are of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure is spread over a diversified portfolio of customers, there is no significant concentration of credit risk.

The Group applies the simplified approach for impairment of trade receivables and contract assets, which is based on the provision matrix as disclosed in notes 21 and 23 to the consolidated financial statements respectively.

The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility through the use of bank and other borrowings.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at December 31, 2021

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	**308,321**	**–**	**–**	**–**	**308,321**
Financial liabilities included in other payables and accruals	**130,763**	**–**	**–**	**–**	**130,763**
Amounts due to related parties	**327**	**–**	**–**	**–**	**327**
Interest-bearing bank borrowings	**–**	**7,798**	**273,487**	**36,958**	**318,243**
	439,411	**7,798**	**273,487**	**36,958**	**757,654**

As at December 31, 2020

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	305,484	–	–	–	305,484
Financial liabilities included in other payables and accruals	142,736	–	2,135	–	144,871
Amounts due to related parties	325	–	–	–	325
Interest-bearing bank borrowings	–	146,262	421,304	43,636	611,202
	448,545	146,262	423,439	43,636	1,061,882

The directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting period. Based on this forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the loan financing and additional capital from equity holders of the Company. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions regarding future events, they are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2021 and December 31, 2020.

The Group monitors capital using net debt to capital ratio, which is net debt divided by the capital. The Group's policy is to maintain the net debt to capital ratio below 20%. Net debt includes interest-bearing bank borrowings, and amounts due to related parties, less cash and cash equivalents and pledged deposits for interest-bearing bank borrowings. Capital includes equity attributable to owners of the parent. The net debt to capital ratios as at the end of the reporting periods were as follows:

	2021 RMB'000	2020 RMB'000
Interest-bearing bank borrowings	**314,713**	596,466
Amount due to related parties	**327**	325
Less: Cash and cash equivalents	**(317,869)**	(240,622)
Pledged deposits for interest-bearing bank borrowings	**(5,500)**	(104,704)
Net (equity) debt	**(8,329)**	251,465
Equity attributable to owners of the Company	**1,813,944**	1,731,153
Net debt to equity ratio	**(0.46%)**	14.53%

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**691,085**	689,810
Financial assets at fair value through profit or loss	**10,751**	–
Total non-current assets	**701,836**	689,810
CURRENT ASSETS		
Amounts due from subsidiaries	**1,040,516**	1,139,543
Pledged deposits	**–**	1,175
Cash and cash equivalents	**3,382**	45,078
Total current assets	**1,043,898**	1,185,796
CURRENT LIABILITIES		
Other payables and accruals	**27,847**	33,250
Interest-bearing bank borrowings	**–**	232,643
Amounts due to related parties	**127,075**	12,725
Total current liabilities	**154,922**	278,618
NET CURRENT ASSETS	**888,976**	907,178
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,590,812**	1,596,988
Net assets	**1,590,812**	1,596,988
EQUITY		
Share capital	**290**	290
Other reserves (note)	**1,590,522**	1,596,698
Total equity	**1,590,812**	1,596,988

The statement of financial position was approved and authorised for issue by the board of directors on March 31, 2022 and signed on its behalf by

Liao Jie
Director

Jiang Hailin
Director

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

	Share premium RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2020	1,066,708	602,637	(53,214)	(14,521)	1,601,610
Loss for the year	–	–	–	(13,326)	(13,326)
Exchange differences on the translation of foreign operations	–	–	8,414	–	8,414
Total comprehensive income(loss) for the year	–	–	8,414	(13,326)	(4,912)
At December 31, 2020 and January 1, 2021	**1,066,708**	**602,637**	**(44,800)**	**(27,847)**	**1,596,698**
Profit for the year	**–**	**–**	**–**	**1,723**	**1,723**
Exchange differences related to foreign operations	**–**	**–**	**(8,131)**	**–**	**(8,131)**
Total comprehensive income(loss) for the year	**–**	**–**	**(8,131)**	**1,723**	**(6,408)**
Transactions with owners					
Transfer upon the forfeiture of share options	**–**	**(181)**	**–**	**181**	**–**
Share award expenses	**–**	**232**	**–**	**–**	**232**
Total transactions with owners	**–**	**51**	**–**	**181**	**232**
At December 31, 2021	**1,066,708**	**602,688**	**(52,931)**	**(25,943)**	**1,590,522**

Particulars of Properties

December 31, 2021

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Room C2201, C2202, C2203, C2205, Building 8 No.1 Zhong Guan Cun Dong Road, Haidian District, Beijing, the PRC	Office	Long-term lease	100%
Portion of 1st floor, 2nd floor and 3rd floor of Building No.1 and Room 4A08-09, 5A02-5A03, 5A05, 5A08-09 of Building No.2, Zhongzhi Science and Technology Park, No.22, Wisdom Road, Huishan District, Wuxi City, Jiangsu Province, the PRC	Office/Shop	Long-term lease	100%