



中国智能交通系统(控股)有限公司
China ITS (Holdings) Co., Ltd.
(incorporated in the Cayman Islands with limited liability)

Stock Code: 1900

Annual Report **2014**



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BOARD OF DIRECTORS

Executive Directors

Mr. Liao Jie (*chairman of the Board*)
Mr. Jiang Hailin (*chief executive officer*)

Non-executive Director

Mr. Tim Tianwei Zhang

Independent Non-executive Directors

Mr. Zhou Chunsheng
Mr. Choi Onward (*FCCA, HKICPA*)
Mr. Sun Lu

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Mr. Jiang Hailin
Suite 102, 1st Unit, 8th building
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Beijing
China

Mr. Leung Ming Shu (*FCCA, FCPA*)
Flat 2110, Block B, Tai Hang Terrace
5 Chun Fai Road
Jardine's Lookout
Hong Kong

AUDIT COMMITTEE

Mr. Choi Onward (*committee chairman*) (*FCCA, HKICPA*)
Mr. Zhou Chunsheng
Mr. Sun Lu

REMUNERATION COMMITTEE

Mr. Sun Lu (*committee chairman*)
Mr. Zhou Chunsheng
Mr. Choi Onward (*FCCA, HKICPA*)

NOMINATION COMMITTEE

Mr. Zhou Chunsheng (*committee chairman*)
Mr. Choi Onward (*FCCA, HKICPA*)
Mr. Sun Lu

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

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Beijing 100020, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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199-203 Hennessy Road

COMPANY WEBSITE

www.its.cn

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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(Cayman) Limited
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Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
A18/F, Asia Orient Tower
Tower Place, 33 Lockhart Road
Wanchai, Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

LEGAL ADVISOR

Orrick, Herrington & Sutcliffe (Hong Kong law)

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

China Development Bank Corporation
Beijing Branch
China Merchants Bank Co., Ltd.
Beijing Branch Beisanhuan sub-branch
China Everbright Bank Co., Ltd.
Beijing Branch Xicheng sub-branch
Hang Seng Bank (China) Limited
Beijing Branch
Bank of Beijing Co., Ltd.
Beijing Branch Cuiweilu sub-branch
China Guangfa Bank Co., Ltd.
Beijing Branch

KEY SUBSIDIARIES

"Aproud Technology"	Beijing Aproud Technology Co., Ltd. (北京亞邦偉業技術有限公司)
"Baillian Zhida"	Beijing Baillian Zhida Technology Development Co., Ltd. (北京百聯智達科技發展有限公司)
"Beijing Aproud Transportation"	Beijing Aproud Transportation Technology Co., Ltd. (北京亞邦偉業交通技術有限公司)
"Beijing Huading Jiaye"	Beijing Huading Jiaye Technology Co., Ltd. (北京華鼎嘉業技術有限公司)
"Beijing Jingwei Zhitong"	Beijing Jingwei Zhitong Technology Co., Ltd. (北京經緯智通科技有限公司)
"Beijing Lihe Datong"	Beijing Lihe Datong Technology Co., Ltd. (北京利和達通科技有限公司)
"Beijing Newcom"	Beijing Newcom Technology Co., Ltd. (北京航天智通科技有限公司)
"Beijing Newcom Traffic"	Beijing Newcom Traffic Technology Co., Ltd. (北京航天智通交通科技有限公司)
"Beijing STONE"	Beijing STONE Intelligent Transportation System Integration Co., Ltd. (北京四通智能交通系統集成有限公司)
"Beijing Wuzhouzhitong"	Beijing Wuzhouzhitong Traffic Technology Co., Ltd. (北京五洲智通交通科技有限公司)
"Beijing Xiyou"	Beijing Xiyou Communication Technology Co., Ltd. (北京西郵通信技術有限公司)
"Beijing Zhihang Tuoyu"	Beijing Zhihang Tuoyu Technology Co., Ltd. (北京智航拓宇科技有限公司)
"Beijing Zhongzhi Real Estate"	Beijing Zhongzhi Real Estate Co., Ltd. (北京中智置業有限公司)
"Beijing Zhongzhi Runbang"	Beijing Zhongzhi Runbang Technology Co., Ltd. (北京中智潤邦科技有限公司)
"Chengzhi Ruibang"	Beijing Chengzhi Ruibang Technology Co., Ltd. (北京誠智瑞邦科技有限公司)

Corporate Information

“Guangzhou Taizheng”	Guangzhou Taizheng Technology Co., Ltd. (廣州泰正科技有限公司)
“Guangzhou Xincheng”	Guangzhou Yabang Xincheng Communication Technology Co., Ltd. (廣州亞邦鑫程交通技術有限公司)
“Haotian Jiajie”	Beijing Haotian Jiajie Technology Co., Ltd. (北京昊天佳捷科技有限公司)
“Intelligent Transportation”	Intelligent Transportation Co., Ltd. (智能交通有限公司)
“Intelligent Aviation System”	Intelligent Aviation System Co., Ltd. (智能航空系統有限公司)
“Jiangsu Yijie”	Jiangsu Yijie Technology Co., Ltd. (江蘇易捷科技有限公司)
“Jiangsu Zhixun Tiancheng”	Jiangsu Zhixun Tiancheng Technology Co., Ltd. (江蘇智訊天成技術有限公司)
“Jiangsu Zhongzhi Transportation”	Jiangsu Zhongzhi Transportation Technology Co., Ltd. (江蘇中智交通科技有限公司)
“Jiangsu Zhongzhi Jiaye”	Jiangsu Zhongzhi Jiaye Electronic Technology Co., Ltd. (江蘇中智嘉業電子科技有限公司)
“Jiangsu Zhongzhi Ruixin”	Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd. (江蘇中智瑞信物聯科技有限公司)
“RHY Technology”	Beijing RHY Technology Development Co., Ltd. (北京瑞華贏科技發展有限公司)
“Southwest Intelligent Transportation”	Southwest Intelligent Transportation Co., Ltd. (西南智能交通有限公司)
“Tianjin Communication”	Tianjin Communication Information Co., Ltd. (天津航天智通交通信息投資營運有限公司)
“Xi’an Youke”	Xi’an Youke Information Technology Co., Ltd. (西安郵科信息技術有限公司)
“Xinjiang RHY”	Xinjiang RHY Technology Co., Ltd. (新疆瑞華贏機電工程有限公司)

“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)

JOINT VENTURES

“Anhui Yunlian”

Anhui Yunlian Urban Transportation Information Co., Ltd.
(安徽雲聯城市交通信息有限公司)

“Chengdu Zhida Weilute”

Chengdu Zhida Weilute Technology Co., Ltd.
(成都智達威路特科技有限公司)

“GTECH-CIC”

GTECH-CIC Joint Venture
(英國通用-中國智能交通聯營公司)

“Nanjing Communication”

Nanjing Communication Information Co., Ltd.
(南京智慧交通信息有限公司)

“Shandong Yigou”

Shandong Yigou Software Technology Co., Ltd.
(山東易構軟件技術有限公司)

“Wuhan Chenguang”

Wuhan Chenguang Transportation Technology Development Co., Ltd.
(武漢辰光交通科技發展有限公司)

Financial Highlights

The amount of new contract signed and order secured for the year ended December 31, 2014 was approximately RMB2,198.7 million, compared to approximately RMB2,683.4 million for the year ended December 31, 2013, or an approximately 18.1% decrease.

The amount of backlog as at December 31, 2014 was approximately RMB1,976.9 million, compared to approximately RMB2,210.7 million as at December 31, 2013, or an approximately 10.6% decrease.

Revenue for the year ended December 31, 2014 was approximately RMB2,266.7 million, compared to approximately RMB2,390.3 million for the year ended December 31, 2013, or an approximately 5.2% decrease.

Gross profit for the year ended December 31, 2014 was approximately RMB349.3 million, compared to approximately RMB559.0 million for the year ended December 31, 2013, or an approximately 37.5% decrease.

Gross profit margin decreased 8.0% from approximately 23.4% in 2013 to approximately 15.4%.

The non-cash one-off expenses⁽¹⁾ for the year ended December 31, 2014 was approximately RMB114.7 million, which did not occur in 2013.

Before deducting the non-cash one-off expenses, the adjusted loss attributable to the owners of the parent⁽²⁾ for the year ended December 31, 2014 was approximately RMB80.0 million, including the net financial expenses⁽³⁾ and other non-cash expenses⁽⁴⁾ which were approximately RMB65.2 million and RMB24.3 million respectively. After the Company settled the full amount of the redeemed principal of HK\$200.0 million in 2015, the finance cost will be minimized.

During 2014, the Group faced deterioration of performance in the urban traffic segment due to macro environment factors, and the loss of this segment was approximately RMB131.0 million. On the other hand, the Group remained robust in the railway segment in 2014, the new contract and order secured, revenue and the backlog amounts from this segment all reached an all-time high. Although the gross profit margin decreased in 2014 because of the breakthrough in developing new solutions, the profit of this segment still reached approximately RMB61.1 million. In the expressway segment, the revenue and gross profit both fell because of the delay of certain major projects in 2014 and a one-off project carried out in 2013, the profit of this segment still reached approximately RMB60.3 million. In 2015, the Group believes the profitability of the Company will be able to recover.

Loss attributable to the owners of the parent for the year ended December 31, 2014 was approximately RMB194.7 million, compared to a profit of approximately RMB149.3 million for the year ended December 31, 2013.

Notes:

- (1) Non-cash one-off expenses include goodwill impairment, derecognition loss of call option, loss on disposal of subsidiaries, impairment of property and equipment and impairment of other receivables about expressway restructure taxes.
- (2) Adjusted loss attributable to the owners of the parent refers to loss attributable to the owners of the parent *plus* non-cash one-off expenses.
- (3) Net financial expenses refer to total finance cost *minus* finance revenue.
- (4) Other non-cash expenses include equity-settled share option expenses, amortisation of intangible assets arising from acquisitions.

Financial Summary

A summary of backlog information, financial performance, financial position and financial ratios of China ITS (Holdings) Co., Ltd. (the “Company” or “CIC”) and its subsidiaries (together with the Company, the “Group”, “we” or “us”) over the last five financial years, as extracted from published audited financial statements, is set out below:

1. BACKLOG INFORMATION

RMB'000	2014	Year ended December 31			
		2013	2012	2011	2010
New contracts signed and orders secured	2,198,665	2,683,369	2,617,413	1,900,051	2,371,933

RMB'000	2014	As at December 31			
		2013	2012	2011	2010
Backlog	1,976,892	2,210,722	2,019,628	1,593,531	1,309,194

2. FINANCIAL PERFORMANCE

RMB'000	2014	Year ended December 31			
		2013	2012	2011	2010
Revenue	2,266,696	2,390,268	2,146,000	1,585,206	1,862,184
Gross profit	349,259	558,986	516,730	392,392	587,942
Profit attributable to owners of parent	(194,657)	149,254	131,910	112,919	294,009

3. FINANCIAL POSITION

RMB'000	2014	As at December 31			
		2013	2012	2011	2010
Total assets	5,755,675	5,796,466	5,169,898	3,941,739	3,733,896
Net assets	2,443,508	2,669,643	2,497,406	2,272,700	2,111,407
Net cash position ⁽¹⁾	(154,387)	(242,792)	(47,988)	135,491	659,326

Notes:

- (1) Net cash position refers to cash and cash equivalents *plus* convertible borrowings and held-to-maturity investment, *minus* interest-bearing bank borrowings, guaranteed bonds and convertible bonds.
- (2) Details of the above financial information are set out in Management Discussion and Analysis section on page 12 to page 25.

Financial Summary

4. FINANCIAL RATIOS

	For the year ended/As at December 31				
	2014	2013	2012	2011	2010
Sales cycle ratios:					
Trade receivables turnover days (days) ⁽¹⁾	203	154	142	185	122
Net construction contract turnover days (days) ⁽²⁾	78	87	72	63	64
Combined trade receivables and net construction contract turnover days (days)					
	281	241	214	248	186
Other ratios:					
Trade payables turnover days (days) ⁽³⁾	212	196	179	194	156
Current ratio (times) ⁽⁴⁾	1.5	1.8	1.7	1.9	2.1
Gearing ratio (%) ⁽⁵⁾	2.0%	2.8%	-3.7%	-12.4%	-39.6%
Return on assets (%) ⁽⁶⁾	-3.4%	2.6%	2.6%	2.9%	7.9%
Return on equity (%) ⁽⁷⁾	-8.0%	5.6%	5.3%	5.0%	13.9%

Notes:

- (1) Trade receivables turnover days refers to average trade receivables *divided* by revenue multiples 365 days.
- (2) Net construction contract turnover days refers to average net construction contract *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* guaranteed bonds, convertible bonds *minus* pledged deposits, short term deposit, convertible borrowings, held-to-maturity investment and cash and bank balances *plus* due to related parties) *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 12 to page 25.

BUSINESS OVERVIEW

The revenue of the Group in 2014 was RMB2,266.7 million, representing a decrease of 5.2% as compared to RMB2,390.3 million in 2013, new contracts signed and order secured in 2014 amounted to RMB2,198.7 million, representing a decrease of 18.1% as compared to 2013. Backlog as at the end of 2014 was RMB1,976.9 million, representing a decrease of 10.6% as compared to 2013. The overall decrease of revenue was due to weak performance of Urban Traffic. Besides the weak performance of Urban Traffic, the overall decrease of net profit was due to lower gross margin in particular projects, the one-off non-cash impairments on goodwill and intangibles, one-off provision to certain projects receivables, expressway restructure taxes, loss on disposal, and increased finance expenses.

On December 31, 2014, China Expressway Intelligent Transportation Technology Group Ltd. ("**China Expressway**"), a subsidiary of the Company, has cancelled its preferred shares previously issued to Beijing Global Holdings Limited ("**Beijing Global**") due to non-payment of consideration.

In February 2015, the Company announced that each of Mr. Wang Jing, Mr. Lu Xiao and Mr. Pan Jianguo tendered their resignation as a director and senior vice president of the Company.

The work that the former executive role of Mr. Wang encompassed are now carried out by Mr. Jiang Hailin; the work that former executive role of Mr. Lu encompassed are now carried out by Mr. Luo Haibin; and the work that former executive role of Mr. Pan encompassed are now carried out by Mr. Yuan Chuang. Accordingly, the Board believes that the departure of Mr. Wang, Mr. Lu and Mr. Pan will not have any material impact on the continuity of the Group's management.

In February 2015, the Company exercised its early redemption right to redeem its convertible bonds with an aggregate principal amount of HK\$200,000,000 due 2015 (the "**Convertible Bonds**") in full prior to their maturity. The Company settled the full amount of the redeemed principal of HK\$200,000,000 and the premium of approximately HK\$16,000,000 on February 26, 2015. The redemption was to minimize the Company's capital cost and optimize its capital structure and avoid potential equity dilution. The Company will continue seeking any further redemption or repurchase of its outstanding debt securities opportunities when appropriate.

SEGMENT OVERVIEW AND PROSPECTS

(i) Expressway

In 2014, the Expressway entered a period of stable development, and the slight decrease of Expressway revenue was due to the delay of implementation progress of some of the expressway projects. The business solution of Expressway is continuously changing and the conventional products and solutions can no longer fulfill clients' new requirements. Therefore, the Company will seek out any potential new business solutions and potential cooperation with some internet companies. The Company believes that expressway segment will continue to contribute revenue and growth once new solutions implemented.

(ii) Railway

In 2014, the Railway continued its growth, new contract signed and order secured boosted by 82.5% as compared with 2013. Under the persistent growth of railway infrastructure investment, the Company's railway segment made a significant progress on passenger service, video surveillance product penetration. In 2015, the total budget of investment amount of railway reached RMB730.0 billion. The Company believes railway segment will continue to grow and bring more opportunities in future.

(iii) Urban Traffic

In 2014, Urban Traffic faced deterioration of performance due to macro environment factors. Since the end of 2013, local governments have decreased urban traffic investments, and part of project progress delayed from 1 year to 3 to 5 years. The Group's Urban Traffic revenue and net profit decreased as a result. However, the management team believes the PRC central government will increase spends on urban traffic and local government will resume to invest on this segment when the current financing problems are resolved.

LIAO JIE
Chairman

Beijing, March 30, 2015

Management Discussion and Analysis

REVENUE

By Industry Segments

The Group's revenue for the year ended December 31, 2014 decreased by 5.2% to RMB2,266.7 million as compared to RMB2,390.3 million for the year ended December 31, 2013 due to a 9.9% decrease in the expressway segment, a 62.8% decrease in the urban traffic and a 100% decrease in the others segment which was partially offset by a 35.6% increase in the railway segment. The following table sets out the revenue breakdown by industry segments:

	Year ended December 31	
	2014 RMB'000	2013 RMB'000
Revenue by industry segments		
Expressway	1,062,150	1,178,675
Railway	1,012,853	747,183
Urban traffic	191,693	514,960
Others	–	28,707
Elimination	–	(79,257)
Total	2,266,696	2,390,268

(i) Expressway

Revenue from the expressway segment in the year ended December 31, 2014 was RMB1,062.2 million, representing a decrease of RMB116.5 million as compared to RMB1,178.7 million for the year ended December 31, 2013. The decrease was mainly due to the delay of certain major projects for the expressway segment in 2014 as well as the contribution to the revenue of 2013 from a one-off major project for the expressway segment carried out in 2013. In 2014, the expressway industry entered a period of stable development. As the original business model and product structure were insufficient to satisfy the development needs of the Group, the Group actively searched for new cooperative models with customers and invested manpower and resources to build up new product lines while maintaining the leading position in the original business so as to further explore the existing customer market. The Group believes the portfolio of product lines and business models which the Group is developing will reduce operational risk and continuously bring in growth and revenue for the Company. The new contract and order secured amount in the year ended December 31, 2014 was RMB807.0 million and the backlog amount as at December 31, 2014 was RMB941.0 million for the expressway segment.

(ii) Railway

Revenue from the railway segment in the year ended December 31, 2014 was RMB1,012.9 million, representing an increase of RMB265.7 million as compared to RMB747.2 million for the year ended December 31, 2013. Following the strong recovery in 2013, the railway segment remained robust in 2014. During the year, the new contract and order secured amount for railway segment increased by approximately 82.5% as compared with 2013. Under the environment of increasing investment in railway construction in China during 2014, the railway segment captured this opportunity for development and maintained the momentum of high growth in traditional communication solutions, further consolidating its leading position in the traditional segment. Meanwhile, the Group had made a remarkable breakthrough in developing new solutions such as passenger service and video surveillance by entering into new contracts related to Zheng Kai (Zhengzhou – Kaifeng), Zheng Jiao (Zhengzhou – Jiaozuo) City Railways and Gui Guang (Guizhou – Guangzhou) Video Surveillance. According to the railway development plan issued by China Railway Corporation in 2015, the total size of fixed assets investment plan for 2015 by China Railway Corporation would be RMB730.0 billion, following the investment scale of 2014. Under the trend of continued commitment in railway construction in China and the strategy of “One Belt, One Road”, the Group believes it will be able to seize more business opportunities in the railway segment with the guidance of “Going Global Policy for China Railway” in future. The new contract and order secured amount in the year ended December 31, 2014 was RMB1,165.4 million and the backlog amount as at December 31, 2014 was RMB719.0 million for railway segment.

(iii) Urban Traffic

Revenue from the urban traffic segment in the year ended December 31, 2014 was RMB191.7 million, representing a decrease of RMB323.3 million as compared to RMB515.0 million for the year ended December 31, 2013. Such decrease in segment revenue was mainly due to the impact of the overall slowdown in the urban traffic industry. Since late 2013, local governments within China has cut back on their investment to urban traffic projects to different extents, which also led to the business models of some projects transforming from a one-off project basis to a model where the price is to be settled by means of 5-year progressive payment by installments. Such change of business model had caused a decrease in income for the immediate periods, though the overall revenue to be realized will not be affected. Along with rapid urbanization and motorization in China, local governments will drive urban traffic planning and construction to solve the arising issues such as traffic congestion, air pollution and travel problems. Under this trend, the Group believes it will be able to seize more business opportunities in the urban traffic segment after the current financing difficulties faced by local governments is solved. The new contract and order secured amount in the year ended December 31, 2014 was RMB226.1 million and the backlog amount as at December 31, 2014 was RMB316.4 million for urban traffic segment.

(iv) Others

Revenue from the others segment in the year ended December 31, 2014 was nil, representing a decrease of RMB28.7 million as compared to RMB28.7 million in the year ended December 31, 2013. The new contract and order secured amount in the year ended December 31, 2014 was RMB0.2 million, and the backlog amount at December 31, 2014 was RMB0.4 million for others segment.

Management Discussion and Analysis

BUSINESS PATTERN AND MAJOR PROJECTS

The Group's business is highly correlated with the macroeconomic policies on infrastructure investment of the PRC central government and has a unique seasonal character. Most of the construction projects are in bidding stage and commenced implementations in the first half of the year. Therefore, the new contracts are confirmed in the first half of the year and the revenue is recognized in the second half. This resulted in a higher backlog amount in comparison with the figure at year end. The business pattern remained unchanged in 2014, and the backlog amount was approximately RMB1,976.9 million and RMB2,381.1 million as at December 31, 2014 and June 30, 2014, respectively.

During 2014, the Group had implemented more than 2,000 projects in various sizes, covering most of the regions in Mainland China. The following table sets out the major projects generating revenue in each industry segment:

Industry segments	Project name
Expressway:	Yunnan Da-Li (Dali – Lijiang) Expressway Project Hubei Gu-Zhu (Gucheng – Zhuxi) Expressway Project Hunan Zhang-Hua (Zhangjiajie – Huahuan) Expressway Project
Railway:	Jin-Zhong-Nan Railway Project He-Fu (Hefei – Fuzhou) Railway Project Jing-Hu-Sui (Beijing – Shanghai – Guangzhou) Railway Project
Urban traffic:	Wuhai ITS Management System Project Nanhai District ITS Management Project Chongqing Subway Line 6 Project

By Business sectors

The revenue in Turnkey Solutions' business, and Value-Added Operation and Services' business dropped by 14.4% and 8.0% respectively for the year ended December 31, 2014 and special solutions' business was slightly increased. The following table sets out the revenue breakdown by business sectors:

	Year ended December 31	
	2014 RMB'000	2013 RMB'000
Revenue by business sectors		
TS	919,861	1,075,148
SS	1,286,873	1,286,546
VAOS	99,250	107,831
Elimination	(39,288)	(79,257)
Total	2,266,696	2,390,268

(i) Turnkey Solutions (“TS”)

Revenue from the TS business for the year ended December 31, 2014 was RMB919.9 million, representing a decrease of RMB155.2 million as compared to RMB1,075.1 million for the year ended December 31, 2013. As mentioned in the industry segment section, due to the decrease in the overall expenditure in urban traffic industry and changes in the business models of some key projects, there was a significant decrease in the revenue from the TS business in urban traffic segment. The TS business as a whole accounted for 40.6% of the Group’s revenue in the year ended December 31, 2014, representing a decrease from 45.0% as recorded for the year ended December 31, 2013.

(ii) Special Solutions (“SS”)

Revenue from the SS business in the year ended December 31, 2014 was RMB1,286.9 million, representing a slightly increase as compared with RMB1,286.5 million for the year ended December 31, 2013. As mentioned in the industry segment section, was one-off major project for the expressway segment which contributed a large amount of revenue for 2013 was carried out in 2013 and the absence of a project of similar nature and magnitude in 2014 led to a significant decrease in the revenue from the SS business in expressway segment. On the other hand, due to the decrease in the overall expenditure in urban traffic industry, there was a significant decrease in the revenue from the SS business in urban traffic segment. However, the revenue from the SS business in railway segment recorded a significant increase of 37.9% as compared with 2013. The Group believes the revenue from this segment will further increase in 2015. The SS business as a whole accounted for 55.0% of the Group’s revenue in the year ended December 31, 2014, which is higher than 50.5% as recorded for the year ended December 31, 2013.

(iii) Value-added Operation and Services (“VAOS”)

Revenue from the VAOS business in the year ended December 31, 2014 was RMB99.3 million, representing a decrease of RMB8.5 million as compared to RMB107.8 million for the year ended December 31, 2013. The VAOS business as a whole accounted for 4.4% of the Group’s revenue in the year ended December 31, 2014, which is similar with 4.5% as recorded for the year ended December 31, 2013.

Management Discussion and Analysis

COST OF SALES

Cost of sales was incurred on a project-by-project basis for individual legal entities and was subsequently aggregated at sector or segment and corporate level. The cost of sales was based on the equipment and other direct relevant costs incurred for completion of each of the relevant projects. The cost of sales constituted 84.6% of the Group's revenue in the year ended December 31, 2014, which is higher than 76.6% as recorded for the year ended 31 December 2013.

By Industry Segments

	Year ended December 31	
	2014	2013
	RMB'000	RMB'000
Cost of Sales by industry segments		
Expressway	866,917	928,915
Railway	855,960	557,235
Urban traffic	194,560	398,176
Others	–	26,213
Elimination	–	(79,257)
Total	1,917,437	1,831,282
<i>% of Revenue</i>	84.6%	76.6%

(i) Expressway

The expressway segment decreased by RMB62.0 million to RMB866.9 million in the year ended December 31, 2014 as compared to RMB928.9 million for the year ended December 31, 2013.

(ii) Railway

The railway segment increased by RMB298.8 million to RMB856.0 million in the year ended December 31, 2014 as compared to RMB557.2 million for the year ended December 31, 2013.

(iii) Urban traffic

The urban traffic segment decreased by RMB203.6 million to RMB194.6 million in the year ended December 31, 2014 as compared to RMB398.2 million for the year ended December 31, 2013.

(iv) Others

The others segment decreased by RMB26.2 million to nil in the year ended December 31, 2014 as compared to RMB26.2 million for the year ended December 31, 2013.

Management Discussion and Analysis

By Business Sectors

	Year ended December 31	
	2014 RMB'000	2013 RMB'000
Cost of Sales by business sectors		
TS	806,936	923,482
SS	1,057,104	915,895
VAOS	92,685	71,162
Elimination	(39,288)	(79,257)
Total	1,917,437	1,831,282
<i>% of Revenue</i>	84.6%	76.6%

(i) TS

The cost of sales incurred for TS constituted 40.0% of the Group's cost of sales in the year ended December 31, 2014, which was lower than that in the prior year, and was mainly due to the overall industry slowdown in the urban traffic segment.

(ii) SS

The cost of sales incurred for SS constituted 55.1% of the Group's cost of sales in the year ended December 31, 2014, which was higher than that in the prior year mainly because of some projects with higher cost in the railway segment, especially contracts for the Group's new SS product.

(iii) VAOS

The cost of sales incurred for VAOS constituted 4.9% of the Group's cost of sales in the year ended December 31, 2014, which was higher than that in the prior year.

Management Discussion and Analysis

GROSS PROFIT

Overall gross profit of the Group decreased from RMB559.0 million for the year ended December 31, 2013 to RMB349.3 million in the year ended December 31, 2014. Gross profit margin has decreased from 23.4% for the year ended December 31, 2013 to 15.4% in the year ended December 31, 2014 which was mainly due to (i) the specific projects carried out in 2014 leading to a decrease in gross profit margin for the expressway segment; (ii) some projects with higher cost in the railway segment, especially new product contracts; and (iii) the overall slowdown in the urban traffic industry leading to a significant decrease in gross profit margin for the projects in the urban traffic segment.

By Industry Segment

	Year ended December 31	
	2014 RMB'000	2013 RMB'000
Gross profit by industry segments		
Expressway	195,233	249,760
Margin %	18.4%	21.2%
Railway	156,893	189,948
Margin %	15.5%	25.4%
Urban traffic	(2,867)	116,784
Margin %	(1.5%)	22.7%
Others	–	2,494
Margin %	–	8.7%
Total	349,259	558,986
Margin %	15.4%	23.4%

Management Discussion and Analysis

(i) Expressway

The expressway segment gross profit margin decreased by 2.8% to 18.4% in the year ended December 31, 2014 as compared to 21.2% for the year ended December 31, 2013. The decrease was mainly because of the lower profit margin for specific major projects carried out in 2014, including Hubei Gu-Zhu (Gucheng – Zhuxi) Expressway Project and Fujian Jing-Hai (Nanjing – Longhai) Project, under this segment. Gross profit margin for the expressway segment will gradually rebound along with the completion of the specific projects in future.

(ii) Railway

The railway segment gross profit margin decreased by 9.9% to 15.5% in the year ended December 31, 2014 as compared to 25.4% for the year ended December 31, 2013. The decrease was mainly due to the remarkable breakthrough in developing new solutions, such as passenger service and video surveillance, under the railway segment during 2014. As the gross profit margins of new businesses were lower than traditional businesses, the gross profit of this segment decreased. The Group believes these new breakthroughs not only diversify the business structure for this segment, but also provide opportunities for VAOS in future.

(iii) Urban traffic

The urban traffic segment gross profit margin decreased by 24.2% from 22.7% for the year ended December 31, 2013 to -1.5% in the year ended December 31, 2014. The main reason for this change is the overall slowdown in the urban traffic industry in 2014, leading to a significant decrease in new contracts and gross profit margin for the projects, and a cost incurred for XingTai electronic monitoring project in this segment, in 2014, RMB17.2 million of impairment of XingTai Project was provided according to the estimated cash inflow during the remained project period. The Group believes the gross profit margin for this segment will gradually rebound along with the future development of urban traffic industry and a more stringent cost control policy adopted by the Group.

(iv) The others segment gross profit was nil.

Management Discussion and Analysis

By Business Sectors

	Year ended December 31	
	2014 RMB'000	2013 RMB'000
Gross profit by business sectors		
TS	112,925	151,665
Margin	12.3%	14.1%
SS	229,769	370,651
Margin	17.9%	28.8%
VAOS	6,565	36,670
Margin	6.6%	34.0%
Total	349,259	558,986
Margin	15.4%	23.4%

(i) TS

Gross profit margin for TS decreased by 1.8% to 12.3% in the year ended December 31, 2014 as compared to 14.1% for the year ended December 31, 2013, which was mainly due to the decrease in gross profit margin for the expressway segment.

(ii) SS

Gross profit margin for SS decreased by 10.9% to 17.9% in the year ended December 31, 2014, as compared to 28.8% for the year ended December 31, 2013, which was mainly due to the lower gross profit margin for some projects under the railway segment.

(iii) VAOS

Gross profit margin for VAOS decreased from 34.0% for the year ended December 31, 2013 to 6.6% in the year ended December 31, 2014, which was mainly due to the cost incurred for XingTai project. The gross profit margin for VAOS is varied from project to project and normally is within a range from 30% to 60%. The Group believes VAOS will continue to bring higher quality of profit in the coming years.

OTHER INCOME AND GAINS

Other income and gains mainly comprised (a) rental income from investment properties, (b) fair value changes of investment properties and financial assets, and (c) government grants and other non-operating incomes. Both the rental income and fair value changes in investment properties were related to the real estate price in Beijing and was in line with the market growth trend. The fair value of financial assets exchanges were related to the fair value changes of convertible borrowings. Other non-operating incomes were related to the exchange gains in the first half 2014. The fair value gain on call option did not incurred in this year, which was in amount to RMB13.4 million in 2013.

OTHER EXPENSES

Other expenses mainly comprised of (a) derecognition loss of call option of acquisition of Beijing STONE, which was approximately RMB16.8 million; (b) goodwill impairment of Beijing STONE and Xinjiang RHY, which were approximately RMB48.0 million and RMB4.4 million respectively; (c) impairment of property and equipment which was RMB7.3 million that management identified could not be used in the future.

SELLING, GENERAL AND ADMINISTRATION EXPENSES

In the year ended December 31, 2014, selling, general and administration expenses was approximately RMB428.7 million, representing an increase of RMB55.1 million as compared to approximately RMB373.6 million for the year ended December 31, 2013. This increase was mainly due to impairment of other receivables about expressway restructure taxes which was approximately RMB20.4 million, and bad debts expenses which was approximately RMB37.1 million, which were not incurred in 2013.

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

In the year ended December 31, 2014, selling, general and administration expenses which was related to daily operational activities (“**SG&A**”) was approximately RMB371.2 million, as a percentage of sales slightly increased 0.8% to 16.4% as compared to 15.6% for the year ended December 31, 2013.

The staff costs remained as a large component of the Group's SG&A while the travelling, entertainment and business expansion expenses (“**T&E Expenses**”) and office supplies expenses are highly correlated with the headcount numbers. Therefore, the total amount of the aforesaid expenses (headcount related cost) constituted the largest portion of the Group's SG&A. The headcount related cost increased from RMB218.1 million in the year ended December 31, 2013 to RMB221.9 million for the year ended December 31, 2014, representing a 1.7% increase and accounting for 59.8% of the SG&A. This fluctuation was mainly due to that the Group had put more and more efforts in developing the new business opportunities through the following ways: (a) hired talent people; (b) adjusted salary rate in order to retain loyal employees. Management believed the expenditure in human resource will bring corresponding profits in the coming future.

The rental expenses slightly decreased from RMB27.3 million for the year ended December 31, 2013 to RMB27.0 million for the year ended December 31, 2014. The rental expenses accounted for 7.3% of the total SG&A in the year ended December 31, 2014, similar to that of the corresponding period in 2013.

Research & Development expenses from RMB37.1 million for the year ended December 31, 2013 to RMB41.3 million for the year ended December 31, 2014, mainly as a result of the increase in the expenditure related to R&D on new segments, such as the urban traffic and aviation segments.

(ii) Impairment of other receivables about expressway restructure taxes

Impairment of other receivables about expressway restructure taxes represent the adjustment made to taxes of RMB20.4 million arising from internal restructuring in 2012 and agreed to be incurred by the strategic investors of expressways. On December 11, 2012, China Expressway, a wholly-owned subsidiary of the Company, entered into a share subscription agreement with Beijing Global, pursuant to which China Expressway has agreed to allot and issue and Beijing Global has agreed to subscribe for preferred shares of China Expressway Group and as a result, immediately after the closing of such subscription, the shareholding interest of the Company in China Expressway would be diluted from 100% to 51%.

Taxes of RMB20.4 million arising from internal restructuring were incurred by Beijing Global and included in other income of the Company in 2012. Pursuant to the agreement, China Expressway and Beijing Global should complete the subscription on or before March 11, 2014 (the "**Closing Date**"). However, Beijing Global did not perform its obligations by the Closing Date and did not make any payment of the Subscription Price in accordance with the payment schedule set out in the Share Subscription Agreement.

In view of no dilution to the control on China Expressway and no financial pressure, on December 31, 2014, the Company exercised the right under the Share Subscription Agreement for China Expressway to cancel the Preferred Shares and terminate the obligations on the part of China Expressway under the Share Subscription Agreement.

Based on this matter, a one-off write-down on other receivables of RMB20.4 million from prior period was recognized in 2014.

(iii) Bad debt expenses

Bad debt expenses mainly represented one-off write-down expenses provided for receivables which the Group considered with no or minimal recoverability according to recognized criteria of bad debts on individual basis. Such expenses were RMB37.1 million for the year ended December 31, 2014, among which such expenses of the urban traffic segment were RMB21.9 million.

OTHER NON-CASH EXPENSES

Equity-settled share option expenses refer to the share options expenses related to the Company's pre-IPO share incentive scheme adopted on December 28, 2008 ("**Pre-IPO Share Incentive Scheme**") and the Share Option Scheme under which share options were granted on January 18, 2012. For year ended December 31, 2014, equity-settled share option expenses was RMB6.7 million, which was much lower than that in amount of RMB18.9 million for year ended December 31, 2013, due to the diminishing scale of option expenses over the years.

Amortization expenses of intangible assets arising from acquisition mainly represented the amortization arising from the acquisition of CTH and STONE. Such expenses were RMB17.6 million for the year ended December 31, 2014, which was lower than the expenses of RMB19.0 million for the year ended December 31, 2013, because certain intangible assets from acquisition were already fully amortized in 2013.

FINANCE REVENUE AND FINANCE COST

Finance revenue comprised of mainly interest income and finance cost comprised of mainly interest expenses for interest-bearing bank loan, convertible bonds and guaranteed bonds. The net financial expenses represented the total finance cost minus finance revenue. This financial expense was RMB65.2 million in the year ended December 31, 2014, which represented an increase of RMB22.2 million as compared to RMB43.0 million for the year ended December 31, 2013. The increase was mainly due to the interest arising from the convertible bonds in the aggregate principal amount of HK\$200 million issued in late 2013.

SHARE OF PROFITS OF JOINT VENTURES/ASSOCIATES

Share of Profits of investment entities in the year ended December 31, 2014 was approximately RMB13.2 million, which represented a decrease from that in amount of RMB23.2 million for the year ended December 31, 2013. The investment income was mainly from share of profit of several associates in both the expressway and the urban traffic segments.

INCOME TAX EXPENSES

The total income tax expense in the year ended December 31, 2014 was RMB17.5 million, which was lower than the income tax expenses for the year ended December 31, 2013, and was due to the decrease of profit before taxation. The effective tax rate for the year ended December 31, 2014 was 9.7%.

LOSS FOR THE YEAR

Before deducting the non-cash one-off expenses, the adjusted loss attributable to the owners of the parent for the year ended December 31, 2014 was approximately RMB80.0 million. Loss attributable to the owners of the parent for the year ended December 31, 2014 was approximately RMB194.7 million, compared to a profit of approximately RMB149.3 million for the year ended December 31, 2013.

TRADE RECEIVABLES TURNOVER DAYS

The trade receivables turnover days in the year ended December 31, 2014 was 203 days (in the year ended December 31, 2013: 154 days).

NET CONSTRUCTION TURNOVER DAYS

The net amount due from contract customer turnover days in the year ended December 31, 2014 was 78 days (in the year ended December 31, 2013: 87 days).

TRADE PAYABLES TURNOVER DAYS

The trade payables turnover days in the year ended December 31, 2014 was 212 days (in the year ended December 31, 2013: 196 days).

INVENTORY TURNOVER DAYS

The inventories of the Group mainly comprised of raw materials, work-in-progress, finished goods and general merchandise for surveillances Specialized Solutions. The inventory turnover days in the year ended December 31, 2014 was 4 days (in the year ended December 31, 2013: 6 days).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings, the proceeds from the Global Offering, and the proceeds from bond issued. As at December 31, 2014, the Group's current ratio (current assets divided by current liabilities) was 1.5 (as at December 31, 2013: 1.8). The Group's financial position remains healthy.

As at December 31, 2014, the Group was in a net negative cash of RMB154.4 million (as at December 31, 2013: net negative cash of RMB242.8 million) which included cash and cash equivalents of RMB600.3 million (as at December 31, 2013: RMB695.7 million), convertible borrowings of RMB82.4 million (as at December 31, 2013: nil), held-to-maturity investment of RMB67.5 million (as at December 31, 2013: nil), interest-bearing bank borrowings of RMB642.7 million (as at December 31, 2013: RMB607.6 million) as well as guaranteed bonds of RMB107.5 million (as at December 31, 2013: RMB184.9 million) and convertible bonds of RMB154.4 million (as at December 31, 2013: RMB146.0 million). As at December 31, 2014, the Group's gearing ratio was 2.0%, which has decreased from 2.8% as at December 31, 2013, due to the increase of realizable assets such as held-to-maturity. Gearing ratio refers to adjusted cash (interest-bearing bank borrowings plus guaranteed bonds, convertible bonds, due to related parties minus pledged deposits, short-term deposits, convertible borrowings, held-to-maturity investment and cash and bank balances) divided by total equity.

CONTINGENT LIABILITIES

As at December 31, 2014, the Group had no material contingent liability.

CHARGES ON GROUP ASSETS

As at December 31, 2014, expect for the secured deposits (current portion) of approximately RMB79.7 million (as at December 31, 2013: RMB80.6 million), and the secured deposits (non-current portion) of approximately RMB4.5 million (as at December 31, 2013: RMB4.5 million), the Group pledged its building having net book values of approximately RMB119.0 million (as at December 31, 2013: RMB39.5 million) and trade receivables with a total value of RMB120.0 million (as at December 31, 2013: nil) to banks to secure banking facilities granted to the Group. Save as disclosed above, as at December 31, 2014, the Group had no other asset charged to financial institution.

Management Discussion and Analysis

USE OF PROCEEDS

The shares of the Company were listed on the main board of the Stock Exchange on July 15, 2010 with net proceeds from the global offering of the Company of approximately HK\$710.6 million (after deducting underwriting commissions and related expenses).

The use of the net proceeds from the global offering as at December 31, 2014 was as follows:

Use for	Percentage of net proceeds	Amount of net proceeds (in HK\$ million)	Amount utilised (in HK\$ million)	Amount remaining (in HK\$ million)
Acquisitions or Investments	45%	319.7	319.7	–
Project-related working capital needs	35%	248.7	248.7	–
Research and development	10%	71.1	66.9	4.2
General corporate purposes	10%	71.1	71.1	–
Total	100%	710.6	706.4	4.2

Director and Senior Management

BOARD OF DIRECTORS

The Board consists of six Directors, two of whom are executive Directors one of whom is a non-executive Director and the remaining three are independent non-executive Directors. The table below sets forth certain information regarding members of the Board:

Name	Age	Title
Mr. Liao Jie	49	Chairman and executive Director
Mr. Jiang Hailin	46	Executive Director
Mr. Tim Tianwei Zhang	52	Non-executive Director
Mr. Zhou Chunsheng	48	Independent non-executive Director
Mr. Choi Onward	44	Independent non-executive Director
Mr. Sun Lu	41	Independent non-executive Director

Executive Directors

Mr. LIAO Jie (廖杰), 49, 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 Group (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) and Best Partners Development Limited (“**Best Partners**”, one of the Controlling Shareholders), and sole director of Joyful Business Holdings Limited (“**Joyful Business**”, one of the Controlling Shareholders) responsible for corporate finance and fund raising activities. 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: 0006181, “**Visual China**”) from May 9, 2014 and the chairman of Visual China from May 29, 2014. Mr. Liao became a director of RHY Technology in May 2002, responsible for strategic planning and operational management in the Expressway segment. He subsequently joined the board of directors of two other PRC companies in the Group, Wuhan Chenguang in April 2005 and Bailian Zhida in April 2007, respectively. He retired from the three above-mentioned directorships when he started serving as a senior advisor of the Board on business strategy and operational direction of the Group in January 2008.

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 former 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), 46, 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 Best Partners and sole director of 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 serving as a director of RHY Technology from May 2002 to July 2014, a director and chairman of the board of directors of Haotian Jiajie since March 2007, a director and vice chairman of the board of directors of Aproud Technology from August 2002 to February 2010 and again since May 2010, a director of Bailian Zhida since April 2007 and the executive director of Jiangsu Zhongzhi Transportation from December 2011 to July 2014.

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 21 years of experience in general management and over 13 years of experience in the China ITS industry.

Non-executive Director

Mr. Tim Tianwei ZHANG (張天偉), 52, is a non-executive Director appointed on 20 May 2014. Mr. Zhang has been the Chief Operating Officer of China Merchants Capital Investment Limited (招商局資本投資有限責任公司) ("**China Merchants Capital**") from April 2012 to December 2014. Mr. Zhang is also an independent non-executive director of HC International, Inc., a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (stock code: 8292), since November 2011. Prior to his position at China Merchants Capital, Mr. Zhang was the cofounder and managing director of Taconic Capital Ltd. from September 2003 to September 2005, the vice chairman and general manager of Unicredit China Capital Ltd. from September 2005 to June 2007. He was the managing director at J.P. Morgan Securities (Asia Pacific) Ltd. from July 2007 to October 2011, as well as the chairman of J.P. Morgan (China) Venture Capital Investment Co., Ltd. from 2010 to 2011. Mr. Zhang has been the managing director of Koderan Forex since January 2015. Mr. Zhang has over 20 years of experience in financial services and general management.

Mr. Zhang graduated from Tsinghua University with a Bachelor of Science in mechanical engineering in July 1986, and received his Masters degree in economics from the Chinese Academy of Social Sciences and his Master of Business Administration degree from the University of Chicago.

Director and Senior Management

Independent non-Executive Directors

Mr. ZHOU Chunsheng (周春生), 48, is an independent non-executive Director, chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the audit committee of the Company (the "**Audit Committee**") and remuneration committee of the Company (the "**Remuneration Committee**"). Mr. Zhou was appointed as Director on September 4, 2008. He is currently a professor of the Cheung Kong Graduate School of Business, an independent non-executive director of Heilongjiang Interchina Water Treatment Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600187), an independent non-executive director and a member of the audit committee and remuneration committee of North Asia Resources Holdings Limited, a company listed on the Stock Exchange (stock code: 0061), an independent non-executive director of Essence Futures Co., Ltd. and an independent non-executive director of Chang'an International Trust Co., Ltd..

Previously, Mr. Zhou acted as a commissioner of the Development and Strategy Committee of the China Securities Regulatory Commission, an economist of the U.S. Federal Reserve Board, where he was responsible for the analysis, control and management of financial risks, an assistant professor at the University of California (Riverside), an associate professor of the Business School of the University of Hong Kong and a finance professor of the Guanghua School of Management at Peking University. Mr. Zhou received a master's degree in applied mathematics from Peking University in July 1988 and a doctoral degree in economics from Princeton University in June 1995. Mr. Zhou was awarded the National Excellent Young Researcher Grant in January 2004 by the National Natural Science Foundation of China for his research in financial investments. Mr. Zhou's professional expertise and his wide experiences of serving as directors in other listed companies will be a significant asset to the Board.

Mr. CHOI Onward (蔡安活), 44, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. Mr. Choi was appointed as Director on September 4, 2008. Mr. Choi currently serves as the acting chief financial officer of NetEase, Inc., a company listed on NASDAQ (NASDAQ: NTES), an independent director of Tuniu Corporation, a company listed on NASDAQ (NASDAQ: TOUR), and an independent non-executive director of Beijing Jingkelong Company Limited, a company listed on the Stock Exchange of Hong Kong Limited (SEHK: 814).

Mr. Choi is a member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the CPA Australia, a fellow member of the Hong Kong Institute of Certified Public Accountants and a registered practicing Certified Public Accountant in Hong Kong. Mr. Choi holds a Bachelor of Arts degree in accountancy with honors from the Hong Kong Polytechnic University.

Mr. SUN Lu (孫璐), 41, is an independent non-executive Director, chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Sun was appointed as Director on June 18, 2010. He is also the general manager and a director of CITIC Guoan Information Industry Co., Ltd. ("**CITIC Guoan**"), a PRC incorporated company listed on the Shenzhen Stock Exchange (stock code: 000839).

Previously, Mr. Sun served as the assistant to the general manager of CITIC Guoan. Mr. Sun was the manager of the investment department of Huaxia Securities Co., Ltd. and an auditor at the China Securities Regulatory Commission and at Huijiang Deloitte Accountant Co.. Mr. Sun received a bachelor's degree in accounting from the Capital University of Economics and Business in July 1996, and an EMBA degree from the Tsinghua University in July 2006. He possesses rich experience in corporate management.

Director and Senior Management

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	46	Chief Executive Officer, chairman of the finance committee
Mr. Yuan Chuang	49	Vice president of the Company, general manager of the President's Office
Mr. Leung Ming Shu	39	Chief financial officer, company secretary, general manager of investment and financing affairs
Mr. Guan Jizhen	49	Chief technology officer of the Company, chairman of the technology committee
Mr. Zhang Yi	41	Vice president of the Company, president of urban transportation and civil aviation group
Mr. Liao Yibing	48	Vice president of the Company, president of expressway transportation group
Mr. Luo Haibin	39	Vice president of the Company, president of rail transportation group
Mr. Chen Changxue	48	Vice president of the Company, general manager of corporate partnership and development department

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

Mr. YUAN Chuang (袁闖), 49, is the vice president of the Company, general manager of the president's office, responsible for daily operation management of the Group. Mr. Yuan joined the Group in February 2008 and has held his current position since September 2013. Mr. Yuan served as a sales engineer of China Kejian Co. Ltd. from July 1992 to July 1994, responsible for the regional sales of agent products. From August 1994 to December 1996, he was a sales manager of Shenzhen Lenovo Computer Co., Ltd. (深圳聯想電腦有限公司), responsible for client development of regional corporate applications. He was a director of Beijing Bailian Youli Information Technology Co., Ltd., responsible for operation management and decision making for the company. During the aforementioned period, Mr. Yuan has also served as the vice general manager of Shiji Lezhi (Beijing) Network Technology Co., Ltd. (世紀樂知(北京)網絡技術有限公司), responsible for operation management of the company. Mr. Yuan has 16 years experience in operation management.

Mr. Yuan received a bachelor's degree in precision mechanical engineering and a master's degree in computer device and equipment from the Faculty of Computer Science and Engineering of Huazhong University of Science and Technology in July 1988 and July 1992 respectively.

Mr. LEUNG Ming Shu (梁銘樞), 39, is the chief financial officer, company secretary and the chief of capital operation, investment and financing affairs of the Company, responsible for overall financial, corporate finance and acquisitions and mergers management of the Company. Mr. Leung served as Director from August 2008 to June 2009. Since he joined our Group in January 2008, Mr. Leung has held his current position within the Group. Mr. Leung also serves as an independent non-executive director, chairman of the audit committee and the remuneration committee and member of the nomination committee and the corporate governance committee of Comtec Solar Systems Group Limited (SEHK: 0712), and as an independent non-executive director, member of audit committee, nomination committee, remuneration committee and corporate governance committee of Cabbeen Fashion Limited (SEHK: 2030).

Director and Senior Management

Prior to joining our Group, Mr. Leung served as the chief financial officer of Beijing Lingtu Software Co., Ltd., a digital mapping and navigation software company incorporated in the PRC, and Beijing Xinwei Telecom Technology Co., Ltd., a subsidiary of Datang Telecom Technology & Industry Group engaged in the development of a proprietary telecommunications standard and manufacturing of telecommunications equipment. Mr. Leung served as a senior manager in the mergers and acquisitions department and chief financial officer of CDC Corporation (NASDAQ: CHINA) and its subsidiary, China.com Inc. (SEHK: 8006) respectively. As the chief financial officer of China.com Inc., Mr. Leung also supervised the corporate secretarial functions and liaised closely with the compliance advisor and legal counsel on statutory compliance matters. Mr. Leung started his professional career at PriceWaterhouseCoopers in Hong Kong in auditing, and subsequently worked at its global corporate finance department managing several cross border corporate finance and mergers and acquisitions advisory projects. He also worked as a business consultant in Market Catalyst International (HK) Ltd., the consulting arm of Morningside Group that engages in providing management consulting and marketing advisory services, where he advised companies on issues of strategy, organization and operations.

Mr. Leung graduated with a first class honors bachelor's degree in accountancy from the City University of Hong Kong in June 1998, as well as a master's degree in accountancy from the Chinese University of Hong Kong in September 2001. He is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and a Fellow Member of the Hong Kong Institute of Certified Public Accountants (FCPA). Mr. Leung possesses a total of approximately 16 years of experience in corporate financial management, including over 11 years with technology companies.

Mr. GUAN Jizhen (關積珍), 49, is the chief technology officer and chairman of the technology committee of the Company, responsible for overall research and development of the Company. Mr. Guan joined our Group in July 2012 after the acquisition of Beijing STONE by the Group and has held his current position since November 2012. In addition, Mr. Guan has served as the deputy general manager of Beijing STONE since February 1999 responsible for product research and development and engineering, a director and general manager of Beijing STONE since December 2004 responsible for general operation, and the chairman of the board of directors of Beijing STONE since June 2006. Mr. Guan also served as the chairman of the board of directors of Beijing Lihe Datong since August 2011 and Beijing Jingwei Zhitong since September 2011 and a director of Beijing Newcom Traffic since November 2011.

In addition, leveraging on his outstanding academic background and expertise in research, Mr. Guan was employed by various industrial associations and research centres. He has served as deputy general secretary for China Intelligent Transportation Systems Association since December 2012, a member of the first session of judging panel of science & technology awards by the ITS Association since March 2012, the head of expert committee for urban traffic of the ITS Association since December 2011, a member of expert committee of the ITS Association since December 2009, a member of the first session of academic committee of Beijing Key Laboratory of Cooperative Vehicle Infrastructure and Safety Control since April 2012, a member of expert committee for modern transportation technology of the National High Technology Research and Development Program of China (863 Program) since March 2012, a consultant of Beijing Transportation Development and Research Center since March 2011, a member of the expert committee of the Intelligent Transport System Association of Shenzhen since October 2010, a member of academic committee of Guangdong Key Laboratory of ITS since October 2010, a member of the judging panel of science and technology awards by the Public Security Ministry since October 2010, a member of academic committee of the Metropolitan Congestion Research Centre since November 2006 and deputy general secretary of the Transportation System Engineering Society of China since January 2002.

Director and Senior Management

Previously, Mr. Guan served as an engineer of Industrial Management Office of Beijing Jiaotong University, responsible for the development of ITS. Mr. Guan also served as the deputy general manager of Beijing Lantong Electronic Co., Ltd., responsible for production of intelligent information system and relevant projects, and he was then promoted to general manager responsible for the overall operation of the company. Meanwhile, he was appointed as the general manager of Beijing Jiaotong Fulun Economic and Technological Development Company* (北方交大輔輪經濟技術開發公司), the vice president of Lantong Group* (藍通集團) and Beijing Jiaotong Tianyou Technology Group* (北京交大天佑科技集團). Mr. Guan served as a lecturer of the Department of Industrial Management of Beijing Jiaotong University.

Mr. Guan received a bachelor's degree in logistic management and a master's degree in engineering from Beijing Jiaotong University in July 1985 and May 1987 respectively, and obtained a doctorate degree in management science and engineering from Huazhong University of Science and Technology in December 2009. Mr. Guan was elected as the "ITS Person of the Year 2012" in January 2013 and received the first class prize of "The Expert and Scientist with Outstanding Contribution Award of 2012" from China Intelligent Transportation System Association in September 2012. Mr. Guan obtained the "Outstanding Contribution for the Development of China ITS Industry (2010)", the third and second class prizes of "Beijing Science and Technology" in February 2011 and December 2008 respectively, and the "Outstanding Individual in Olympic Research and Technology Service Award". He possesses approximately 21 years of experience in the research and development as well as business operation and management in the ITS industry.

Mr. ZHANG Yi (張屹), 41, is a vice president of the Company and the president of urban transportation and civil aviation group, responsible for business development in new industry segments. Mr. Zhang joined our Group in July 2007. He started as the new product development department supervisor and was then promoted to a director and general manager of Zhixun Tiancheng responsible for the overall operation management in the railway segment. He served as the vice president of the Company in November 2011 responsible for developing, coordinating and maintaining the relationship with the Group's strategic partners. He has held his current position since 2012. Mr. Zhang has served as executive director of Jiangsu Zhixun Tiancheng from November 2009 to October 23, 2014.

Prior to joining our Group, Mr. Zhang served as vice general manager of Beijing Wangxun Qidian Technology Co., Ltd. responsible for operating and marketing. Mr. Zhang also served as vice general manager of Beijing Huatie Hengxing Technology Co., Ltd. responsible for operations management. Prior to that, Mr. Zhang served as sales engineer of Tianjin Mobishi Battery Co., Ltd. responsible for the sales in China.

Mr. Zhang received a bachelor's degree in physics from the Nanjing University in July 1996. Mr. Zhang possesses a total of approximately 11 years of experience in sales and marketing management.

Mr. LIAO Yibing (廖一兵), 48, is currently the vice president of the Company and the president of expressway transportation group, fully responsible for the business expansion and operation management of the expressway transportation group of the Company. Mr. Liao Yibing joined the Company in February 2001. First he served as the general manager of South China region of RHY Technology, responsible for the marketing and construction management of the expressway business in South China region. Afterwards, he was promoted to the position of vice president of RHY Technology and the general manager of South China region, responsible for the supply chain management of RHY Technology and management of South China region. In November 2011, Mr. Liao was appointed as the vice president of the Company and the general manager of RHY Technology, in charge of the supply chain of the Company and fully responsible for the overall operation of RHY Technology. He has served the current position since November 2012.

Director and Senior Management

Prior to joining the Company, Mr. Liao was a veteran lawyer. He has served as a legal advisor of Hunan International Trust and Investment Corporation (湖南省國際信託投資有限公司), responsible for the legal affairs. He received a bachelor's degree in law from Xiangtan University. He possessed profound legal background as well as 15 years of experience in marketing and management.

Mr. Luo Haibin (羅海濱), 39, is a vice president of the Group and the president of rail transportation group. He is responsible for the overall business development and the operational management of the rapid transit group 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 of the Company and manager of Zhixun Tiancheng. He has been the legal person and the group president of transit business of Beijing Zhixun Tiancheng Technology Co., Ltd., responsible for the operational management of the Company and the rapid transit group since November 2007. Mr. Luo has also served as the legal person and general manager of Beijing Zhongzhi Runbang (北京中智潤邦) since December 2014, responsible for the overall project management and service delivery. Mr. Luo has served as the vice president of the Group since February 2015.

Prior to joining our Group, Mr. Luo served as the marketing director of the Department of Military Network of Beijing Jiayun Feihong Co., Ltd.* (北京佳訊飛鴻股份有限公司), responsible for the industrial marketing management of the military.

Mr. Luo received a bachelor's degree in Computer Software from Beijing Information Science and Technology University and a master's degree in Project Management Engineering from the Southwest Jiaotong University in 1993. He is currently studying Master of Business Administration programme in Tsinghua University. Mr. Luo possesses approximately 14 years of experience in marketing and management.

Mr. CHEN Changxue (陳長學), 48, is a vice president of the Group and general manager of corporate partnership and development department. He is responsible for strategic business partnership of the Company.

Mr. Chen joined the Group in December 2006 and served as the vice general manager of Zhixun Tiancheng, who was the person in charge of product solutions and project delivery. He served as the vice president of the Group since November 2011, responsible for the construction and development of the communication solutions and engineering delivery system of the Company. He then served as a general manager of corporate partnership and development department, responsible for strategic business partnership of the Company.

Prior to joining our Group, Mr. Chen was employed by China Academy of Posts and Telecommunications of the former Ministry of Posts and Telecommunications and served as an engineer. He served as a senior product manager and a senior marketing manager in China of the network product segment of Harris Corporation in the US between 1997 and 2001 respectively. He served as the chief representative in China of ARRIS in the US between 2001 and 2003, responsible for the overall business in China. He has been the vice general manager of Beijing Haode Information and Communication Technology Co., Ltd.* (北京浩德信通技術有限公司) between 2003 and 2006, responsible for the overall operation and marketing of the company.

Mr. Chen received a bachelor's degree in Automation from Beijing University of Technology. He possesses over 15 years of experience in management and marketing.

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 2014.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company for the year ended December 31, 2014.

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 of all 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 implementing 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 six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board is set out on page 45 in the paragraph 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. Choi Onward, an independent non-executive Director, 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, 2014, there were four Board meetings held, at which the Directors approved, among other things, the audited consolidated results of the Group for the year ended December 31, 2013 and the unaudited consolidated results of the Group for the six months ended June 30, 2014.

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 3 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 A1.1 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, 2014, the Board convened a total of four Board meetings and there were two meetings for the Audit Committee, one meeting 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 (<i>Chairman</i>)	4/4	N/A	N/A	N/A	1/1
Mr. Jiang Hailin (<i>Chief Executive Officer</i>)	4/4	N/A	N/A	N/A	0/1
Mr. Wang Jing (resigned on February 3, 2015)	4/4	N/A	N/A	N/A	1/1
Mr. Lu Xiao (resigned on February 3, 2015)	4/4	N/A	N/A	N/A	0/1
Mr. Pan Jianguo (resigned on February 3, 2015)	4/4	N/A	N/A	N/A	0/1
Non-executive Director					
Mr. Tim Tianwei Zhang	3/4	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Zhou Chunsheng	4/4	2/2	1/1	1/1	1/1
Mr. Choi Onward (<i>FCCA, HKICPA</i>)	4/4	2/2	1/1	1/1	1/1
Mr. Sun Lu	4/4	2/2	1/1	1/1	1/1

The Chairman and the Chief Executive Officer

The Code Provision A2.1 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, 2014, Mr. Liao Jie has been the Chairman and Mr. Jiang Hailin has been the Chief Executive Officer. Accordingly, the Company complied with Code Provision A2.1 at all times during the year ended December 31, 2014.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three independent non-executive Directors, being Mr. Choi Onward, Mr. Zhou Chunsheng and Mr. Sun Lu, with Mr. Choi Onward 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 with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources;
- (h) qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

Corporate Governance Report

- (i) 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;
- (j) 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;
- (k) to review the Company's financial and accounting policies and practices;
- (l) 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the Board on the matters set out in the Code Provisions; and
- (o) to consider other topics, as defined by the Board.

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 two 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, 2014 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.

Remuneration Committee

The Remuneration Committee consists of three independent non-executive Directors, namely, Mr. Sun Lu, Mr. Zhou Chunsheng and Mr. Choi Onward. Mr. Sun Lu is 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 one meeting 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, 2014 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

The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Zhou Chunsheng, Mr. Choi Onward and Mr. Sun Lu. Mr. Zhou Chunsheng is 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, 2014 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 D.3.1 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 A.6.5, 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, 2014:

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	✓	✓	✓
Mr. Wang Jing (resigned on February 3, 2015)	✓	✓	✓
Mr. Lu Xiao (resigned on February 3, 2015)	✓	✓	✓
Mr. Pan Jianguo (resigned on February 3, 2015)	✓	✓	✓
Non-executive Director			
Mr. Tim Tianwei Zhang	✓	✓	✓
Independent Non-executive Directors			
Mr. Zhou Chunsheng	✓	✓	✓
Mr. Choi Onward	✓	✓	✓
Mr. Sun Lu	✓	✓	✓

ACCOUNTABILITY AND AUDIT

Auditor's Remuneration

The remuneration paid to the Company's auditor, Ernst & Young, during the year ended December 31, 2014 in relation to audit service is RMB1.7 million and non-audit service is RMB0.9 million.

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, Ernst & Young, on its reporting responsibilities in respect of the consolidated financial statements of the Group for the year ended December 31, 2014 is set out on pages 61 and 62.

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.

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 a full-time employee of the Group. During the year ended 31 December, 2014, 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, 2014.

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 2014 annual general meeting of the Company (the "AGM") will be held on May 22, 2015. The notice of 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.

Report of the Directors

The Board presents its report together with the audited consolidated results of the Group for the year ended December 31, 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the principal subsidiaries of the Company are to provide intelligent transportation systems and transportation infrastructure technology solutions and services to expressway, railway (including rapid transit), and urban traffic segments in China. Details of the activities of the subsidiaries of the Company are set out in note 19 to the consolidated financial statements on page 125.

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended December 31, 2014 are set out on page 63 of this annual report.

The Board recommended that no dividend will be declared for the year ended December 31, 2014.

PROPERTY, PLANT 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 page 117.

SHARE CAPITAL

Details of the movement in the Company's share capital during the year ended December 31, 2014 are set out in note 41 to the consolidated financial statements on page 148.

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, 2014 are set out in note 42 to the consolidated financial statements on pages 149 to 150. As at December 31, 2014, the Group's distributable reserve is RMB1,672,403,000.

CHARITABLE DONATIONS

The Company made several charitable donations in an aggregate amount of approximately RMB400,000 during the year ended December 31, 2014.

Report of the Directors

DIRECTORS

The Directors who held office during the year ended December 31, 2014 and up to the date of this annual report are:

	Last Re-election Date
Executive Directors	
Mr. Liao Jie (<i>Chairman</i>)	May 23, 2013
Mr. Jiang Hailin (<i>Chief Executive Officer</i>)	May 23, 2013
Mr. Wang Jing (resigned on February 3, 2015)	May 29, 2012
Mr. Lu Xiao (resigned on February 3, 2015)	May 19, 2014
Mr. Pan Jianguo (resigned on February 3, 2015)	May 19, 2014
Mr. Lv Xilin (resigned on May 20, 2014)	May 23, 2013
Non-executive Director	
Mr. Tim Tianwei Zhang (appointed on May 20, 2014)	N/A
Independent Non-executive Directors	
Mr. Zhou Chunsheng	May 29, 2012
Mr. Choi Onward (<i>FCCA, HKICPA</i>)	May 19, 2014
Mr. Sun Lu	May 29, 2012

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

In accordance with Article 83 of the Articles of Association of the Company, Mr. Tim Tianwei Zhang will be subject to re-election as a non-executive Director at the forthcoming annual general meeting and, being eligible, Mr. Zhang has offered himself for re-election.

Biographies of Directors and senior management of the Company are set out on pages 26 to 32 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.

Report of the Directors

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 of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the reporting period.

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

Save as disclosed below, as at December 31, 2014, 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 ⁽¹¹⁾	Approximate percentage of shareholdings as at December 31, 2014 ⁽¹¹⁾
Mr. Liao Jie ⁽¹⁾⁽²⁾	Beneficial owner/Interest of a controlled corporation	130,044,077(L)	7.86%(L)
Mr. Jiang Hailin ⁽¹⁾⁽³⁾	Beneficial owner/Beneficiary of the Fino Trust	759,639,859(L)	45.93%(L)
Mr. Wang Jing ⁽¹⁾⁽⁴⁾	Beneficial owner/Beneficiary of the Tesco Trust	763,589,895(L)	46.17%(L)
Mr. Lu Xiao ⁽¹⁾⁽⁵⁾	Beneficiary owner/Interest of a controlled corporation	10,176,284(L)	0.62%(L)
Mr. Pan Jianguo ⁽¹⁾⁽⁶⁾	Beneficial owner/Beneficiary of the Ampio Trust	141,025,339(L)	8.53%(L)
Mr. Choi Onward ⁽⁷⁾	Beneficial owner	98,824(L)	0.01%(L)
Mr. Sun Lu ⁽⁸⁾	Beneficial owner	98,824(L)	0.01%(L)
Mr. Zhou Chunsheng ⁽⁹⁾	Beneficial owner	98,824(L)	0.01%(L)

Report of the Directors

Notes:

- (1) To facilitate the management and operation of the Company and as a result of previous restructuring exercises of the Group, Holdco, Pride Spirit Company Limited, Sea Best, Joy Bright, Gouver, Kang Yang Holdings Limited, Huaxin Investments Limited, Rockyjing Investment Limited, Key Trade, Speedy Fast, Best Partners, Joyful Business, Mr. Liao Jie, Mr. Lu Xiao, Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Jiang Hailin, Mr. Wang Jing, Mr. Liang Shiping, Ms. Wu Chunhong, Mr. Zhao Lisen, Mr. Yuan Chuang, 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, entered into 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.

Holdco is entitled to exercise or control the exercise of the voting rights of a total of 757,884,047 Shares, representing the aggregate number of Shares held by all of the parties to the Shareholder Voting Agreements.

- (2) 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 89,308,203 Shares held by Joyful Business, which is wholly-owned by Mr. Liao Jie.
- (3) 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 759,639,895 Shares, which are part of the 757,884,047 Shares in which Fino Trust is deemed to be interested.

- (4) 3,950,000 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Wang Jing on December 31, 2008 under the Pre-IPO Share Incentive Scheme. 1,855,848 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Wang Jing on January 18, 2012 under the Share Option Scheme.

Mr. Wang Jing was also interested in all the Shares in which Tesco Trust was interested as a beneficiary of Tesco Trust. As the beneficial owner of Tesco Investments Limited, Tesco Trust is deemed to be interested in all the Shares in which Tesco Investments Limited is interested.

- (5) 3,216,852 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Lu Xiao on December 31, 2008 under the Pre-IPO Share Incentive Scheme. 6,959,432 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Lu Xiao on January 18, 2012 under the Share Option Scheme.
- (6) 4,175,659 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Pan Jianguo on January 18, 2012 under the Share Option Scheme.

Mr. Pan Jianguo was also interested in all the Shares in which Ampio Trust was interested as a beneficiary of Ampio Trust. As the beneficial owner of Ampio International Limited, Ampio Trust is deemed to be interested in all the Shares in which Ampio International Limited is interested.

- (7) These Shares are underlying Shares subject to the exercise of share options granted to Mr. Choi Onward on January 18, 2012 under the Share Option Scheme.
- (8) These Shares are underlying Shares subject to the exercise of share options granted to Mr. Sun Lu on January 18, 2012 under the Share Option Scheme.
- (9) These Shares are underlying Shares subject to the exercise of share options granted to Mr. Zhou Chunsheng January 18, 2012 under the Share Option Scheme.
- (10) (L) denotes long positions.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as otherwise disclosed in this annual report, at no time during the year ended December 31, 2014, 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, 2014.

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, 2014.

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 and the Group's senior management are set out in note 8 to the consolidated financial statements on page 108.

EMPLOYMENT AND EMOLUMENT POLICIES

As at December 31, 2014, the Group had 818 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.

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 AND SHARE OPTION SCHEME

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

Holdco 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.

As of December 31, 2014, a total of 30,437,542 Shares which were held by Holdco may be transferred to the relevant grantees upon exercise of all options which had been granted under the Pre-IPO Share Incentive Scheme. Upon exercise of such options, Holdco transfers the relevant number of Shares to the grantee of the options. There is therefore no dilutive effect on the Shareholders resulting from the exercise of the options under the Pre-IPO Share Incentive Scheme.

Movement of the options granted under the Pre-IPO Share Incentive Scheme during the year ended December 31, 2014 is as follows:

Grantee	Grant date	Vesting start date	Expiry date	Outstanding as at January 1, 2014	Exercised during the year ended December 31, 2014	Lapsed or cancelled during the year ended December 31, 2014	Outstanding as at December 31, 2014	Exercise price per share (RMB)
Mr. Wang Jing	31/12/2008	31/12/2010	31/12/2015	–	–	–	–	2
(Executive Director)	31/12/2008	30/06/2011	30/06/2016	–	–	–	–	2
(Resigned on February 3, 2015), Substantial Shareholder)	31/12/2008	31/12/2011	31/12/2016	34,250	–	–	34,250	3
	31/12/2008	30/06/2012	30/06/2017	1,305,250	–	–	1,305,250	3
	31/12/2008	31/12/2012	31/12/2017	1,305,250	–	–	1,305,250	4
	31/12/2008	30/06/2013	30/06/2018	1,305,250	–	–	1,305,250	4
Sub-total				3,950,000	–	–	3,950,000	

Report of the Directors

Grantee	Grant date	Vesting start date	Expiry date	Outstanding as at January 1, 2014	Exercised during the year ended December 31, 2014	Lapsed or cancelled during the year ended December 31, 2014	Outstanding as at December 31, 2014	Exercise price per share (RMB)
Mr. Lu Xiao (Executive Director (Resigned on February 3, 2015), Substantial Shareholder)	31/12/2008	31/12/2010	31/12/2015	536,142	-	-	536,142	2
	31/12/2008	30/06/2011	30/06/2016	536,142	-	-	536,142	2
	31/12/2008	31/12/2011	31/12/2016	536,142	-	-	536,142	3
	31/12/2008	30/06/2012	30/06/2017	536,142	-	-	536,142	3
	31/12/2008	31/12/2012	31/12/2017	536,142	-	-	536,142	4
	31/12/2008	30/06/2013	30/06/2018	536,142	-	-	536,142	4
Sub-total				3,216,852	-	-	3,216,852	
Mr. Lv Xilin (Executive Director (Resigned on May 20, 2014), Substantial Shareholder)	31/12/2008	31/12/2010	31/12/2015	203,895	-	-	203,895	2
	31/12/2008	30/06/2011	30/06/2016	203,895	-	-	203,895	2
	31/12/2008	31/12/2011	31/12/2016	203,895	-	-	203,895	3
	31/12/2008	30/06/2012	30/06/2017	203,895	-	-	203,895	3
	31/12/2008	31/12/2012	31/12/2017	203,895	-	-	203,895	4
	31/12/2008	30/06/2013	30/06/2018	203,895	-	-	203,895	4
Sub-total				1,223,370	-	-	1,223,370	
Others	31/12/2008	31/12/2010	31/12/2015	1,222,538	-	-	1,222,538	2
	31/12/2008	30/06/2011	30/06/2016	6,138,017	-	-	6,138,017	2
	31/12/2008	31/12/2011	31/12/2016	2,257,165	-	-	2,257,165	3
	31/12/2008	30/06/2012	30/06/2017	3,845,415	-	-	3,845,415	3
	31/12/2008	31/12/2012	31/12/2017	2,702,215	-	-	2,702,215	4
	31/12/2008	30/06/2013	30/06/2018	5,881,970	-	-	5,881,970	4
Sub-total				22,047,320	-	-	22,047,320	
TOTAL:				30,437,542	-	-	30,437,542	

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.

Report of the Directors

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.

Movement of the options granted under the Share Option Scheme during the year ended December 31, 2014 is as follows:

Grantee	Grant date ⁽¹⁾	Vesting start date	Expiry date	Outstanding as at January 1, 2014	Exercised during the year ended December 31, 2014	Lapsed or cancelled during the year ended December 31, 2014	Outstanding as at December 31, 2014	Exercise price per share (HK\$)
Mr. Jiang Hailin (Executive Director, Chief Executive Officer)	18/01/2012	19 April 2012	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19 July 2012	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19 October 2012	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19 January 2013	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19 April 2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19 July 2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19 October 2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19 January 2014	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19 April 2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	19 July 2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	19 October 2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	19 January 2015	Note (2)	232,725	–	–	232,725	1.05
Sub-total				1,855,848	–	–	1,855,848	

Report of the Directors

Grantee	Grant date ⁽¹⁾	Vesting start date	Expiry date	Outstanding as at January 1, 2014	Exercised during the year ended December 31, 2014	Lapsed or cancelled during the year ended December 31, 2014	Outstanding as at December 31, 2014	Exercise price per share (HK\$)
Mr. Pan Jianguo (Executive Director (Resigned on February 3, 2015))	18/01/2012	19 April 2012	Note (2)	173,707	–	–	173,707	1.05
	18/01/2012	19 July 2012	Note (2)	173,707	–	–	173,707	1.05
	18/01/2012	19 October 2012	Note (2)	173,707	–	–	173,707	1.05
	18/01/2012	19 January 2013	Note (2)	173,707	–	–	173,707	1.05
	18/01/2012	19 April 2013	Note (2)	347,832	–	–	347,832	1.05
	18/01/2012	19 July 2013	Note (2)	347,832	–	–	347,832	1.05
	18/01/2012	19 October 2013	Note (2)	347,832	–	–	347,832	1.05
	18/01/2012	19 January 2014	Note (2)	347,832	–	–	347,832	1.05
	18/01/2012	19 April 2014	Note (2)	521,957	–	–	521,957	1.05
	18/01/2012	19 July 2014	Note (2)	521,957	–	–	521,957	1.05
	18/01/2012	19 October 2014	Note (2)	521,957	–	–	521,957	1.05
	18/01/2012	19 January 2015	Note (2)	523,632	–	–	523,632	1.05
Sub-total				4,175,659	–	–	4,175,659	
Mr. Wang Jing (Executive Director (Resigned on February 3, 2015))	18/01/2012	19 April 2012	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19 July 2012	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19 October 2012	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19 January 2013	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19 April 2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19 July 2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19 October 2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19 January 2014	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19 April 2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	19 July 2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	19 October 2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	19 January 2015	Note (2)	232,725	–	–	232,725	1.05
Sub-total				1,855,848	–	–	1,855,848	
Mr. Liao Jie ⁽³⁾ (Executive Director, Chairman)	18/01/2012	19 April 2012	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19 July 2012	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19 October 2012	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19 January 2013	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19 April 2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19 July 2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19 October 2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19 January 2014	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19 April 2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	19 July 2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	19 October 2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	19 January 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, 2014	Exercised during the year ended December 31, 2014	Lapsed or cancelled during the year ended December 31, 2014	Outstanding as at December 31, 2014	Exercise price per share (HK\$)
Mr. Lu Xiao (Executive Director (Resigned on February 3, 2015))	18/01/2012	19 April 2012	Note (2)	289,512	–	–	289,512	1.05
	18/01/2012	19 July 2012	Note (2)	289,512	–	–	289,512	1.05
	18/01/2012	19 October 2012	Note (2)	289,512	–	–	289,512	1.05
	18/01/2012	19 January 2013	Note (2)	289,512	–	–	289,512	1.05
	18/01/2012	19 April 2013	Note (2)	579,721	–	–	579,721	1.05
	18/01/2012	19 July 2013	Note (2)	579,721	–	–	579,721	1.05
	18/01/2012	19 October 2013	Note (2)	579,721	–	–	579,721	1.05
	18/01/2012	19 January 2014	Note (2)	579,721	–	–	579,721	1.05
	18/01/2012	19 April 2014	Note (2)	869,929	–	–	869,929	1.05
	18/01/2012	19 July 2014	Note (2)	869,929	–	–	869,929	1.05
	18/01/2012	19 October 2014	Note (2)	869,929	–	–	869,929	1.05
	18/01/2012	19 January 2015	Note (2)	872,713	–	–	872,713	1.05
Sub-total				6,959,432	–	–	6,959,432	
Mr. Lv Xilin (Executive Director (Resigned on May 20, 2014))	18/01/2012	19 April 2012	Note (2)	266,351	–	–	266,351	1.05
	18/01/2012	19 July 2012	Note (2)	266,351	–	–	266,351	1.05
	18/01/2012	19 October 2012	Note (2)	266,351	–	–	266,351	1.05
	18/01/2012	19 January 2013	Note (2)	266,351	–	–	266,351	1.05
	18/01/2012	19 April 2013	Note (2)	533,343	–	–	533,343	1.05
	18/01/2012	19 July 2013	Note (2)	533,343	–	–	533,343	1.05
	18/01/2012	19 October 2013	Note (2)	533,343	–	–	533,343	1.05
	18/01/2012	19 January 2014	Note (2)	533,343	–	–	533,343	1.05
	18/01/2012	19 April 2014	Note (2)	800,335	–	–	800,335	1.05
	18/01/2012	19 July 2014	Note (2)	800,335	–	–	800,335	1.05
	18/01/2012	19 October 2014	Note (2)	800,335	–	–	800,335	1.05
	18/01/2012	19 January 2015	Note (2)	802,896	–	–	802,896	1.05
Sub-total				6,402,677	–	–	6,402,677	
Mr. Choi Onward (Independent Non-Executive Director)	18/01/2012	19 April 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 April 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 April 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2015	Note (2)	8,272	–	–	8,272	1.05
Sub-total				98,824	–	–	98,824	

Report of the Directors

Grantee	Grant date ⁽¹⁾	Vesting start date	Expiry date	Outstanding as at January 1, 2014	Exercised during the year ended December 31, 2014	Lapsed or cancelled during the year ended December 31, 2014	Outstanding as at December 31, 2014	Exercise price per share (HK\$)
Mr. Zhou Chunsheng (Independent Non-Executive Director)	18/01/2012	19 April 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 April 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 April 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2015	Note (2)	8,272	–	–	8,272	1.05
Sub-total				98,824	–	–	98,824	
Mr. Sun Lu (Independent Non-Executive Director)	18/01/2012	19 April 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 April 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 April 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2015	Note (2)	8,272	–	–	8,272	1.05
Sub-total				98,824	–	–	98,824	
Others	18/01/2012	19 April 2012	Note (2)	5,589,429	–	–	5,589,429	1.05
	18/01/2012	19 July 2012	Note (2)	5,589,429	–	–	5,589,429	1.05
	18/01/2012	19 October 2012	Note (2)	5,589,429	–	–	5,589,429	1.05
	18/01/2012	19 January 2013	Note (2)	5,589,429	–	–	5,589,429	1.05
	18/01/2012	19 April 2013	Note (2)	7,723,426	–	–	7,723,426	1.05
	18/01/2012	19 July 2013	Note (2)	7,723,426	–	–	7,723,426	1.05
	18/01/2012	19 October 2013	Note (2)	7,723,426	–	–	7,723,426	1.05
	18/01/2012	19 January 2014	Note (2)	7,723,426	–	–	7,723,426	1.05
	18/01/2012	19 April 2014	Note (2)	9,857,424	–	–	9,857,424	1.05
	18/01/2012	19 July 2014	Note (2)	9,857,424	–	–	9,857,424	1.05
	18/01/2012	19 October 2014	Note (2)	9,857,424	–	–	9,857,424	1.05
	18/01/2012	19 January 2015	Note (2)	9,894,498	–	–	9,894,498	1.05
Sub-total				92,718,190	–	–	92,718,190	
TOTAL:				155,000,000	–	–	155,000,000	

Report of the Directors

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.

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

As at the December 31, 2014, 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	757,884,047	45.81%
Best Partners ⁽²⁾	Interest of controlled corporation	Long position	757,884,047	45.81%
Fino Investment Limited ⁽³⁾	Interest of controlled corporation	Long position	757,884,047	45.81%
Tesco Investments Limited ⁽⁴⁾	Interest of controlled corporation	Long position	757,884,047	45.81%
Credit Suisse Trust Limited ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Trustee	Long Position	757,884,047	45.81%
Ampio International Limited ⁽⁵⁾	Interest of controlled corporation	Long position	136,849,680	8.27%
Huaxin Investments Limited ⁽⁶⁾	Beneficial owner	Long position	79,278,087	4.79%
Gouver ⁽⁷⁾	Interest of controlled corporation	Long position	83,964,281	5.08%
Joy Bright ⁽⁷⁾	Beneficial owner	Long position	83,964,281	5.08%
Quercus Limited	Beneficial owner	Long position	104,210,526 ⁽⁸⁾	6.30%
China Merchants Group Ltd.	Interest of controlled corporation	Long position	104,210,526 ⁽⁸⁾	6.30%
Penbay Investments Limited ⁽⁹⁾	Beneficial owner	Long position	98,613,367	5.96%
Chen Qi ⁽⁹⁾	Interest of controlled corporation	Long position	98,613,367	5.96%

Report of the Directors

Notes:

- (1) 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 83% by Fino Investments Limited and as to 17% 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. Two of our Directors Mr. Jiang Hailin and Mr. Liao Jie are also directors 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, Mr. Yuan Chuang, Mr. Lv Xilin and Mr. Zhao Lisen. 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) Ampio International 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 Ampio Trust, namely Mr. Pan Jianguo and Mr. Jing Yang. The Ampio Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.

Each of Joy Bright (the sole shareholder of Gouver), and Rockyjng Investment Limited is wholly-owned by Ampio International Limited. Accordingly, Ampio International Limited is deemed to be interested in the 83,964,281 Shares and 52,885,399 Shares in which Joy Bright Success Limited and Rockyjng Investment Limited are interested, respectively.

- (6) Huaxin Investments Limited is wholly-owned by Binks Investments Limited. Binks 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 Binks Trust, namely Mr. Dang Kulun, Mr. Shi Li, Mr. Dang Hankun, Mr. Dang Hanwen, Mr. Dang Zhen and New Song Cristian Life Centre. The Binks Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (7) Joy Bright is wholly-owned by Gouver and accordingly Gouver is deemed to be interested in all the Shares in which Joy Bright is interested.
- (8) Quercus Limited was interested in 104,210,526 underlying shares, being share in the Company that would be issued to Quercus Limited upon exercise in full of the conversion right attached to the convertible bond issued by the Company on 19 December 2013 (the "**Convertible Bond**"). Quercus Limited was controlled by China Merchants Group Ltd. and therefore China Merchants Group Ltd. was deemed to be interested in the 104,210,526 underlying shares in which Quercus Limited was interested. On February 26, 2015, the Convertible Bond was redeemed in full by the Company.
- (9) 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

During the year ended December 31, 2014, in an attempt to reduce overall financial cost, the Company purchased and cancelled part of the Company's 10.0% guaranteed RMB denominated bonds due 2015 ("**Bonds**"), which are listed on the The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 85908). As at December 31, 2014, Bonds in the total principal amount of RMB81,000,000, representing approximately 38.57% of the outstanding Bonds in the original principal amount of RMB210,000,000 immediately prior to the cancellation have been purchased and cancelled. The Board considers that the purchase and cancellation of the Bonds are in the interest of the Company and its shareholders as a whole.

For further details of the abovementioned purchase and cancellation of the Bonds, please refer to the announcement of the Company dated May 29, 2014.

Save as disclosed above, 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, 2014.

EVENTS AFTER THE REPORTING PERIOD

On January 30, 2015, the Company exercised its early redemption right to redeem the Convertible Bonds in the aggregate principal amount of HK\$200.0 million. The redemption was completed in February 2015. The Directors are of the view the redemption represents an important step in the Company's effort to minimize its capital cost and optimize its capital structure. It enables the Company to better manage its finance cost going forward and avoid potential equity dilution.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Disposal of Jiangsu Yijie

In May 2014, Jiangsu Zhongzhi Transportation Technology Co., Ltd. ("**Jiangsu Zhongzhi Transportation**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement in respect of the transfer of 100% of the equity interest in Jiangsu Yijie Technology Co., Ltd. ("**Jiangsu Yijie**"), a wholly-owned subsidiary of Jiangsu Zhongzhi Transportation, with an independent third party (the "**Jiangsu Yijie Purchaser**"). Pursuant to the equity transfer agreement, Jiangsu Zhongzhi Transportation transferred 100% of the equity interest in Jiangsu Yijie to the Jiangsu Yijie Purchaser at a total consideration of RMB24.0 million, which was determined by reference to the net asset value of RMB43.8 million as recorded in Jiangsu Yijie's accounts as at April 30, 2014. The transfer generated a loss of RMB19.8 million. Prior to the transfer, Jiangsu Yijie was engaged in civil aviation Air-to-Ground ("**ATG**") communication service. The Group will discontinue the business operation of civil aviation ATG communication service and taking this into account, and the Group will transfer 100% equity interest and all the businesses of Jiangsu Yijie to the Jiangsu Yijie Purchaser. The disposal of Jiangsu Yijie is consistent with the Company's strategy of terminating the operation of the related business. As each of the relevant percentage ratios in respect of this transaction is below 5% and the transaction did not involve any securities for which listing would be sought, the transaction did not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Disposal of Beijing Xiyou

In September 2014, Beijing Zhongzhi Runbang Technology Co., Ltd. ("**Beijing Zhongzhi Runbang**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement in respect of the transfer of the entire equity interest in Beijing Xiyou Communication Technology Co., Ltd. ("**Beijing Xiyou**") held by Beijing Zhongzhi Runbang, with an independent third party (the "**Beijing Xiyou Purchaser**"). Pursuant to the equity transfer agreement, Beijing Zhongzhi Runbang transferred 70% of the equity interest in Beijing Xiyou to the Beijing Xiyou Purchaser at a total consideration of RMB10.3 million, which was determined by reference to the net asset value as recorded in Beijing Xiyou's accounts as at September 20, 2014. The transfer generated a gain of RMB2.6 million. As each of the relevant percentage ratios in respect of this transaction is below 5% and the transaction did not involve any securities for which listing would be sought, the transaction did not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Release of the Contractual Control for Beijing Newcom

In November 2014, Beijing Wuzhouzhitong Traffic Technology Co., Ltd. ("**Beijing Wuzhouzhitong**"), an indirect wholly-owned subsidiary of the Company, released the contractual control agreement (the "**Release**") for Beijing Newcom Technology Co. Ltd ("**Beijing Newcom**"). The transfer generated a loss of RMB0.6 million. Before the Release, Beijing Newcom was engaged in intelligent urban transportation information services. Before termination of the agreement, the operation under Beijing Newcom had progressively shifted to Beijing Newcom Traffic Technology Co., Ltd. ("**Beijing Newcom Traffic**"), an indirect wholly-owned subsidiary of the Company. As Beijing Newcom no longer carried on any material business, the Group decided to conduct the Release for Beijing Newcom. As each of the relevant percentage ratios in respect of this transaction is below 5% and the transaction did not involve any securities for which listing would be sought, the transaction did not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Save as disclosed above, there was no other material acquisitions or disposal of subsidiaries and associated companies by the Company during the year ended December 31, 2014.

USE OF PROCEEDS FROM LISTING

Details of the use of proceeds of the Company for the year ended December 31, 2014 are set out with the same subtitle in the section headed "Management Discussion and Analysis" on page 25.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2014, the aggregate sales to the Group's five largest customers, in aggregate represented approximately 25.8% of the Group's total revenue and sales to the Group's largest customer amounted to approximately 7.9% of the Group's total revenue.

For the year ended December 31, 2014, the aggregate purchases attributable to the Group's five largest suppliers, in aggregate represented approximately 51.7% of the Group's total purchases and purchases attributable to the Group's largest supplier amounted to approximately 30.6% of the Group's total purchases.

For the year ended December 31, 2014, 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.

Report of the Directors

BANKING FACILITIES AND OTHER BORROWINGS

Details of the bank facilities and other borrowings of the Group as at December 31, 2014 are set out in note 36 to the consolidated financial statements on page 143.

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, 2014, the Company has maintained sufficient public float as required under the Listing Rules.

CONNECTED TRANSACTIONS

There were no connected transactions of the Company for the year ended December 31, 2014.

RELATED PARTIES TRANSACTIONS

The Group was involved in a number of related party transactions during the year ended December 31, 2014, which have been disclosed in note 49 to the consolidated financial statements on pages 159 to 163.

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, 2014 or any time during the year ended December 31, 2014.

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, 2014 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, 2014.

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, 2014 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

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2014 have been audited by Ernst & Young. A resolution for the re-appointment of Ernst & Young as the Company's auditor will be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors

China ITS (Holdings) Co., Ltd.

Liao Jie

Chairman

Beijing, March 30, 2015

Independent Auditors' Report



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To the shareholders of China ITS (Holdings) Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

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 63 to 175, which comprise the consolidated and company statements of financial position as at December 31, 2014, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2014, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

March 30, 2015

Consolidated Statement of Profit or Loss

Year ended December 31, 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5	2,266,696	2,390,268
Cost of sales	6	(1,917,437)	(1,831,282)
Gross profit		349,259	558,986
Other income and gains	5	28,418	34,140
Selling, general and administrative expenses		(428,712)	(373,619)
Other expenses		(77,083)	(1,325)
OPERATING PROFIT/(LOSS)		(128,118)	218,182
Finance income		11,178	15,041
Finance costs	7	(76,350)	(58,018)
Share of profits of:			
Joint ventures		462	12,523
Associates		12,700	10,664
Gains/(losses) on disposal of subsidiaries	44	(17,775)	63
PROFIT/(LOSS) BEFORE TAX	6	(197,903)	198,455
Income tax expense	10	(17,467)	(45,675)
PROFIT/(LOSS) FOR THE YEAR		(215,370)	152,780
Attributable to:			
Owners of the parent	11	(194,657)	149,254
Non-controlling interests		(20,713)	3,526
		(215,370)	152,780
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		RMB	RMB
Basic			
– For profit/(loss) for the year	13	(0.12)	0.09
Diluted			
– For profit/(loss) for the year	13	(0.12)	0.09

Details of the dividends payable for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended December 31, 2014

	Note	2014 RMB'000	2013 RMB'000
PROFIT/(LOSS) FOR THE YEAR		(215,370)	152,780
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(7,281)	(3,281)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(7,281)	(3,281)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(222,651)	149,499
Attributable to:			
Owners of the parent	11	(201,938)	145,973
Non-controlling interests		(20,713)	3,526
		(222,651)	149,499

Consolidated Statement of Financial Position

December 31, 2014

	Notes	December 31, 2014 RMB'000	December 31, 2013 RMB'000
NON-CURRENT ASSETS			
Property and equipment	14	67,899	64,844
Investment properties	15	119,000	109,100
Prepaid land premium	16	13,471	13,726
Goodwill	17	353,782	406,135
Other intangible assets	18	42,184	59,750
Investments in joint ventures	20	52,452	55,375
Investments in associates	21	139,180	104,908
Available-for-sale investment	22	25,307	25,307
Deferred tax assets	38	5,030	12,709
Prepayment for acquisition of equity interests in other companies	23	–	96,710
Pledged deposits	30	4,500	4,500
Convertible borrowings	31	82,390	–
Other long-term assets	24	–	20,000
Total non-current assets		905,195	973,064
CURRENT ASSETS			
Inventories	25	20,721	20,922
Construction contracts	26	1,252,874	1,294,760
Trade and bills receivables	27	1,409,037	1,115,858
Prepayments, deposits and other receivables	28	1,332,641	1,375,658
Amounts due from related parties	49	84,895	135,367
Deferred cost	32	2,767	20,364
Held-to-maturity investment	29	67,530	67,299
Pledged deposits	30	79,716	80,639
Cash and cash equivalents	30	600,299	695,720
Other financial assets	33	–	16,815
Total current assets		4,850,480	4,823,402
CURRENT LIABILITIES			
Trade and bills payables	34	1,176,568	1,046,574
Other payables and accruals	35	271,555	283,100
Construction contracts	26	855,940	728,324
Interest-bearing bank borrowings	36	579,664	520,561
Amounts due to related parties	49	59,131	52,108
Income tax payable		13,132	27,275
Guaranteed bonds – current portion	39	107,516	–
Convertible bonds – current portion	40	154,426	–
Total current liabilities		3,217,932	2,657,942
NET CURRENT ASSETS		1,632,548	2,165,460
TOTAL ASSETS LESS CURRENT LIABILITIES		2,537,743	3,138,524

Consolidated Statement of Financial Position

December 31, 2014

	Notes	December 31, 2014 RMB'000	December 31, 2013 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		2,537,743	3,138,524
NON-CURRENT LIABILITIES			
Guaranteed bonds	39	–	184,918
Convertible bonds	40	–	146,033
Interest-bearing bank borrowings	36	63,000	87,000
Long-term payable		–	3,067
Deferred tax liabilities	38	31,235	47,863
Total non-current liabilities		94,235	468,881
Net assets		2,443,508	2,669,643
EQUITY			
Equity attributable to owners of the parent			
Issued capital	41	290	289
Equity component of convertible bonds	40	7,903	7,903
Proposed final dividend	12	–	15,532
Reserves	42(a)	2,420,021	2,606,633
		2,428,214	2,630,357
Non-controlling interests		15,294	39,286
Total equity		2,443,508	2,669,643

Liao Jie
Director

Jiang Hailin
Director

Consolidated Statement of Changes in Equity

Year ended December 31, 2014

Notes	Attributable to owners of the parent											
	Issued capital	Share premium	Statutory reserve	Capital reserve	Equity	Asset revaluation reserve	Exchange fluctuation reserve	Retained earnings	Proposed final dividend	Total	Non-controlling interests	Total
					component of convertible bonds							
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	note 41	note 41	note 42(a)	note 42(a)	note 40							
At January 1, 2013	289	1,070,539	115,412	605,160	-	7,782	(14,420)	677,927	-	2,462,689	34,717	2,497,406
Profit for the year	-	-	-	-	-	-	-	149,254	-	149,254	3,526	152,780
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(3,281)	-	-	(3,281)	-	(3,281)
Total comprehensive income for the year	-	-	-	-	-	-	(3,281)	149,254	-	145,973	3,526	149,499
Share-based payment transactions	43	-	-	18,850	-	-	-	-	-	18,850	-	18,850
Interim dividend	12/41	-	1,427	-	-	-	-	(6,485)	-	(5,058)	-	(5,058)
Proposed final dividend	12	-	-	-	-	-	-	(15,532)	15,532	-	-	-
Transfer from retained earnings		-	-	11,154	-	-	-	(11,154)	-	-	-	-
Issue of convertible bonds	40	-	-	-	7,903	-	-	-	-	7,903	-	7,903
Others		-	-	-	-	-	-	-	-	-	1,043	1,043
At December 31, 2013 and January 1, 2014	289	1,071,966	126,566	624,010	7,903	7,782	(17,701)	794,010	15,532	2,630,357	39,286	2,669,643
Loss for the year	-	-	-	-	-	-	-	(194,657)	-	(194,657)	(20,713)	(215,370)
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(7,281)	-	-	(7,281)	-	(7,281)
Total comprehensive income for the year	-	-	-	-	-	-	(7,281)	(194,657)	-	(201,938)	(20,713)	(222,651)
Share-based payment transactions	43	-	-	6,728	-	-	-	-	-	6,728	-	6,728
Distribution of 2013 final dividend	41	1	8,856	-	-	-	-	-	(15,532)	(6,675)	-	(6,675)
Transfer from retained earnings		-	-	7,772	-	-	-	(7,772)	-	-	-	-
Disposal of subsidiaries		-	-	(258)	-	-	-	-	-	(258)	(3,279)	(3,537)
At December 31, 2014	290	1,080,822*	134,080*	630,738*	7,903	7,782*	(24,982)*	591,581*	-	2,428,214	15,294	2,443,508

* These reserve accounts comprise the consolidated reserves of RMB2,420,021,000 (2013: RMB2,606,633,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended December 31, 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(197,903)	198,455
Adjustments for:			
Depreciation	6	22,050	19,316
Amortisation	6	17,821	19,390
Net loss on disposal of items of property and equipment	6	79	326
Losses/(gains) on disposal of subsidiaries		17,775	(63)
Equity-settled share option expense	6	6,728	18,850
Impairment of inventories	6	–	1,387
Impairment of amounts due from construction contracts	6	13,644	3,996
Impairment of trade receivables	6	10,754	–
Impairment of other receivables	6	26,106	–
Impairment of amount due from a related party	6	7,020	–
Impairment of property and equipment	6	7,347	–
Impairment of goodwill	6	52,353	–
Impairment of deferred cost	6	17,200	–
Share of profits of joint ventures		(462)	(12,523)
Share of profits of associates		(12,700)	(10,664)
Fair value gain on investment properties	5	(9,900)	(11,100)
Fair value gain on call option	5	–	(13,370)
Fair value gain on convertible borrowings	5	(2,390)	–
Derecognition loss of call option	6	16,815	–
Finance income		(11,178)	(15,041)
Finance costs	7	76,350	58,018
		57,509	256,977
Changes in assets and liabilities:			
Decrease in inventories		201	15,544
Decrease/(increase) in construction contracts		89,423	(59,523)
Increase in trade and bills receivables		(288,200)	(258,420)
Decrease/(increase) in prepayments, deposits and other receivables		52,795	(215,229)
Decrease/(increase) in amounts due from related parties		43,451	(58,723)
Decrease/(increase) in deferred cost		396	(12,293)
Decrease/(increase) in pledged deposits		923	(4,503)
Increase in trade and bills payables		164,830	170,707
Increase/(decrease) in other payables and accruals		30,103	(3,729)
Increase in amounts due to related parties		7,023	38,261
Decrease in deferred income		–	(1,344)
Cash generated from/(used in) operations		158,454	(132,275)
Interest paid		(66,494)	(52,235)
Interest received		2,042	2,783
Income tax paid		(32,635)	(55,598)
Net cash flows from/(used in) operating activities		61,367	(237,325)

Consolidated Statement of Cash Flows

Year ended December 31, 2014

	Notes	2014 RMB'000	2013 RMB'000
Net cash flows from/(used in) operating activities		61,367	(237,325)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,294	7,329
Proceeds from disposal of items of property and equipment		217	2,526
Purchases of items of property and equipment		(33,744)	(31,719)
Investment in convertible borrowings		(80,000)	–
Dividend received from a joint venture		2,650	2,250
Acquisition of subsidiaries		(3,068)	(7,135)
Disposal of subsidiaries	44	17,914	7,431
Disposal of investment properties		–	56,000
Acquisition of joint ventures		(2,000)	(5,500)
Acquisition of associates		(22,354)	(8,440)
Collection of the prepayment related to acquisition of a new entity		22,662	15,000
Net cash flows from/(used in) investing activities		(94,429)	37,742
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of direct transaction cost of convertible bonds		(2,490)	(1,884)
Proceeds from convertible bonds		1,587	156,766
Proceeds from interest-bearing bank borrowings		701,457	697,371
Repayment of interest-bearing bank borrowings		(666,354)	(515,436)
Dividend paid		(6,675)	(5,058)
Repurchase of guaranteed bonds		(81,000)	(20,000)
Net cash flows from/(used in) financing activities		(53,475)	311,759
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(86,537)	112,176
Effect of foreign exchange rate changes, net		(8,884)	(1,239)
Cash and cash equivalents at beginning of year		695,720	584,783
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	600,299	695,720

Statement of Financial Position

December 31, 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	909,251	765,663
Investment in a joint venture	20	2,067	2,067
Available-for-sale investment	22	25,307	25,307
Other long-term assets	24	–	20,000
Total non-current assets		936,625	813,037
CURRENT ASSETS			
Prepayments, deposits and other receivables	28	45,486	51,911
Amounts due from subsidiaries		662,905	819,003
Held-to-maturity investment	29	67,530	67,299
Cash and cash equivalents	30	3,641	106,455
Income tax receivable		–	49
Total current assets		779,562	1,044,717
CURRENT LIABILITIES			
Interest-bearing bank borrowings	36	–	18,292
Other payables and accruals		4,844	9,055
Amounts due to related parties		29,395	14,357
Amounts due to subsidiaries	37	8,320	3,000
Guaranteed bonds – current portion	39	107,516	–
Convertible bonds – current portion	40	154,426	–
Total current liabilities		304,501	44,704
NET CURRENT ASSETS		475,061	1,000,013
TOTAL ASSETS LESS CURRENT LIABILITIES		1,411,686	1,813,050
NON-CURRENT LIABILITIES			
Guaranteed bonds	39	–	184,918
Convertible bonds	40	–	146,033
Long-term payable		–	3,024
Total non-current liabilities		–	333,975
Net assets		1,411,686	1,479,075
EQUITY			
Issued capital	41	290	289
Equity component of convertible bonds	40	7,903	7,903
Proposed final dividend	42(b)	–	15,532
Reserves	42(b)	1,403,493	1,455,351
Total equity		1,411,686	1,479,075

Liao Jie
Director

Jiang Hailin
Director

Notes to the Financial Statements

December 31, 2014

1. CORPORATE INFORMATION

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 in Room 1004, Tung Wah Mansion, 199-203 Hennessy Road, Wanchai. The principal executive office of the Company is located at Unit 1801A, 18/F, West Tower, World Finance Centre, No.1 East 3rd Ring Road Middle, Chaoyang District, Beijing 100020, the People's Republic of China (the "PRC").

The Group is a provider of transportation infrastructure technology solutions and services in the PRC. During the year, the Group was involved in the following principal activities:

- (a) Turnkey solutions business – engaging in the integration of information technology with the physical transportation infrastructure;
- (b) Specialised solution business – providing solutions to discrete problems occurring in clients' existing or planned transportation infrastructure through the design, development and implementation of hardware-based and software-based systems; and
- (c) Value-added operation and services – engaging in the provision of operation outsourcing and value-added services, via intelligent transport system platforms, servicing transportation operators and participants.

The Group's principal operations and geographic market are in Mainland China.

2.1 BASIS OF PRESENTATION

These 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 Standing Interpretation Committee interpretations issued and approved by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2014. 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.

Notes to the Financial Statements

December 31, 2014

2.1 BASIS OF PRESENTATION (continued)

Basis of consolidation (continued)

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 in the accounting policy for subsidiaries below. 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 (a) the assets (including goodwill) and liabilities of the subsidiary, (b) the carrying amount of any non-controlling interest and (c) the cumulative translation differences recorded in equity; and recognises (a) the fair value of the consideration received, (b) the fair value of any investment retained and (c) 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	<i>Investment Entities</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21	<i>Levies</i>
Amendments to IFRS 2 included in <i>Annual Improvements 2010–2012 Cycle</i>	<i>Definition of Vesting Condition¹</i>
Amendments to IFRS 3 included in <i>Annual Improvements 2010–2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination¹</i>
Amendments to IFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendments to IFRS 1 included in <i>Annual Improvements 2011–2013 Cycle</i>	<i>Meaning of Effective IFRSs</i>

¹ Effective from July 1, 2014

Notes to the Financial Statements

December 31, 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Except for the amendment to IFRS 1 which is only relevant to an entity's first IFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

- (a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.
- (b) The IAS 32 Amendments clarify the meaning of 'currently has a legally enforceable right to set-off' for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.
- (c) The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in notes 14, 17 and 32 to the financial statements.
- (d) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.
- (e) IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group is not subject to the levies within the scope of IFRIC 21.

Notes to the Financial Statements

December 31, 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (f) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.
- (g) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.
- (h) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED IFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised IFRSSs, which have been issued but are not yet effective, in these financial statements.

IFRS 9	<i>Financial Instruments</i> ⁴
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ²
IFRS 14	<i>Regulatory Deferral Accounts</i> ⁵
IFRS 15	<i>Revenue from Contracts with Customers</i> ³
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ²
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i> ²
Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Amendments to IAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ²
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of IFRSSs ¹
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of IFRSSs ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of IFRSSs ²

¹ Effective for annual periods beginning on or after July 1, 2014

² Effective for annual periods beginning on or after January 1, 2016

³ Effective for annual periods beginning on or after January 1, 2017

⁴ Effective for annual periods beginning on or after January 1, 2018

⁵ Effective for an entity that first adopts IFRSSs for its annual financial statements beginning on or after January 1, 2016 and therefore is not applicable to the Group

2.3 NEW AND REVISED IFRS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending December 31, 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from January 1, 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from January 1, 2016.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on January 1, 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on January 1, 2017 and is currently assessing the impact of IFRS 15 upon adoption.

2.3 NEW AND REVISED IFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on January 1, 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The Annual Improvements to IFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from January 1, 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity) directly or indirectly, controlled by the Company. 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 results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

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 equity 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.

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

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.

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.

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 that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRSs. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

Fair value measurement

The Group measures its investment properties, derivative financial instruments 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 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 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, construction contract assets, financial assets, investment properties, goodwill and non-current assets), 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.

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December 31, 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- (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); and
 - (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).

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. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment and depreciation (continued)

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	20 years
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.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment 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.

Notes to the Financial Statements

December 31, 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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.

Intangible assets (other than goodwill)

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.

Technology know-how

Technology know-how arising from business combination is stated at fair value and is amortised on the straight-line basis over its estimated useful life of 5 years.

Customer relationships

Customer relationships arising from business combination are stated at fair value and are amortised on the straight-line basis over their estimated useful lives of 3.3 years and 7 years.

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.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land premium under operating leases is initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. 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 other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- (a) the rights to receive cash flows from the asset have expired; or
- (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement, and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related parties, interest-bearing bank borrowings, guaranteed bonds, convertible bonds and long-term payable.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently 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.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and, in 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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Provisions for product 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.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (a) the amount that would be recognised in accordance with the general guidance for provisions above; and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. 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.

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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, associates and joint ventures, 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. Deferred tax assets are recognised, 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, associates and joint ventures, 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 a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;
- (c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;
- (d) rental income, on a time proportion basis over the lease terms;
- (e) interest income, 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; and
- (f) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amounts. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

China ITS Co., Ltd. (the controlling shareholder of the Company) and the Company operate share option 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 fair value is determined by an external valuer using a binomial model, further details of which are given in note 43 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. 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.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not 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

PRC contribution plan

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 20% 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 proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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.

Foreign currencies

Since the Company conducts its primary business operations through its subsidiaries established in the PRC, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 a foreign operation. 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 change 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).

The functional currencies of certain non-PRC subsidiaries and joint ventures are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Company 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 a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation 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 operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of non-PRC 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 Group's 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, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require 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 financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating lease.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Tax provisions

Determining tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions, and tax provisions are set up accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislation and practices.

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. The directors determine that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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 discussed below.

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. Impairment of goodwill recognised for the year ended December 31, 2014 was RMB52,353,000 (2013: nil). Further details are given in note 17.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at December 31, 2014 was RMB119,000,000 (2013: RMB109,100,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Impairment of property and equipment recognised for the year ended December 31, 2014 was RMB7,347,000 (2013: nil).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of receivables

The Group's policy for impairment of receivables is based on an assessment of the recoverability of debtors. The identification of doubtful debts requires management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, the differences will have impact on the carrying amounts of the receivables and impairment loss in the period in which the estimate has been changed.

The receivables that were past due but not impaired relate to a number of debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that the provision balance for impairment is sufficient in respect of these balances, and the remaining balances are still considered fully recoverable. Impairment loss recognised for the year ended December 31, 2014 for due from construction contracts was RMB13,644,000 (2013:RMB3,996,000), for other receivables was RMB26,106,000 (2013: nil), and for trade receivables was RMB10,754,000 (2013: nil).

Percentage of completion of construction work

The Group recognises revenue according to the percentage of completion for individual contracts of construction work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, 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 contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, an impairment loss may arise.

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 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 the statement of profit or loss for the period in which such a reversal takes place. The carrying value of deferred tax assets at December 31, 2014 was approximately RMB5,030,000 (2013: RMB12,709,000).

Notes to the Financial Statements

December 31, 2014

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has the following operating segments based on industry sectors:

- (i) Expressway: Provides the turnkey solutions ("TS"), specialised solutions ("SS") and value-added operation and services ("VAOS") to customers in the expressway industry;
- (ii) Railway: Provides SS, and VAOS to customers in the railway industry;
- (iii) Urban traffic: Provides TS, SS and VAOS to customers in the urban traffic and energy industry;
- (iv) Other: Provides SS to customers in other industries.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax from continuing operations except that finance income, finance costs, share of profits of joint ventures and associates, gains/(losses) on disposal of subsidiaries, exchange gains/(losses), changes in fair value of investment properties and convertible borrowings, derecognition loss of call option as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude interest receivables, held-to-maturity investment, investment properties, prepaid land premium, goodwill, investments in joint ventures, investments in associates, available-for-sale investment, deferred tax assets, prepayment for acquisition of equity interests in other companies, other long-term assets, dividend receivable, convertible borrowings and other financial assets on a group basis.

Segment liabilities exclude interest payables, interest-bearing bank borrowings, income tax payable, guaranteed bonds, convertible bonds, long-term payable and deferred tax liabilities.

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

Notes to the Financial Statements

December 31, 2014

4. OPERATING SEGMENT INFORMATION (continued)

Year ended December 31, 2014	Expressway RMB'000	Railway RMB'000	Urban traffic RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue					
Sales to external customers	1,062,150	1,012,853	191,693	–	2,266,696
Intersegment sales	–	–	–	–	–
	1,062,150	1,012,853	191,693	–	2,266,696
<i>Reconciliation:</i>					
Elimination of intersegment sales					–
Revenue					2,266,696
Segment results	60,318	61,071	(131,019)	–	(9,630)
<i>Reconciliation:</i>					
Finance income					11,178
Finance costs					(76,350)
Share of profits of joint ventures					462
Share of profits of associates					12,700
Losses on disposal of subsidiaries					(17,775)
Exchange gains					5,401
Changes in fair value of investment properties and convertible borrowings					12,290
Derecognition loss of call option					(16,815)
Corporate and other unallocated expenses					(119,364)
Loss before tax					(197,903)

Notes to the Financial Statements

December 31, 2014

4. OPERATING SEGMENT INFORMATION (continued)

December 31, 2014	Expressway RMB'000	Railway RMB'000	Urban traffic RMB'000	Others RMB'000	Consolidated RMB'000
Segment assets	1,989,884	2,174,928	932,700	–	5,097,512
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(334,274)
Corporate and other unallocated assets					992,437
Total assets					5,755,675
Segment liabilities	934,686	1,194,830	692,534	–	2,822,050
<i>Reconciliation:</i>					
Elimination of intersegment payables					(334,274)
Corporate and other unallocated liabilities					824,391
Total liabilities					3,312,167
Other segment information:					
Impairment losses recognised in the statement of profit or loss	34,376	2,089	45,606	–	82,071
Other non-cash expenses	1,710	1,709	17,056	–	20,475
Depreciation and amortisation	4,998	2,208	28,369	–	35,575
Capital expenditure*	2,658	28,303	1,057	–	32,018

* Capital expenditure represents the additions to property and equipment.

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4. OPERATING SEGMENT INFORMATION (continued)

Year ended December 31, 2013	Expressway RMB'000	Railway RMB'000	Urban traffic RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue					
Sales to external customers	1,153,241	742,927	465,393	28,707	2,390,268
Intersegment sales	25,434	4,256	49,567	–	79,257
	1,178,675	747,183	514,960	28,707	2,469,525
<i>Reconciliation:</i>					
Elimination of intersegment sales					(79,257)
Revenue					2,390,268
Segment results					
	128,729	101,723	28,778	889	260,119
<i>Reconciliation:</i>					
Finance income					15,041
Finance costs					(58,018)
Share of profits of joint ventures					12,523
Share of profits of associates					10,664
Gain on disposal of a subsidiary					63
Exchange loss					(744)
Changes in fair value of investment properties and call option					24,470
Corporate and other unallocated expenses					(65,663)
Profit before tax					198,455

Notes to the Financial Statements

December 31, 2014

4. OPERATING SEGMENT INFORMATION (continued)

December 31, 2013	Expressway RMB'000	Railway RMB'000	Urban traffic RMB'000	Others RMB'000	Consolidated RMB'000
Segment assets	1,568,649	2,095,137	985,885	37,059	4,686,730
Reconciliation:					
Elimination of intersegment receivables					(112,457)
Corporate and other unallocated assets					1,222,193
Total assets					5,796,466
Segment liabilities	870,451	421,428	439,430	–	1,731,309
Reconciliation:					
Elimination of intersegment payables					(112,457)
Corporate and other unallocated liabilities					1,507,971
Total liabilities					3,126,823
Other segment information:					
Impairment losses recognised in the statement of profit or loss	–	3,996	1,387	–	5,383
Other non-cash expenses	3,234	6,738	383	98	10,453
Depreciation and amortisation	3,770	1,585	29,072	39	34,466
Capital expenditure	3,521	3,311	21,605	115	28,552

Geographical information

The Group principally operates in the PRC (country of the domicile of major operating subsidiaries). Over 95% of the Group's revenue from external customers is attributed to the PRC and all non-current assets excluding deferred tax assets, available-for-sale investment and other long-term assets are located in the PRC.

Information about a major customer

No individual customer of the Group contributed 10% or more of the Group's revenue.

Notes to the Financial Statements

December 31, 2014

5. REVENUE, OTHER INCOME AND GAINS

Revenue for implementation of projects, which is also the Group's turnover, represents an appropriate proportion of contract revenue of construction contracts, net of business tax and government surcharges.

Revenue for sales of products, represents the net invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for goods returns and trade discounts.

Revenue for rendering of services, represents net invoiced value of services rendered.

An analysis of revenue, other income and gains is as follows:

	2014	2013
	RMB'000	RMB'000
Revenue		
Implementation of projects	2,122,907	2,203,012
Sales of products	98,699	187,256
Rendering of services	45,090	–
	2,266,696	2,390,268
Other income		
Gross rental income	8,483	6,309
Government grants*	2,046	3,321
Others	198	40
	10,727	9,670
Gains		
Change in fair value of investment properties (note 15)	9,900	11,100
Change in fair value of call option	–	13,370
Change in fair value of convertible borrowings	2,390	–
Exchange gains	5,401	–
	28,418	34,140

* Various government grants have been received by the Group to subsidise the business activities of the Group. There are no unfulfilled conditions or contingencies relating to these grants.

Notes to the Financial Statements

December 31, 2014

6. PROFIT/(LOSS) BEFORE TAX

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

	2014	2013
	RMB'000	RMB'000
Cost of services rendered for the implementation of projects	1,816,809	1,705,661
Cost of inventories sold	65,226	125,621
Cost of services provided	35,402	–
	1,917,437	1,831,282
Depreciation (note 14)	22,050	19,316
Amortisation of intangible assets* (note 18)	17,566	18,967
Amortisation of land premium (note 16)	255	423
Minimum lease payments under operating leases	27,924	27,325
Auditors' remuneration	2,750	2,500
Wages and salaries	79,169	81,868
Pension scheme contributions (defined contribution scheme)	11,683	10,842
Social insurance costs and staff welfare	17,800	21,379
Equity-settled share option expense (note 43)	6,728	18,850
	115,380	132,939
Impairment of inventories (note 25)	–	1,387
Impairment of amounts due from construction contracts (note 26)	13,644	3,996
Impairment of trade receivables (note 27)	10,754	–
Impairment of other receivables (note 28)	26,106	–
Impairment of amount due from a related party	7,020	–
Impairment of property and equipment (note 14)	7,347	–
Impairment of goodwill (note 17)	52,353	–
Impairment of deferred cost (note 32)	17,200	–
Derecognition loss of call option (note 33)	16,815	–
Rental income on investment properties	(6,942)	(6,309)
Net loss on disposal of items of property and equipment	79	326
Charitable donation	400	256
Exchange (gains)/losses	(5,401)	744

* The amortisation of intangible assets for the year is included in "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

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December 31, 2014

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2014 RMB'000	2013 RMB'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	42,897	31,706
Interest on guaranteed bonds	16,103	23,575
Interest on convertible bonds	16,860	1,070
Total interest expense on financial liabilities not at fair value through profit or loss	75,860	56,351
Other finance costs:		
Increase in discounted amounts of long-term payable arising from the passage of time	490	1,667
	76,350	58,018

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December 31, 2014

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to Section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014 RMB'000	2013 RMB'000
Fees	2,489	2,525
Other emoluments:		
Salaries, allowances and benefits in kind	1,551	1,934
Equity-settled share option expense	3,780	10,048
Pension scheme contributions	134	143
	5,465	12,125
	7,954	14,650

During the year, no payments were made by the Group to the directors of the Company as inducements to join the Group or compensation for loss of office (2013: nil).

In the years of 2008 and 2012, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of China ITS Co., Ltd. and the Company, further details of which are set out in note 43 to the financial statements. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

Notes to the Financial Statements

December 31, 2014

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2014	2013
	RMB'000	RMB'000
Mr. Zhou Chunsheng	173	176
Mr. Choi Onward	173	176
Mr. Sun Lu	173	176
	519	528
Other emoluments:		
Equity-settled share option expense	11	38
	530	566

In the year of 2012, the independent non-executive directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 43 to the financial statements. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

Notes to the Financial Statements

December 31, 2014

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director

2014	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Mr. Lv Xilin	–	145	389	14	548
Mr. Jiang Hailin	788	379	113	40	1,320
Mr. Liao Jie	–	331	2,477	–	2,808
Mr. Wang Jing	–	–	113	–	113
Mr. Lu Xiao	394	342	423	40	1,199
Mr. Pan Jianguo	788	354	254	40	1,436
	1,970	1,551	3,769	134	7,424

Mr. Zhang Tianwei was appointed as a non-executive director with effect from May 20, 2014. During the year, no remuneration was made by the Group to Mr. Zhang Tianwei.

On May 20, 2014, Mr. Lv Xilin voluntarily resigned as an executive director of the Company.

2013	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Mr. Lv Xilin	–	348	1,034	34	1,416
Mr. Jiang Hailin	799	348	296	36	1,479
Mr. Liao Jie	–	303	6,508	–	6,811
Mr. Wang Jing	–	241	365	–	606
Mr. Lu Xiao	399	344	1,140	37	1,920
Mr. Pan Jianguo	799	350	667	36	1,852
	1,997	1,934	10,010	143	14,084

Notes to the Financial Statements

December 31, 2014

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2013: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2013: one) non-director highest paid employee is as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	1,605	1,553
Equity-settled share option expense	327	916
	1,932	2,469

The number of non-director highest paid employee whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
HK\$2,000,001 to HK\$2,500,000 (RMB1,575,000 to RMB1,969,000)	1	–
HK\$2,500,001 to HK\$3,000,000 (RMB1,969,000 to RMB2,363,000)	–	–
HK\$3,000,001 to HK\$3,500,000 (RMB2,363,000 to RMB2,757,000)	–	1
	1	1

In the years of 2008 and 2012, share options were granted to certain non-director highest paid employees in respect of their services to the Group, further details of the share option scheme are set out in note 43. The fair value of these options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year is included in the above non-director highest paid employees' remuneration disclosures.

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10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Details of the tax benefits enjoyed by the Group's PRC subsidiaries in 2014 are as follows:

- (i) Beijing Newcom Traffic Technology Co., Ltd. was designated and approved as a High and New Technology Enterprise ("HNTE") in November 2013 for a period of three years from 2013 and was entitled to a preferential tax rate of 15% for 2014.
- (ii) Beijing Bailian Zhida Technology Development Co., Ltd., Beijing Stone, RHY Technology, Beijing Zhixun Tiancheng Technology Co., Ltd., Intelligent Aviation System Co., Ltd. and Xinjiang RHY were designated and approved as HNTEs in October 2014 for a period of three years from 2014 and were entitled to a preferential tax rate of 15% for 2014.

According to PRC tax regulations, from January 1, 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, are subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from entities in the PRC. Distributions of the pre-2008 earnings are exempted from the above-mentioned withholding tax. At December 31, 2014, 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 the PRC (2013: nil). In the opinion of the directors, it is not probable that the Group's PRC subsidiaries will distribute profits in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB886,239,000 (2013: RMB935,289,000).

Notes to the Financial Statements

December 31, 2014

10. INCOME TAX (continued)

The major components of income tax expense are as follows:

	2014 RMB'000	2013 RMB'000
Current income tax:		
Current income tax charge in Hong Kong	–	69
Current income tax charge in Mainland China	30,828	39,069
Deferred income tax:		
Relating to origination and reversal of temporary differences	(13,361)	6,537
Income tax expense reported in the consolidated statement of profit or loss	17,467	45,675

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

Group – 2014	Hong Kong		Cayman Islands and British Virgin Islands		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Loss before tax	(235)		(59,774)		(137,894)		(197,903)	
Tax at statutory tax rate	(39)	16.5	–	–	(34,473)	25.0	(34,512)	17.5
Tax holiday or lower tax rates enacted by local authorities	–	–	–	–	9,406	(6.8)	9,406	(4.8)
Expenses not deductible for tax	–	–	–	–	22,564	(16.4)	22,564	(11.4)
Income not subject to tax	–	–	–	–	(312)	0.2	(312)	0.20
Adjustments in respect of current income tax of previous periods	–	–	–	–	(19)	–	(19)	–
Effect of tax rate change	–	–	–	–	(1,776)	1.3	(1,776)	0.90
Profit attributable to joint ventures and associates*	–	–	–	–	(3,209)	2.3	(3,209)	1.60
Tax losses not recognised	39	(16.5)	–	–	25,286	(18.3)	25,325	(12.8)
Tax charge at the Group's effective rate	–	–	–	–	17,467	(12.7)	17,467	(8.8)

Notes to the Financial Statements

December 31, 2014

10. INCOME TAX (continued)

Group – 2013	Hong Kong		Cayman Islands and British Virgin Islands		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	2,230		(6,822)		203,047		198,455	
Tax at statutory tax rate	368	16.5	–	–	50,763	25.0	51,131	25.8
Tax holiday or lower tax rates enacted by local authorities	–	–	–	–	(19,967)	(9.8)	(19,967)	(10.1)
Expenses not deductible for tax	–	–	–	–	5,130	2.5	5,130	2.6
Income not subject to tax	(299)	(13.4)	–	–	(239)	(0.1)	(538)	(0.3)
Adjustments in respect of current income tax of previous periods	–	–	–	–	137	0.1	137	0.1
Effect of tax rate change	–	–	–	–	9,373	4.6	9,373	4.7
Profit attributable to joint ventures and associates*	–	–	–	–	(3,721)	(1.8)	(3,721)	(1.9)
Tax losses not recognised	–	–	–	–	4,130	2.0	4,130	2.1
Tax charge at the Group's effective rate	69	3.1	–	–	45,606	22.5	45,675	23.0

* The share of tax attributable to joint ventures and associates amounting to RMB3,209,000 (2013: RMB3,721,000) is included in "Share of profits of joint ventures" and "Share of profits of associates" in the consolidated statement of profit or loss.

Notes to the Financial Statements

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11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit/(loss) attributable to owners of the parent for the year ended December 31, 2014 includes a loss of RMB64,789,000 (2013: RMB13,365,000) which has been dealt with in the financial statements of the Company (note 42(b)).

12. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Interim – HK0.5 cents per ordinary share	–	6,485
Proposed final – HK1.2 cents per ordinary share	–	15,532
	–	22,017

No interim and final dividend was proposed by the Company for the year ended December 31, 2014.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings/(loss) per share (“EPS”) amounts are calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

For 2013, diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the year ended December 31, 2014 in respect of a dilution as the impact of the share option scheme and the convertible bonds outstanding has an anti-dilutive effect on the basic loss per share amounts presented.

Notes to the Financial Statements

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13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings/(loss) per share are based on:

	2014 RMB'000	2013 RMB'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	(194,657)	149,254
Interest on convertible bonds	-	1,070
Profit/(loss) attributable to ordinary equity holders of the parent before interest on convertible bonds	(194,657)	150,324
	Number of shares 2014	2013
Shares		
Weighted average number of shares in issue during the year used in the basic earnings/(loss) per share calculation	1,649,600,111	1,645,752,039
Effect of dilution – weighted average number of ordinary shares:		
Share options	-	62,723,159
Convertible bonds	-	7,498,198
	1,649,600,111	1,715,973,396

Notes to the Financial Statements

December 31, 2014

14. PROPERTY AND EQUIPMENT

Group

	Buildings 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
December 31, 2014								
At January 1, 2014								
Cost	619	16,376	5,733	31,067	50,366	13,725	16,174	134,060
Accumulated depreciation	(393)	(11,332)	(4,473)	(18,988)	(26,127)	(7,903)	-	(69,216)
Net carrying amount	226	5,044	1,260	12,079	24,239	5,822	16,174	64,844
At January 1, 2014, net of accumulated depreciation	226	5,044	1,260	12,079	24,239	5,822	16,174	64,844
Additions	-	1,640	223	891	261	1,862	28,869	33,746
Disposals	-	(26)	-	(269)	-	-	-	(295)
Disposal of subsidiaries (note 44)	(2)	-	(4)	(6)	(987)	-	-	(999)
Depreciation provided during the year	(31)	(3,533)	(625)	(3,808)	(8,925)	(5,128)	-	(22,050)
Impairment	-	-	-	-	(7,347)	-	-	(7,347)
Transfer	-	10,044	-	-	-	-	(10,044)	-
At December 31, 2014, net of accumulated depreciation and impairment	193	13,169	854	8,887	7,241	2,556	34,999	67,899
At December 31, 2014								
Cost	612	27,850	5,931	30,078	34,424	15,587	34,999	149,481
Accumulated depreciation	(419)	(14,681)	(5,077)	(21,191)	(19,836)	(13,031)	-	(74,235)
Impairment	-	-	-	-	(7,347)	-	-	(7,347)
Net carrying amount	193	13,169	854	8,887	7,241	2,556	34,999	67,899

Notes to the Financial Statements

December 31, 2014

14. PROPERTY AND EQUIPMENT (continued)

Group (continued)

	Buildings 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
December 31, 2013								
At January 1, 2013								
Cost	3,645	15,111	5,300	29,087	45,751	11,061	-	109,955
Accumulated depreciation	(622)	(10,687)	(3,932)	(15,680)	(17,635)	(5,484)	-	(54,040)
Net carrying amount	3,023	4,424	1,368	13,407	28,116	5,577	-	55,915
At January 1, 2013, net of								
accumulated depreciation	3,023	4,424	1,368	13,407	28,116	5,577	-	55,915
Additions	-	2,413	899	3,843	4,615	3,775	16,174	31,719
Disposals	(2,370)	-	(196)	(286)	-	-	-	(2,852)
Disposal of a subsidiary (note 44)	-	(122)	(35)	(465)	-	-	-	(622)
Depreciation provided during the year	(427)	(1,671)	(776)	(4,420)	(8,492)	(3,530)	-	(19,316)
At December 31, 2013, net of								
accumulated depreciation and impairment	226	5,044	1,260	12,079	24,239	5,822	16,174	64,844
At December 31, 2013								
Cost	619	16,376	5,733	31,067	50,366	13,725	16,174	134,060
Accumulated depreciation	(393)	(11,332)	(4,473)	(18,988)	(26,127)	(7,903)	-	(69,216)
Impairment	-	-	-	-	-	-	-	-
Net carrying amount	226	5,044	1,260	12,079	24,239	5,822	16,174	64,844

The carrying values of the buildings shown above that are situated on long-term leasehold land in the PRC are as follows:

	2014 RMB'000	2013 RMB'000
Lease over 50 years	193	226

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December 31, 2014

15. INVESTMENT PROPERTIES

Group

	2014	2013
	RMB'000	RMB'000
Carrying amount at January 1	109,100	154,000
Net gain from fair value adjustment	9,900	11,100
Disposal	–	(56,000)
Carrying amount at December 31	119,000	109,100

The Group's investment properties are situated in Mainland China and are leased to third parties under long-term operating leases.

The Group's investment properties were revalued by Savills Valuation and Professional Services Limited ("Savills") on December 31, 2014, an independent firm of professional valuer, at RMB119.0 million. Each year, when the Group decides to appoint which external valuer to be responsible for the external valuations of the Group's properties, selection criteria include market knowledge, reputation, independence and whether professional standards are maintained have been considered. The Group's chief financial officer has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

At December 31, 2014, the Group's investment properties with a carrying amount of RMB119.0 million (2013: RMB109.1 million), including RMB119.0 million which were pledged to secure bank loans granted to the Group at December 31, 2014 (note 36).

Notes to the Financial Statements

December 31, 2014

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Recurring fair value measurement for:	Fair value measurement as at December 31, 2014 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Commercial properties	–	–	119,000	119,000

Recurring fair value measurement for:	Fair value measurement as at December 31, 2013 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Commercial properties	–	–	109,100	109,100

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.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

Commercial properties	2014 RMB'000	2013 RMB'000
Carrying amount at January 1	109,100	154,000
Net gain from fair value adjustment	9,900	11,100
Disposal	–	(56,000)
Carrying amount at December 31	119,000	109,100

Notes to the Financial Statements

December 31, 2014

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range (weighted average)	
			2014	2013
Commercial properties	Income approach	Estimated rental value (per sq.m. and per month)	154-187	144-176
		Capitalisation rate	6.5%-7.5%	6.5%-7.5%

Under 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 asking and sales transaction evidence as appropriate. 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. PREPAID LAND PREMIUM

The movement in prepaid land premium during the year is as follows:

Group

	2014 RMB'000	2013 RMB'000
Carrying amount at January 1	13,726	14,149
Recognised during the year	(255)	(423)
Carrying amount at December 31	13,471	13,726

The land premium was prepaid for a land use right situated in Mainland China and is amortised over the lease period of 47 years.

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December 31, 2014

17. GOODWILL

Group

	2014 RMB'000	2013 RMB'000
At January 1	406,135	406,135
Impairment provided during the year	(52,353)	–
Net carrying amount at December 31	353,782	406,135

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Beijing Aproud Technology Co., Ltd. and its subsidiaries (collectively "Aproud subgroup");
- China Traffic Holding Ltd. and its subsidiaries (collectively "CTH subgroup");
- Hugecom Limited and its subsidiaries (collectively "Stone subgroup"); and
- Xinjiang RHY Technology Co., Ltd. ("Xinjiang RHY").

The recoverable amount of Aproud subgroup, CTH subgroup, Stone subgroup and Xinjiang RHY cash-generating units have 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 approximately 20% for Aproud subgroup and Xinjiang RHY (2013: approximately 20%), and 17% for CTH subgroup and Stone subgroup (2013: approximately 20%), respectively. The growth rate used to extrapolate the cash flows beyond the five-year period is 5% for Aproud subgroup (2013: 5%), zero for Xinjiang RHY (2013: 5%), 3% for CTH subgroup and Stone subgroup (2013: 5%), respectively.

The recoverable amount of Xinjiang RHY as of December 31, 2014 was zero and of Stone subgroup was RMB84.8 million, and management provided RMB4.4 million and RMB48.0 million impairment loss for Xinjiang RHY and Stone subgroup, respectively, in 2014.

Assumptions were used in the value in use calculation of each cash-generating unit for December 31, 2014 and December 31, 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Gross margins — Gross margins are based on average values achieved in the three years preceding the beginning of the budget period.

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December 31, 2014

17. GOODWILL (continued)

Impairment testing of goodwill (continued)

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant units. In determining an appropriate discount rate, a consideration has been given to the applicable borrowing interest rates in the year immediately before the budget years.

Growth rate – The Group determines the growth rate which shall not exceed the long-term average gross growth rate of the relevant market in Mainland China.

The values assigned to the key assumptions on market development, gross margins and discount rate are consistent with external information sources.

18. OTHER INTANGIBLE ASSETS

Group

December 31, 2014	Technical know-how RMB'000	Customer relationships RMB'000	Contract backlog RMB'000	Total RMB'000
Cost at January 1, 2014, net of accumulated amortisation	18,445	40,759	546	59,750
Amortisation provided during the year	(6,414)	(10,994)	(158)	(17,566)
At December 31, 2014	12,031	29,765	388	42,184
At December 31, 2014				
Cost	31,875	61,099	4,272	97,246
Accumulated amortisation	(19,844)	(31,334)	(3,884)	(55,062)
Net carrying amount	12,031	29,765	388	42,184

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December 31, 2014

18. OTHER INTANGIBLE ASSETS (continued)

Group (continued)

December 31, 2013	Technical know-how RMB'000	Customer relationships RMB'000	Contract backlog RMB'000	Total RMB'000
Cost at January 1, 2013, net of accumulated amortisation	24,859	51,813	2,045	78,717
Amortisation provided during the year	(6,414)	(11,054)	(1,499)	(18,967)
At December 31, 2013	18,445	40,759	546	59,750
At December 31, 2013				
Cost	31,875	61,099	4,272	97,246
Accumulated amortisation	(13,430)	(20,340)	(3,726)	(37,496)
Net carrying amount	18,445	40,759	546	59,750

19. INVESTMENTS IN SUBSIDIARIES

	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	909,251	765,663

Notes to the Financial Statements

December 31, 2014

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries of the Company are as follows:

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
China ITS VA Holding Limited	British Virgin Islands July 8, 2011	US\$1	100	–	Investment holding
China Aviation Communication Technology Company Limited	Hong Kong April 23, 2012	HK\$100	100	–	Investment holding
Well Score International Limited	Hong Kong March 27, 2009	HK\$1	100	–	Investment holding
China Toprise Limited	British Virgin Islands June 16, 2006	US\$1,001	–	100	Investment holding
Fairstar Success Holdings Limited	British Virgin Islands June 13, 2006	US\$50,001	100	–	Investment holding
China ITS (Holdings) Co., Ltd. (BVI)	British Virgin Islands January 10, 2011	US\$1	100	–	Investment holding
China Expressway Intelligent Transportation Technology Group Ltd.*	British Virgin Islands September 6, 2012	US\$5,100	100	–	Investment holding
Beijing RHY Technology Development Co., Ltd. ("RHY Technology")	Mainland China February 16, 2001	RMB500 million	–	100	Intelligent transportation system turnkey solutions and value-added operation and services
Beijing Aproud Technology Co., Ltd. ("A proud Technology")	Mainland China February 15, 2001	RMB280 million	–	100	Communications and surveillance specialised solutions and value-added operation and services
Beijing Zhongzhi Runbang Technology Co., Ltd.*	Mainland China September 3, 2004	RMB15 million	–	100	Value-added operation and services and specialised solutions
Beijing Bailian Zhida Technology Development Co., Ltd.	Mainland China April 18, 2007	RMB5.5 million	–	100	Surveillance specialised solutions
Beijing Haotian Jiajie Technology Co., Ltd. ("Haotian Jiajie")	Mainland China March 30, 2007	RMB125 million	–	100	Communications specialised solutions and value-added operation and services

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct/Indirect		
Beijing Zhixun Tiancheng Technology Co., Ltd.	Mainland China June 25, 2007	RMB50 million	–	100	Communications specialised solutions
Beijing Aproud Transportation Technology Co., Ltd.	Mainland China July 11, 2007	RMB5 million	–	100	Development of intelligent transportation system related software
Jiangsu Zhixun Tiancheng Technology Co., Ltd.	Mainland China November 19, 2009	RMB10 million	–	100	Communications specialised solutions
China Traffic Holdings Ltd.	Cayman Islands November 20, 2007	US\$889	100	–	Investment holding
Beijing Newcom Traffic Technology Co., Ltd.	Mainland China June 14, 2002	RMB30 million	–	100	Intelligent communications service
Beijing Wuzhouzhitong Traffic Technology Co., Ltd. ("Beijing Wuzhouzhitong")	Mainland China August 28, 2008	US\$4.5 million	–	100	Computer system and software service
Guangzhou Taizheng Technology Co., Ltd.	Mainland China May 30, 2003	RMB6 million	–	100	Computer system and software service
Tianjin Communication Information Co., Ltd.	Mainland China February 2, 2010	RMB5 million	–	100	Communications system and computer related service
Jiangsu Zhongzhi Transportation Technology Co., Ltd. ("Jiangsu Zhongzhi Transportation")	Mainland China December 15, 2011	US\$30 million	–	100	Intelligent transportation system service
Guangzhou Yabang Xincheng Communication Technology Co., Ltd.	Mainland China September 19, 2011	RMB2 million	–	70	Communications system service
Xinjiang RHY Technology Co., Ltd. ("Xinjiang RHY")	Mainland China October 24, 2005	RMB10 million	–	80	Computer system service
Beijing Jingwei Zhitong Technology Co., Ltd.	Mainland China March 16, 2011	RMB20 million	–	90.28	Computer communication and software service
Beijing Stone Intelligent Transportation System Integration Co., Ltd. ("Beijing Stone")	Mainland China February 10, 1999	RMB50 million	–	75	Computer communication and software service

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Lihe Datong Technology Co., Ltd. ("Beijing Lihe Datong")	Mainland China April 20, 2011	RMB20 million	–	100	Computer communication and software service
Hugecom Limited	British Virgin Islands January 11, 2011	US\$10,000	100	–	Computer communication and software service
Jiangsu Zhongzhi Jiaye Electronic Technology Co., Ltd.	Mainland China April 20, 2012	RMB160 million	–	100	Computer communication and software service
Southwest Intelligent Transportation Co., Ltd.	Mainland China November 6, 2012	RMB50 million	–	100	Intelligent transportation system turnkey solutions and value-added operation and services
Intelligent Transportation Co., Ltd. ("Intelligent Transportation")	Mainland China July 13, 2012	RMB50 million	100	–	Intelligent transportation system turnkey solutions and value-added operation and services
Intelligent Aviation System Co., Ltd. ("Intelligent Aviation System")	Mainland China November 23, 2012	RMB50 million	–	100	Civil aviation technology and surveillance specialised solutions and value-added operation and services
Beijing Zhongzhi Real Estate Co., Ltd.	Mainland China September 22, 2013	RMB10 million	–	100	Real estate development, construction material selling, and project investment
Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd.	Mainland China November 19, 2013	RMB10 million	–	100	Internet information technology, and electronics selling
Star Power Development Limited	British Virgin Islands November 22, 2012	US\$1	100	–	Investment holding
Beijing Huading Jiaye Technology Co., Ltd.	Mainland China July 19, 2013	RMB20 million	–	100	Contract operation, and technology specialised services
Beijing Zhihang Tuoyu Technology Co., Ltd. *	Mainland China April 12, 2013	RMB2 million	–	100	Technology specialised services, and electronics selling

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct/Indirect		
Beijing Chengzhi Ruibang Technology Co., Ltd.	Mainland China April 30, 2014	RMB40 million	–	100	Computer system and software service
Zhongtian Runbang Information Technology Co., Ltd.	Mainland China December 8, 2014	RMB50 million	–	100	Technology specialised services, and electronics selling
Leria Investment Limited	British Virgin Islands July 15, 2014	US\$1	–	100	Investment holding

* These companies' names were changed from Bestvilla Investment Limited, Beijing Aproud Information Engagement Co., Ltd. and Beijing Huading Hengye Technology Co., Ltd. to China Expressway Intelligent Transportation Technology Group Ltd., Beijing Zhongzhi Runbang Technology Co., Ltd. and Beijing Zhihang Tuoyu Technology Co., Ltd., respectively.

None of the statutory financial statements of the above subsidiaries were audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

RHY Technology, Aproud Technology and Haotian Jiajie are registered as Sino-foreign equity joint ventures. Beijing Wuzhouzhitong, Jiangsu Zhongzhi Transportation, Beijing Lihe Datong, Intelligent Transportation and Intelligent Aviation System are wholly-foreign-owned enterprises under PRC law. The other subsidiaries registered in Mainland China are domestic companies with limited liability under PRC law.

As at December 31, 2014, the registered capital of below subsidiaries of the Group in Mainland China has not been fully paid.

Name	Capital outstanding
Tianjin Communication Information Co., Ltd.	RMB2.0 million
Zhongtian Runbang Information Technology Co., Ltd.	RMB50.0 million
Beijing Chengzhi Ruibang Technology Co., Ltd.	RMB40.0 million
Intelligent Transportation Co., Ltd.	RMB39.9 million

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Group's subsidiary that has material non-controlling interests are set out below:

Beijing Stone	2014	2013
Percentage of equity interest held by non-controlling interests	25%	25%
Profit/(loss) for the year allocated to non-controlling interests	(20,526)	2,290
Accumulated balances of non-controlling interests at the reporting date	5,844	26,370

The following tables illustrate the summarised financial information of Beijing Stone. The amounts disclosed are before any inter-company eliminations:

	2014	2013
	RMB'000	RMB'000
Revenue	77,945	204,583
Total cost and expenses	(160,049)	(195,422)
Profit/(loss) for the year	(82,103)	9,161
Total comprehensive income for the year	(82,103)	9,161
Current assets	487,709	518,844
Non-current assets	723	3,160
Current liabilities	(446,794)	(394,122)
Non-current liabilities	(4,260)	(8,401)
Net cash flows from/(used in) operating activities	25,437	(79,823)
Net cash flows used in investing activities	(124)	(967)
Net cash flows from/(used in) financing activities	(36,419)	25,461
Net decrease in cash and cash equivalents	(11,106)	(55,329)

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20. INVESTMENTS IN JOINT VENTURES

Group

	2014 RMB'000	2013 RMB'000
Share of net assets	52,452	55,375

The Group's receivable and payable balances with the joint ventures are disclosed in note 49 to the financial statements.

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Wuhan Chenguang Transportation Technology Development Co., Ltd. ("Wuhan Chenguang")	RMB8 million	Mainland China	51%	60%	51%	Intelligent transportation system specialised solutions
Chengdu Zhida Weilute Technology Co., Ltd. ("Chengdu Zhida Weilute")	RMB15 million	Mainland China	51%	60%	51%	Intelligent transportation system specialised solutions
Shandong Yigou Software Technology Co., Ltd. ("Shandong Yigou")	RMB10 million	Mainland China	52.8%	60%	52.8%	Intelligent transportation system specialised solutions
GTECH-CIC Joint Venture ("GTECH-CIC")	HK\$4.5 million	Hong Kong	60%	60%	60%	Intelligent transportation system specialised solutions
Nanjing Communication Information Co., Ltd. ("Nanjing Communication")	RMB10 million	Mainland China	50%	50%	50%	Intelligent transportation system specialised solutions
Anhui Yunlian Urban Transportation information Co., Ltd.	RMB40 million	Mainland China	50%	50%	50%	Intelligent transportation system specialised solutions

Other than GTECH-CIC which is directly held by the Company, all the above investments in joint ventures are held indirectly by the Company. Due to the disposal of Jiangsu Yijie Technology Co., Ltd. ("Jiangsu Yijie"), a wholly-owned subsidiary of the Group, in May 2014, Wuxi Zhitong Runbang Technology Co., Ltd. ("Wuxi Runbang"), a joint venture of Jiangsu Yijie, had been disposed of accordingly.

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20. INVESTMENTS IN JOINT VENTURES (continued)

Group (continued)

The following table illustrates the aggregate financial information in respect of the Group's joint ventures that are not individually material:

	2014 RMB'000	2013 RMB'000
Share of the joint ventures' profit for the year	462	12,523
Share of the joint ventures' other comprehensive income	–	–
Share of the joint ventures' total comprehensive income	462	12,523
Aggregate carrying amount of the Group's investments in the joint ventures	52,452	55,375

Company

	2014 RMB'000	2013 RMB'000
Unlisted investment, at cost	2,067	2,067

21. INVESTMENTS IN ASSOCIATES

Group

	2014 RMB'000	2013 RMB'000
Share of net assets	139,180	104,908

Notes to the Financial Statements

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21. INVESTMENTS IN ASSOCIATES (continued)

The Group's receivables and payables with associates are disclosed in note 49 to the financial statements.

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest	Principal activities
Guangzhou Communication Information Co., Ltd. ("Guangzhou Communication")	RMB50 million	Mainland China	45%	Intelligent transportation system
Xi'an Communication Information Co., Ltd. ("Xi'an Communication")	RMB20 million	Mainland China	50%	Intelligent transportation system
Beijing Zhineng Shixun Information Technology Co., Ltd. ("Zhineng Shixun")	RMB3 million	Mainland China	24.98%	Intelligent transportation system
Zhongzhixin Financial Leasing Co., Ltd. ("Zhongzhixin")	USD50 million	Mainland China	30%	Financial leasing service
Xinjiang Jiaojian Intelligent Communication Technology Co., Ltd. ("Xinjiang Jiaojian")	RMB4 million	Mainland China	40%	Intelligent transportation system
武漢光谷智能交通科技有限公司 ("Wuhan Communication")	RMB30 million	Mainland China	25%	Intelligent transportation system
北京綠通暢達交通技術有限公司 ("Beijing Lvtong Changda")	RMB20 million	Mainland China	20%	Intelligent transportation system

None of the above associates are audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

All the above investments in associates are held indirectly by the Company.

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21. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of Guangzhou Communication adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	2014 RMB'000	2013 RMB'000
Current assets	152,870	80,970
Non-current assets	165,795	174,913
Current liabilities	(113,549)	(90,454)
Non-current liabilities	(42,126)	(28,346)
Net assets	162,990	137,083
Cash and cash equivalents	52,476	16,204
Depreciation and amortisation	(24,043)	(28,458)
Interest income	149	55
Interest expenses	(1,722)	(2,809)
Income tax expenses	(3,291)	(2,906)
Dividend collected	–	2,250
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	45%	45%
Group's share of net assets of the associate	73,346	61,687
Carrying amount of the investment	73,346	61,687
Revenue	110,186	125,206
Profit for the year	24,859	13,762
Other comprehensive income	–	–
Total comprehensive income for the year	24,859	13,762

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2014 RMB'000	2013 RMB'000
Share of the associates' profit for the year	1,513	4,471
Share of the associates' other comprehensive income	–	–
Share of the associates' total comprehensive income	1,513	4,471
Aggregate carrying amount of the Group's investments in the associates	65,834	43,221

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22. AVAILABLE-FOR-SALE INVESTMENT

Group and Company

	2014 RMB'000	2013 RMB'000
Unlisted equity investment, at cost	25,307	25,307

As at December 31, 2014, the unlisted equity investment with a carrying amount of RMB25.3 million (2013: RMB25.3 million) was stated at cost less impairment because the directors are of the opinion that the fair value cannot be measured reliably. The Group does not intend to dispose of the investment in the near future.

23. PREPAYMENT FOR ACQUISITION OF EQUITY INTERESTS IN OTHER COMPANIES

In 2012, the Group entered into an agreement in relation to an acquisition of the equity interest in a company which is specialised in the provision of technology services in the civil aviation industry. In 2014, the Group decided to change its original acquisition plan and has agreed with the counter-party that the counter-party shall subscribe for certain equity interests in a wholly-owned subsidiary of the Group in the related business and the prepayments previously made by the Group shall be settled accordingly. As at December 31, 2014, prepayment of RMB29.0 million remained unsettled by the counter-party and the balance was reclassified to other receivables in the Group's consolidated financial statements.

24. OTHER LONG-TERM ASSETS

Group and Company

The balance of other long-term assets as at December 31, 2013 represented a borrowing to a third party, which was due in December 2015, with an annual interest rate of 10%. During the year, the balance was fully settled by the counter-party.

25. INVENTORIES

Group

	2014 RMB'000	2013 RMB'000
Raw materials	2,804	2,753
Finished goods	17,917	19,556
	20,721	22,309
Less: provision	-	(1,387)
	20,721	20,922

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26. CONSTRUCTION CONTRACTS

Group

	2014 RMB'000	2013 RMB'000
Gross amount due from contract customers	1,252,874	1,294,760
Gross amount due to contract customers	(855,940)	(728,324)
	396,934	566,436
Contract costs incurred plus recognised profits less recognised losses to date	8,259,966	6,309,916
Less: Progress billings	(7,863,032)	(5,743,480)
	396,934	566,436

In 2014, RMB13.6 million of impairment loss has been provided for the amounts due from contract customers.

27. TRADE AND BILLS RECEIVABLES

Group

	2014 RMB'000	2013 RMB'000
Trade receivables	1,353,485	1,093,082
Impairment	(11,010)	(256)
	1,342,475	1,092,826
Bills receivable	66,562	23,032
	1,409,037	1,115,858

Trade and bills receivables, which are non-interest-bearing, are recognised and carried at original invoiced amount less any impairment loss. Trade and bills 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. An estimate for doubtful debts is made when there is objective evidence that an impairment loss on receivables has been incurred. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances.

Notes to the Financial Statements

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27. TRADE AND BILLS RECEIVABLES (continued)

Group (continued)

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2014 RMB'000	2013 RMB'000
Less than 6 months	733,657	546,802
6 months to 1 year	294,392	226,791
1 year to 2 years	226,351	199,469
2 years to 3 years	89,363	111,118
Over 3 years	65,274	31,678
	1,409,037	1,115,858

The movements in provision for impairment of trade and bills receivables are as follows:

	2014 RMB'000	2013 RMB'000
At January 1	256	1,690
Addition	10,754	-
Amount written off as disposal of a subsidiary	-	(1,434)
At December 31	11,010	256

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB7,307,000 (2013: RMB256,000) with a carrying amount before provision of RMB7,307,000 (2013: RMB256,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and the recoverable amount is expected to be zero.

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27. TRADE AND BILLS RECEIVABLES (continued)

Group (continued)

An aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	733,657	546,802
Past due but not impaired:		
Less than 6 months past due	294,392	226,791
6 months to 1 year past due	113,176	99,734
1 year to 2 years past due	158,580	155,293
2 years to 3 years past due	81,377	71,526
Over 3 years past due	27,855	15,712
	1,409,037	1,115,858

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at December 31, 2014, RMB120.0 million of trade receivables are secured for the current bank loans of RMB50.0 million (note 36).

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28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Note	2014 RMB'000	2013 RMB'000
Prepayments to suppliers for purchases of goods		833,304	882,275
Loans to other companies	(a)	174,924	165,002
Tender deposits		27,151	31,315
Contract deposits		167,925	133,587
Advances to staff		20,724	25,856
Interest receivable		21,514	15,673
Dividend receivable		29,899	28,990
Compensation due from strategic investor		20,380	20,310
Others		64,226	74,366
		1,360,047	1,377,374
Impairment		(27,406)	(1,716)
		1,332,641	1,375,658

- (a) The balance represented unsecured loans to other third party companies which were due within one year. Among which a balance of RMB156,981,000 is interest-free, a balance of RMB8,000,000 bears 115% of the 1-year benchmark interest rate announced by the People's Bank of China, and a balance of RMB9,943,000 bears an interest rate of 10% per annum.

The movements in provision for impairment of other receivables are as follows:

	2014 RMB'000	2013 RMB'000
At January 1	1,716	1,716
Addition	26,106	–
Amount written off	(416)	–
At December 31	27,406	1,716

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of RMB27,406,000 (2013: RMB1,716,000) with a carrying amount before provision of RMB27,406,000 (2013: RMB1,716,000).

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28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Company

	2014 RMB'000	2013 RMB'000
Interest receivable	17,514	15,673
Compensation due from strategic investor	20,380	20,310
Others	27,972	15,928
Impairment	(20,380) 45,486	– 51,911

29. HELD-TO-MATURITY INVESTMENT

Group and Company

The Company subscribed for a bond with a principal amount of US\$11.0 million in December 2011 issued by Trooper Group Limited, a company incorporated with limited liability in the British Virgin Islands. The bond was issued on December 13, 2011, secured by a parcel of land located in Qingdao, China, and bears interest at 15% per annum, payable monthly in arrears commencing in January 2012. The bond was due on June 30, 2014 bearing interest at 12% per semi-annum in 2014 according to the renewal agreements. In January 2015, RMB50.0 million has been settled by the counter-party.

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	2014 RMB'000	2013 RMB'000
Cash and bank balances	600,299	695,720
Pledged deposits		
– Current deposits	79,716	80,639
– Non-current deposits	4,500	4,500
	684,515	780,859
Less: Pledged deposits for		
– Letter of guarantee for projects	(57,698)	(40,812)
– Bills payable	(7,836)	(6,284)
– Interest-bearing bank borrowings	(10,345)	(12,016)
– Tenders	(8,337)	(26,027)
Cash and bank balances	600,299	695,720

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30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

Group (continued)

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

The cash and bank balances and pledged deposits of the Group denominated in RMB totalled RMB672.6 million (RMB672.3 million is located in Mainland China and RMB0.3 million is located overseas) as at December 31, 2014 (2013: RMB642.3 million in total). In Mainland China, the RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Company

	2014 RMB'000	2013 RMB'000
Cash and bank balances	3,641	106,455

31. CONVERTIBLE BORROWINGS

In June 2014, the Group lent RMB80.0 million to a specialised solutions provider in the expressway industry with a right of converting the debt into a certain percentage of the equity interest of the borrower at any business date during the borrowing period from June 26, 2014 to June 25, 2019.

The convertible borrowings as of December 31, 2014 were revalued by American Appraisal China Limited, an independent firm of professional valuers at RMB82,390,000. When the Group decided to appoint which external valuer to be responsible for the external valuations of convertible borrowings, selection criteria include market knowledge, reputation, independence and whether professional standards are maintained have been considered. The Group's chief financial officer has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the convertible borrowings:

	Fair value measurement as at December 31, 2014 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Fair value measurement for:				
Convertible borrowings	—	—	82,390	82,390

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.

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31. CONVERTIBLE BORROWINGS (continued)

Fair value hierarchy (Continued)

The fair value of convertible borrowings were estimated as of December 31, 2014, using a binomial tree model, taking into account the terms upon the exercise of convertible borrowings. The following table lists the key inputs to the model used:

Expiration of convertible borrowings	June 25, 2019
Exercise price	RMB80.0 million
Risk free rate of interest	3.02%
Dividend yield	0.0%
Term (Years)	4.48
Volatility (%)	45.6%

Risk free rate is based on the yield of Hong Kong government bond with similar maturity of the convertible borrowings. Zero dividend yield was assumed as loss making performance was estimated by the market. Volatility is calculated with reference to the Company's historical share price movement matching the period of the conversion option.

32. DEFERRED COST

The balance represented the cost incurred for an electronic monitoring project of Beijing Stone. The project period is from 2012 to 2016. In 2014, RMB17.2 million of impairment was provided according to the estimated cash inflow during the remaining project period.

33. OTHER FINANCIAL ASSETS

Group

	2014 RMB'000	2013 RMB'000
Financial assets at fair value through profit or loss – call option		
Carrying amount at January 1	16,815	3,445
Net gain from fair value adjustment	–	13,370
Derecognition loss	(16,815)	–
Carrying amount at December 31	–	16,815

The Group acquired Stone subgroup on June 29, 2012 and held 75% interest of Beijing Stone. Pursuant to the share purchase agreement, the Group has the right to acquire a 25% non-controlling interest in Beijing Stone before December 31, 2013. By December 31, 2013, a supplementary agreement has been reached to extend the due date to December 31, 2014. The Group did not exercise the right to acquire the 25% non-controlling interest of Beijing Stone by December 31, 2014.

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34. TRADE AND BILLS PAYABLES

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

Group

	2014 RMB'000	2013 RMB'000
Current or less than 1 year past due	866,368	732,776
1 to 2 years past due	288,318	267,536
Over 2 years past due	21,882	46,262
	1,176,568	1,046,574

The Group's bills payable were secured by pledged deposits of the Group of RMB7.8 million as at December 31, 2014 (2013: RMB6.3 million).

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

35. OTHER PAYABLES AND ACCRUALS

Group

	2014 RMB'000	2013 RMB'000
Advances from customers	113,211	31,860
Business advance deposits	53,068	53,587
Staff costs and welfare accruals	13,528	16,739
Other taxes payable	59,354	145,488
Interest payables	2,287	3,882
Research and development funds	1,925	1,299
Others	28,182	30,245
	271,555	283,100

Other payables are non-interest-bearing and have no fixed terms of repayment.

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36. INTEREST-BEARING BANK BORROWINGS

Group

	Contractual rate (%)	2014 RMB'000	2013 RMB'000
Current			
Bank loans – secured and repayable within one year	6.0–7.3	172,754	208,000
Bank loans – guaranteed and repayable within one year	6.2–7.8	361,335	276,230
Bank loans – unsecured and repayable within one year (US\$3.0 million)	HIBOR/LIBOR+2.6	–	18,292
Bills receivable endorsed	–	45,575	18,039
		579,664	520,561
Non-current			
Bank loans – secured	6.6	63,000	87,000
		642,664	607,561

Notes:

- (i) Bank loans of RMB122.8 million as at December 31, 2014 (2013: RMB58.0 million) were secured by investment properties valued at RMB119.0 million (2013: RMB39.5 million) (note 15).
- (ii) Bank loans of RMB50.0 million were secured by trade receivables with a total amount of RMB120.0 million (2013: nil).
- (iii) The non-current bank loan of RMB63.0 million as at December 31, 2014 (2013: RMB237.0 million including non-current bank loan of RMB87.0 million) was secured by a bank deposit of RMB12.0 million (2013: RMB12.0 million), provided by Aproud Technology, a subsidiary of the Group.
- (iv) Bank loans of RMB185.0 million as at December 31, 2014 were guaranteed by Aproud Technology and RHY Technology, subsidiaries of the Group (2013: RMB127.6 million).
- (v) Bank loans of RMB176.3 million as at December 31, 2014 were guaranteed by the Company (2013: RMB108.6 million).

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36. INTEREST-BEARING BANK BORROWINGS (continued)

Group (continued)

Notes: (continued)

- (vi) As at December 31, 2014, bank loans of RMB20.0 million existed at the year end of 2013 were fully paid off, which were guaranteed by Beijing Zhixun Tiancheng Technology, a subsidiary of the Group (2013: RMB20.0 million).
- (vii) As at December 31, 2014, bank loans of RMB20.0 million existed at the year end of 2013 were fully paid off, which were guaranteed by Mr. Guan Jizhen, a non-controlling shareholder of a non-wholly-owned subsidiary of the Group (2013: RMB20.0 million).
- (viii) As at December 31, 2014, unsecured bank loans of US\$3.0 million (equivalent to RMB18.3 million) existed at the year end of 2013 were fully paid off (2013: RMB18.3 million).

As at December 31, 2014, the Group had unutilised available bank borrowing facilities amounting to RMB1,040.3 million (2013: RMB491.4 million).

As at December 31, 2014, the Group's bank loans of RMB185.1 million have fixed interest rates and bank loans of RMB412.0 million (including the non-current bank loans of RMB63.0 million) have floating interest rates based on the benchmark interest rates announced by the People's Bank of China. The carrying amounts of the Group's current borrowings approximate to their fair values.

Company

	Contractual rate (%)	2014 RMB'000	2013 RMB'000
Current			
Bank loans – unsecured and repayable within one year (US\$3.0 million)	HIBOR/LIBOR+2.6	–	18,292

37. AMOUNTS DUE FROM/DUE TO SUBSIDIARIES

Company

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The Company made advances to those subsidiaries incorporated overseas which are the immediate holding companies of the Group's subsidiaries established in the PRC. The amounts advanced by the Company to these overseas subsidiaries would be further invested in their respective PRC subsidiaries.

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38. DEFERRED TAX

The movements in deferred tax assets and liabilities for the year are as follows:

Group

Deferred tax assets

	Note	Impairment of trade receivables RMB'000	Accrued expenses RMB'000	Intangible assets RMB'000	Provision for inventory impairment RMB'000	Total RMB'000
2014						
At January 1, 2014		6,989	4,610	763	347	12,709
Arising from disposal of subsidiaries	44	(5,705)	(883)	(405)	—	(6,993)
Deferred tax credited/(charged) to the statement of profit or loss during the year		(1,089)	(1,120)	1,870	(347)	(686)
At December 31, 2014		195	2,607	2,228	—	5,030
2013						
At January 1, 2013		7,080	4,308	814	—	12,202
Arising from disposal of a subsidiary	44	(215)	(99)	—	—	(314)
Deferred tax credited/(charged) to the statement of profit or loss during the year		124	401	(51)	347	821
At December 31, 2013		6,989	4,610	763	347	12,709

Notes to the Financial Statements

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38. DEFERRED TAX (continued)

Group (continued)

Deferred tax liabilities

	Note	Fair value adjustment on investment properties RMB'000	Fair value adjustment of intangible assets RMB'000	Recognition of revenue on construction contracts* RMB'000	Total RMB'000
2014					
At January 1, 2014		11,717	15,565	20,581	47,863
Arising from disposal of subsidiaries	44	–	–	(2,581)	(2,581)
Deferred tax charged/(credited) to the statement of profit or loss during the year		3,919	(6,146)	(11,820)	(14,047)
At December 31, 2014		15,636	9,419	6,180	31,235
2013					
At January 1, 2013		9,230	20,055	14,034	43,319
Arising from disposal of a subsidiary	44	–	–	(2,814)	(2,814)
Deferred tax charged/(credited) to the statement of profit or loss during the year		2,487	(4,490)	9,361	7,358
At December 31, 2013		11,717	15,565	20,581	47,863

* The deferred tax liabilities arising from “Recognition of revenue on construction contracts” were recognised on the taxable temporary difference between the construction revenue recognised based on the percentage of completion method under IFRSs and the revenue deemed taxable by relevant tax authorities.

The Group has tax losses of RMB139,290,000 arising in Mainland China (2013: RMB21,230,000) 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 subsidiaries and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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39. GUARANTEED BONDS

Group and Company

In November 2012, the Company issued RMB210.0 million guaranteed bonds with an interest rate per annum of 10%, due 2015. The net proceeds of the bonds were RMB201.2 million after deduction of commission and expenses. In 2014, the Company repurchased part of the guaranteed bonds in the principal amount of RMB81.0 million.

40. CONVERTIBLE BONDS

Group and Company

On December 5, 2013, the Company issued convertible bonds in the aggregate principal amount of HK\$200.0 million due 2015 with an exercise price of HK\$1.90 per convertible share. The bonds are convertible at the option of the bondholders into ordinary shares at any time after issuance and until the maturity date, the last day of the eighteenth month from the date of issuance. The bonds are redeemable in whole or in part at the option of the bondholders at any time at an amount equivalent to 100% of the outstanding principal amount of the convertible bonds together with any accrued but unpaid interest. The bonds carry interest at a rate of 6% per annum, which is payable semi-annually in arrears. There was no movement in the number of these convertible bonds during the year.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount of RMB7,903,000 is assigned as the equity component and is included in shareholders' equity.

On January 30, 2015, the Company redeemed the convertible bonds in the full amount of HK\$200 million and settled it on February 20, 2015.

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41. SHARE CAPITAL

Shares

	2014 RMB'000	2013 RMB'000
Authorised: 1,900,000,000 ordinary shares of HK\$0.0002 each	335	335
Issued and fully paid: 1,654,024,868 (2013: 1,646,513,072) ordinary shares of HK\$0.0002 each	290	289

During the year, the movements in issued capital and share premium are as follows:

	Notes	Number of shares in issue '000	Issued share capital RMB'000	Share premium RMB'000	Total RMB'000
At January 1, 2013		1,645,608	289	1,070,539	1,070,828
Issue of shares	(a)	905	–	1,427	1,427
At December 31, 2013 and January 1, 2014		1,646,513	289	1,071,966	1,072,255
Issue of shares	(b)	7,512	1	8,856	8,857
At December 31, 2014		1,654,025	290	1,080,822	1,081,112

Notes:

- (a) In August 2013, the Company resolved to pay an interim dividend of HK0.5 cents per share for the six months ended June 30, 2013 by way of allotment of new shares with an option to elect to receive cash of HK0.5 cents per share in lieu of the new shares in respect of part or all of this dividend. In November 2013, the Company issued 904,811 ordinary shares and paid HK\$6,332,971 (equivalent to RMB5,058,000) in cash to satisfy the interim dividend proposed in 2013.
- (b) In March 2014, the Company resolved to pay a final dividend of HK1.2 cents per share for the year 2013 by way of allotment of new shares with an option to elect to receive cash of HK1.2 cents per share in lieu of the new shares in respect of part or all of this dividend. In August 2014, the Company issued 7,511,796 ordinary shares and paid HK\$8,626,000 (equivalent to RMB6,675,000) in cash to satisfy the 2013 final dividend.

42. RESERVES

(a) Group

The amounts of the Group's statutory reserve and capital reserve and movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 67 of the financial statements.

Statutory reserve

According to the PRC Company Law, the PRC subsidiaries of the Group 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 consisted of (i) reserves arising from the reorganisation before IPO; (ii) reserves arising from the share options granted by China ITS Co., Ltd. and the Company to the employees of the Group as set out in note 43; and (iii) capitalised retained earnings to the capital of certain subsidiaries.

Notes to the Financial Statements

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42. RESERVES (continued)

(b) Company

	Notes	Share premium RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Proposed final dividend RMB'000	Total RMB'000
At January 1, 2013		1,070,539	601,136	(106,388)	(61,953)	—	1,503,334
Loss for the year		—	—	—	(13,365)	—	(13,365)
Exchange differences on translation		—	—	(22,298)	—	—	(22,298)
Total comprehensive income for the year		—	—	(22,298)	(13,365)	—	(35,663)
Share-based payment transactions	43	—	8,270	—	—	—	8,270
Interim dividend	12	(5,058)	—	—	—	—	(5,058)
Proposed final dividend	12	(15,532)	—	—	—	15,532	—
At December 31, 2013 and January 1, 2014		1,049,949	609,406	(128,686)	(75,318)	15,532	1,470,883
Loss for the year		—	—	—	(64,789)	—	(64,789)
Exchange differences on translation		—	—	1,007	—	—	1,007
Total comprehensive income for the year		—	—	1,007	(64,789)	—	(63,782)
Share-based payment transactions	43	—	3,068	—	—	—	3,068
Distribution of 2013 final dividend	41	8,856	—	—	—	(15,532)	(6,676)
At December 31, 2014		1,058,805	612,474	(127,679)	(140,107)	—	1,403,493

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43. SHARE OPTION SCHEME

Pre-IPO Scheme

On December 28, 2008, China ITS Co., Ltd. launched a share option scheme. Pursuant to the scheme, China ITS Co., Ltd. granted 116,653,105 options to the eligible employees of the Group and directors of the Company, of which 58,170,393 share options were vested on the grant date and the remaining 58,482,712 share options would be vested over six equal semi-annual instalments starting from the second anniversary of the grant date provided that these employees remain in service at the respective vesting dates. The expiration dates for the share options are five years after their respective vesting dates. Exercise prices are RMB0.60 per share for the first batch, RMB2.00 for the second and third batches, RMB3.00 for the fourth and fifth batches and RMB4.00 for the last two batches. There are no cash settlement alternatives.

The following share options were outstanding under the scheme during the year:

	2014		2013	
	Weighted average exercise price RMB per share	Number of options '000	Weighted average exercise price RMB per share	Number of options '000
At January 1	3.13	30,348	1.83	87,028
Exercised during the year	—	—	0.75	(15,866)
Cancelled during the year	—	—	2.07	(18,950)
Expired during the year	—	—	0.60	(21,774)
At December 31	3.13	30,438	3.13	30,438

No share option was exercised, cancelled or expired for the year ended December 31, 2014. The weighted average share price at the date of exercise for the share options exercised in 2013 was RMB0.75 per share.

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43. SHARE OPTION SCHEME (continued)

Pre-IPO Scheme (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2014 and 2013

Batches	Numbers of options '000	Exercise price RMB	Exercise period
Batch 2	1,963	2.00	December 31, 2010 to December 30, 2015
Batch 3	6,878	2.00	June 30, 2011 to June 29, 2016
Batch 4	3,031	3.00	December 31, 2011 to December 30, 2016
Batch 5	5,891	3.00	June 30, 2012 to June 29, 2017
Batch 6	4,748	4.00	December 31, 2012 to December 30, 2017
Batch 7	7,927	4.00	June 30, 2013 to June 29, 2018
	30,438		

Post-IPO Scheme

On January 18, 2012, the board of directors resolved to grant share options under the share option scheme adopted by the Company on June 18, 2010 to 191 grantees, which includes directors, independent non-executive directors and certain employees of the Group to subscribe for an aggregate of 155,000,000 ordinary shares. A total of 155,000,000 share options would be vested over twelve quarterly instalments from three months past from 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:

	2014		2013	
	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 and December 31	1.05	155,000	1.05	155,000

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43. SHARE OPTION SCHEME (continued)

Post-IPO Scheme (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2014 and 2013

Batches	Numbers of options '000	Exercise price HK\$	Exercise period*
Batch 1	8,193	1.05	April 19, 2012 to January 18, 2022
Batch 2	8,193	1.05	July 19, 2012 to January 18, 2022
Batch 3	8,193	1.05	October 19, 2012 to January 18, 2022
Batch 4	8,193	1.05	January 19, 2013 to January 18, 2022
Batch 5	12,912	1.05	April 19, 2013 to January 18, 2022
Batch 6	12,912	1.05	July 19, 2013 to January 18, 2022
Batch 7	12,912	1.05	October 19, 2013 to January 18, 2022
Batch 8	12,912	1.05	January 19, 2014 to January 18, 2022
Batch 9	17,630	1.05	April 19, 2014 to January 18, 2022
Batch 10	17,630	1.05	July 19, 2014 to January 18, 2022
Batch 11	17,630	1.05	October 19, 2014 to January 18, 2022
Batch 12	17,690	1.05	January 19, 2015 to January 18, 2022
	155,000		

* Expiry date of these share options shall be the earlier of: (a) the date on which the share option lapses in accordance with the share option scheme or (b) the date falling ten years from the date of acceptance by the grantee.

The share option expenses recognised by the Group and the Company during the year are RMB6,728,000 (2013: RMB18,850,000) and RMB3,068,000 (2013: RMB8,270,000), respectively.

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43. SHARE OPTION SCHEME (continued)

Post-IPO Scheme (continued)

The fair value of equity-settled share options granted in 2012 was estimated as at the date of grant, using a binomial model, taking into account the terms upon which the options were granted. The following table lists the inputs to the model used:

Strike price	HK\$1.05
Expected life of options (year)	10 years
Risk-free interest rate (%)	1.45%
Volatility (%)	44.00%
Dividend yield (%)	0.00%
Exercise multiple	2.00
Number of steps	200

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

As at December 31, 2014 and the date of approval of these financial statements, the Company had 155,000,000 share options outstanding under the scheme, which represented approximately 9.37% of the Company's shares in issue at that date (2013: 9.41%). The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 155,000,000 additional ordinary shares of the Company and additional issued capital of RMB24,000 and share premium of RMB128,369,000 (before issue expenses).

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44. DISPOSAL OF SUBSIDIARIES

In January 2013, the Group disposed of Beijing Hexin Risheng Technology Co., Ltd., a wholly-owned subsidiary of the Group, at a consideration of RMB34,476,000.

	2013 RMB'000
Net assets disposed of at the disposal date:	
Cash and bank balances	2,569
Bills receivable	5,950
Trade receivables	40,407
Amounts due from contract customers	79,003
Prepayments, deposits and other receivables	46,974
Property and equipment	622
Deferred tax assets	314
Trade payables	(47,799)
Amounts due to contract customers	(13,897)
Other payables and accruals	(72,629)
Tax payables	1,663
Interest-bearing bank borrowings – current	(5,950)
Deferred tax liabilities	(2,814)
	34,413
Gains on disposal of a subsidiary	63
	34,476
Satisfied by cash	10,000
Cash consideration recorded in other receivables	24,476
	34,476

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2013 RMB'000
Cash consideration	10,000
Cash and bank balances disposed of	(2,569)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	7,431

Notes to the Financial Statements

December 31, 2014

44. DISPOSAL OF SUBSIDIARIES (continued)

On May 10, 2014 and September 20, 2014, the Group disposed of Jiangsu Yijie Technology Co., Ltd. ("Jiangsu Yijie", a wholly-owned subsidiary) and Beijing Xiyou Communication Technology Co., Ltd. ("Beijing Xiyou", a 70% equity interest owned subsidiary), at a consideration of RMB24.0 million and RMB10.3 million, respectively. Xi'an Youke Information Technology Co., Ltd. is a wholly-owned subsidiary of Beijing Xiyou and was disposed of accordingly.

In addition, Beijing Newcom Technology Co., Ltd. ("Beijing Newcom"), an entity controlled by the Group through a series of contractual arrangements, was disposed of by the Group upon the ceasing of those contractual arrangements on November 30, 2014.

2014	Jiangsu Yijie RMB'000	Beijing Xiyou RMB'000	Beijing Newcom RMB'000
Net assets disposed of at disposal date:			
Cash and bank balances	80	4	2
Trade receivables	-	-	21,735
Amounts due from contract customers	111,834	-	-
Prepayments, deposits and other receivables	8,137	10,914	8,017
Property and equipment	2	10	987
Investment in a joint venture	5,428	-	-
Deferred tax assets	32	-	6,961
Trade payables	(15,719)	-	(19,116)
Amounts due to contract customers	(400)	-	-
Other payables and accruals	(43,212)	-	(3,600)
Tax payables	(19,793)	-	(14,384)
Deferred tax liabilities	(2,581)	-	-
Non-controlling interests	-	(3,279)	-
	43,808	7,649	602
Gains/(losses) on disposal of subsidiaries	(19,808)	2,635	(602)
	24,000	10,284	-
Satisfied by cash	18,000	-	-
Cash consideration recorded in other receivables	6,000	10,284	-
	24,000	10,284	-

Notes to the Financial Statements

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44. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

2014	Jiangsu Yijie RMB'000	Beijing Xiyou RMB'000	Beijing Newcom RMB'000
Cash consideration	18,000	–	–
Cash and bank balances disposed of	(80)	(4)	(2)
Net inflow/(outflow) of cash and cash equivalents in respect of disposal of subsidiaries	17,920	(4)	(2)

45. PLEDGE OF ASSETS

Details of the Group's bank borrowings, which are secured by the assets of the Group, are included in note 36 to the financial statements.

46. OPERATING LEASE COMMITMENTS

As lessor

The Group leases its investment properties (note 15 to the financial statements) and leased offices located in World Finance Center in Beijing to certain independent third parties, with leases negotiated for terms ranging from one year to three years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At December 31, 2014, the Group had total future minimum lease receivables under non-cancellable operating lease with its tenants falling due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	11,147	6,275
In the second to fifth years, inclusive	6,738	1,877
	17,885	8,152

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46. OPERATING LEASE COMMITMENTS (continued)

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At December 31, 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	33,070	18,746
In the second to fifth years, inclusive	8,402	12,769
	41,472	31,515

The Company did not have any operating lease commitments as at December 31, 2014 (2013: nil).

47. CAPITAL COMMITMENTS

As at December 31, 2014, neither the Group nor the Company had any significant commitments (2013: nil).

48. CONTINGENT LIABILITIES

The Company executed a corporate guarantee to the extent of RMB230.0 million (2013: RMB200.0 million) for the general credit line granted to its subsidiaries, including bank loans, bank acceptance bills, and letter of credit. As at December 31, 2014, the bank loans granted to the subsidiaries amounted to RMB176.4 million (2013: RMB108.6 million), the bank acceptance bills granted to the subsidiaries amounted to nil (2013: RMB24.9 million).

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49. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2014 RMB'000	2013 RMB'000
Sales to related parties:			
Guangzhou Communication	(b)	10,509	33,392
Nanjing Communication	(a)	2,517	13,561
Xi'an Communication	(b)	1,094	15,591
Xinjiang Jiaojian	(b)	630	–
Chengdu Zhida Weilute	(a)	466	–
GTECH-CIC	(a)	–	65,617
Shandong Yigou	(a)	–	6
Wuhan Communication	(b)	–	284
Total		15,216	128,451
Purchases from related parties:			
Wuhan Communication	(b)	5,505	38,406
Wuhan Chenguang	(a)	9,632	5,730
Xi'an Communication	(b)	4,985	–
Shandong Yigou	(a)	3,776	4,691
Beijing Lvtong Changda	(b)	1,708	1,287
Nanjing Communication	(a)	644	8,141
Guangzhou Communication	(b)	519	–
Total		26,769	58,255

Notes:

- (a) The entity is a joint venture of the Group.
- (b) The entity is an associate of the Group.

In the opinion of the directors, the transactions between the Group and the related parties were conducted in the ordinary course of business and based on prices mutually agreed between the parties and the Group.

Notes to the Financial Statements

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49. RELATED PARTY TRANSACTIONS (continued)

As disclosed in the consolidated statement of financial position, the Group had the below outstanding balances with related parties:

	Notes	2014 RMB'000	2013 RMB'000
<i>Due from related parties:</i>			
<i>Trade related</i>			
Guangzhou Communication	(b)	27,695	60,511
Xi'an Communication	(b)	18,641	24,065
Nanjing Communication	(a)	5,006	9,540
Shandong Yigou	(a)	77	77
Chengdu Zhida Weilute	(a)	68	7,089
Wuxi Runbang*	(a)	–	9,373
Wuhan Communication	(b)	–	135
		51,487	110,790
<i>Non-trade related</i>			
Wuhan Chenguang	(a)	19,020	13,638
Zhongzhixin	(b)	6,879	–
北京瑞瀾聯合通信技術有限公司	(g)	3,000	4,300
RHY Holdings Ltd.	(d)	3,000	1,694
Guangzhou Communication	(b)	1,283	–
Xi'an Communication	(b)	180	–
Zhineng Shixun	(b)	46	46
Shandong Yigou	(a)	–	3,327
Bailian Youli (Beijing) Investment Co., Ltd.	(c)	–	986
Wuxi Runbang*	(a)	–	351
Beijing Bailian Youli Information Technology Co., Ltd.	(e)	–	231
Bailian Heli Investment Co., Ltd.	(f)	–	4
		33,408	24,577
Total		84,895	135,367

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49. RELATED PARTY TRANSACTIONS (continued)

Notes:

- (a) The entity is a joint venture of the Group.
 - (b) The entity is an associate of the Group.
 - (c) Bailian Youli (Beijing) Investment Co., Ltd. is controlled by certain directors of the Company.
 - (d) RHY Holdings Ltd. is 59% owned by a director of the Company.
 - (e) The entity is 100% owned by Bailian Youli (Beijing) Investment Co., Ltd.
 - (f) The entity is 51% owned by Bailian Youli (Beijing) Investment Co., Ltd.
 - (g) The entity is 58% owned by RHY Holdings Ltd.
- * Due to the disposal of Jiangsu Yijie Technology Co., Ltd. ("Jiangsu Yijie"), a wholly-owned subsidiary of the Group, in May 2014, Wuxi Zhitong Runbang Technology Co., Ltd. ("Wuxi Runbang"), a joint venture of Jiangsu Yijie, had been disposed of accordingly (note 20).

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49. RELATED PARTY TRANSACTIONS (continued)

	Notes	2014 RMB'000	2013 RMB'000
Due to related parties:			
<i>Trade related</i>			
GTECH-CIC	(a)	17,562	14,357
Wuhan Communication	(b)	8,433	2,898
Wuhan Chenguang	(a)	6,818	2,088
Xi'an Communication	(b)	3,294	–
Shandong Yigou	(a)	1,497	2,527
Nanjing Communication	(a)	819	6,085
Chengdu Zhida Weilute	(a)	696	696
Xinjiang Jiaojian	(b)	591	–
Beijing Lvtong Changda	(b)	458	1,287
Wuxi Runbang*	(a)	–	9,307
		40,168	39,245
<i>Non-trade related</i>			
GTECH-CIC	(a)	11,832	–
Chengdu Zhida Weilute	(a)	3,160	3,160
Beijing Lvtong Changda	(b)	2,000	2,000
Shandong Yigou	(a)	1,685	120
Wuhan Communication	(b)	286	2,154
Beijing Bailian Youli Information Technology Co., Ltd.	(c)	–	5,000
Xi'an Communication	(b)	–	384
Wuxi Runbang*	(a)	–	45
		18,963	12,863
Total		59,131	52,108

Notes:

- (a) The entity is a joint venture of the Group.
- (b) The entity is an associate of the Group.
- (c) The entity is 100% owned by Bailian Youli (Beijing) Investment Co., Ltd.

* Due to the disposal of Jiangsu Yijie Technology Co., Ltd. ("Jiangsu Yijie"), a wholly owned subsidiary of the Group, in May 2014, Wuxi Zhitong Runbang Technology Co., Ltd. ("Wuxi Runbang"), a joint venture of Jiangsu Yijie, had been disposed of accordingly. (note 20)

Notes to the Financial Statements

December 31, 2014

49. RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties

Outstanding balances as at December 31, 2014 and December 31, 2013 are unsecured, interest-free, and have no fixed terms of repayment. There were no guarantees provided or received for any related party receivables or payables.

Compensation of key management personnel of the Group

	2014	2013
	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	6,151	6,016
Equity-settled share option expense	1,507	12,204
Pension scheme contributions	179	215
Total compensation paid to key management personnel	7,837	18,435

Further details of the directors' remuneration are included in note 8.

Notes to the Financial Statements

December 31, 2014

50. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

2014

	Designated as financial assets at fair value through profit or loss upon initial recognition RMB'000	Held-to- maturity investment RMB'000	Loans and receivables RMB'000	Available- for-sale investment RMB'000	Total RMB'000
Available-for-sale investment	-	-	-	25,307	25,307
Pledged deposits – non-current	-	-	4,500	-	4,500
Convertible borrowings	82,390	-	-	-	82,390
Trade and bills receivables	-	-	1,409,037	-	1,409,037
Financial assets included in prepayments, deposits and other receivables	-	-	478,613	-	478,613
Amounts due from related parties	-	-	84,895	-	84,895
Held-to-maturity investment	-	67,530	-	-	67,530
Pledged deposits – current	-	-	79,716	-	79,716
Cash and cash equivalents	-	-	600,299	-	600,299
Other financial assets	-	-	-	-	-
	82,390	67,530	2,657,060	25,307	2,832,287

Notes to the Financial Statements

December 31, 2014

50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

Financial assets (continued)

2013

	Designated as financial assets at fair value through profit or loss upon initial recognition RMB'000	Held-to- maturity investment RMB'000	Loans and receivables RMB'000	Available- for-sale investment RMB'000	Total RMB'000
Available-for-sale investment	-	-	-	25,307	25,307
Pledged deposits – non-current	-	-	4,500	-	4,500
Other long-term assets	-	-	20,000	-	20,000
Trade and bills receivables	-	-	1,115,858	-	1,115,858
Financial assets included in prepayments, deposits and other receivables	-	-	467,527	-	467,527
Amounts due from related parties	-	-	135,367	-	135,367
Held-to-maturity investment	-	67,299	-	-	67,299
Pledged deposits – current	-	-	80,639	-	80,639
Cash and cash equivalents	-	-	695,720	-	695,720
Other financial assets	16,815	-	-	-	16,815
	16,815	67,299	2,519,611	25,307	2,629,032

Financial liabilities

	2014 Financial liabilities at amortised cost RMB'000	2013 Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,176,568	1,046,574
Financial liabilities included in other payables and accruals	55,355	57,469
Interest-bearing bank borrowings – current	579,664	520,561
Amounts due to related parties	59,131	52,108
Guaranteed bonds	107,516	184,918
Convertible bonds	154,426	146,033
Interest-bearing bank borrowings – non-current	63,000	87,000
Long-term payable	-	3,067
	2,195,660	2,097,730

Notes to the Financial Statements

December 31, 2014

50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets

	Held-to- maturity investment RMB'000	Loans and receivables RMB'000	Available- for-sale investment RMB'000	Total RMB'000
2014				
Available-for-sale investment	–	–	25,307	25,307
Financial assets included in prepayments, deposits and other receivables	–	27,757	–	27,757
Held-to-maturity investment	67,530	–	–	67,530
Cash and cash equivalents	–	3,641	–	3,641
	67,530	31,398	25,307	124,235
2013				
Available-for-sale investment	–	–	25,307	25,307
Other long-term assets	–	20,000	–	20,000
Financial assets included in prepayments, deposits and other receivables	–	48,993	–	48,993
Amounts due from subsidiaries	–	819,003	–	819,003
Held-to-maturity investment	67,299	–	–	67,299
Cash and cash equivalents	–	106,455	–	106,455
	67,299	994,451	25,307	1,087,057

Notes to the Financial Statements

December 31, 2014

50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company (continued)

Financial liabilities

	2014 Financial liabilities at amortised cost RMB'000	2013 Financial liabilities at amortised cost RMB'000
Interest-bearing bank borrowings	–	18,292
Financial liabilities included in other payables and accruals	2,751	7,219
Amounts due to related parties	29,395	14,357
Guaranteed bonds	107,516	184,918
Convertible bonds	154,426	146,033
Long-term payable	–	3,024
	294,088	373,843

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's and the Company's financial instruments are reasonably approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, amounts due from/to related parties and held-to-maturity investment approximate to their carrying amounts largely due to the short-term maturities of these 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 chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current portion of the pledged deposits, other long-term assets, held-to-maturity investment, guaranteed bonds, interest-bearing bank borrowings and long-term payable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for other long-term assets, guaranteed bonds, interest-bearing bank borrowings and long-term payable as at December 31, 2014 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

Notes to the Financial Statements

December 31, 2014

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of convertible borrowings and other financial assets have been estimated using a valuation technique based on assumptions. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position are reasonable and that they were the most appropriate values at the end of the reporting period.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

Group

As at December 31, 2014

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets				
Convertible borrowings	–	–	82,390	82,390

Group

As at December 31, 2013

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets				
Other financial assets	–	–	16,815	16,815

Fair value measurement increased by RMB2,390,000 in Level 3 during the year (2013: increased by RMB13,370,000 for other financial assets).

The Company did not have any financial assets measured at fair value as at December 31, 2014 and 2013.

Notes to the Financial Statements

December 31, 2014

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value

The Group and the Company did not have any financial liabilities measured at fair value as at December 31, 2014 and 2013.

Liabilities for which fair values are disclosed:

Group

As at December 31, 2014

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank borrowings				
– current	–	579,664	–	579,664
Guaranteed bonds	–	–	107,516	107,516
Convertible bonds	–	–	154,426	154,426
Interest-bearing bank borrowings				
– non-current	–	63,000	–	63,000
Long-term payable	–	–	–	–
	–	642,664	261,942	904,606

Group

As at December 31, 2013

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank borrowings				
– current	–	520,561	–	520,561
Guaranteed bonds	–	–	184,918	184,918
Convertible bonds	–	–	146,033	146,033
Interest-bearing bank borrowings				
– non-current	–	87,000	–	87,000
Long-term payable	–	–	3,067	3,067
	–	607,561	334,018	941,579

Notes to the Financial Statements

December 31, 2014

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, guaranteed bonds, convertible bonds, cash and cash equivalents, pledged deposits and held-to-maturity investment. 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, 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, 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 would be 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 consolidated profit/(loss) before tax would have decreased/increased by approximately RMB1.87 million for the year ended December 31, 2014 (2013: RMB1.6 million).

Foreign currency risk

Substantially all of the Group's sales and purchases are denominated in RMB. The Group's certain bank balances are denominated in US\$, HK\$ and certain expenses of the Group are denominated in currencies other than RMB.

Notes to the Financial Statements

December 31, 2014

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity as at December 31, 2014 and 2013 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 and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit or loss before tax RMB'000	Increase/ (decrease) in equity* RMB'000
December 31, 2014			
If RMB weakens against US\$	5	408	–
If RMB strengthens against US\$	(5)	(408)	–
If RMB weakens against HK\$	5	4,833	72,222
If RMB strengthens against HK\$	(5)	(4,833)	(72,222)
December 31, 2013			
If RMB weakens against US\$	5	1,013	–
If RMB strengthens against US\$	(5)	(1,013)	–
If RMB weakens against HK\$	5	9,696	74,683
If RMB strengthens against HK\$	(5)	(9,696)	(74,683)

* Excluding retained earnings

Credit risk

The Group trades only with recognised and creditworthy third parties. 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.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, short-term deposits, pledged bank balances, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, held-to-maturity investment 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. As the Group's major customers are PRC government agencies, the Group believes that they are reliable and 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.

Notes to the Financial Statements

December 31, 2014

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 and financial assets (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 with debt maturities within 12 months.

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, 2014 Group

	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	573,404	603,164	–	–	1,176,568
Financial liabilities included in other payables and accruals	53,068	–	2,287	–	55,355
Interest-bearing bank borrowings – current	–	193,422	386,242	–	579,664
Amounts due to related parties	59,131	–	–	–	59,131
Guaranteed bonds	–	–	119,900	–	119,900
Convertible bonds	–	–	162,513	–	162,513
Interest-bearing bank borrowings – non-current	–	–	4,184	64,559	68,743
Long-term payable	–	–	–	–	–
	685,603	796,586	675,126	64,559	2,221,874

Notes to the Financial Statements

December 31, 2014

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

As at December 31, 2014

Company

	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
Financial liabilities included in other payables and accruals	464	–	2,287	–	2,751
Amounts due to related parties	29,395	–	–	–	29,395
Guaranteed bonds	–	–	119,900	–	119,900
Convertible bonds	–	–	162,513	–	162,513
Long-term payable	–	–	–	–	–
	29,859	–	284,700	–	314,559

As at December 31, 2013

Group

	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	406,183	640,391	–	–	1,046,574
Financial liabilities included in other payables and accruals	53,587	–	3,882	–	57,469
Interest-bearing bank borrowings – current	–	162,401	358,160	–	520,561
Amounts due to related parties	52,108	–	–	–	52,108
Guaranteed bonds	–	–	19,000	209,000	228,000
Convertible bonds	–	–	9,434	161,957	171,391
Interest-bearing bank borrowings – non-current	–	–	5,779	95,668	101,447
Long-term payable	–	–	–	3,557	3,557
	511,878	802,792	396,255	470,182	2,181,107

Notes to the Financial Statements

December 31, 2014

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

As at December 31, 2013

Company

	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
Interest-bearing bank borrowings	–	18,292	–	–	18,292
Financial liabilities included in other payables and accruals	–	3,337	3,882	–	7,219
Amounts due to related parties	14,357	–	–	–	14,357
Guaranteed bonds	–	–	19,000	209,000	228,000
Convertible bonds	–	–	9,434	161,957	171,391
Long-term payable	–	–	–	3,514	3,514
	14,357	21,629	32,316	374,471	442,773

The directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from this report date. 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 in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

Capital management

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing services and products commensurately with the level of risk.

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, 2014 and December 31, 2013.

Notes to the Financial Statements

December 31, 2014

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

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 between 20% and (20%). Net debt includes interest-bearing bank borrowings, guaranteed bonds and amounts due to related parties, less cash and cash equivalents. Capital includes equity attributable to owners of the parent after adjusting the liability component of the convertible bonds. The net debt to capital ratios as at the end of the reporting periods were as follows:

Group

	2014 RMB'000	2013 RMB'000
Interest-bearing bank borrowings	642,664	607,561
Guaranteed bonds	107,516	184,918
Amounts due to related parties	59,131	52,108
Less: cash and cash equivalents	(600,299)	(695,720)
Net debt	209,012	148,867
Equity attributable to owners of the parent	2,428,214	2,630,357
Convertible bonds, the liability component	154,426	146,033
Adjusted capital	2,582,640	2,776,390
Net debt to capital ratio	8.1%	5.4%

53. EVENTS AFTER THE REPORTING PERIOD

On January 30, 2015, the Company exercised its early redemption right to redeem the convertible bonds due 2015 in the full amount of HK\$200 million prior to their maturity. The Company settled the full amount of the redeemed principal of HK\$200 million and the premium of approximately HK\$16 million on February 20, 2015.

On February 5, 2015, the board announces that Mr. Wang Jing, Mr. Lu Xiao and Mr. Pan Jianguo has tendered their resignation as a director and senior vice president of the Company effective from February 3, 2015, respectively. Their former executive roles are carried out by Mr. Jiang Hailin, Mr. Luo Haibin and Mr. Yuan Chuang, respectively.

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on March 30, 2015.

Particulars of Properties

December 31, 2014

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
No. 8 Dongdaqiao Road, Chaoyang District, Beijing, the PRC	Office	Long-term lease	100%
No. 1 Zhong Guan Cun Dong Road, Haidian District, Beijing, the PRC	Office	Long-term lease	100%