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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1900)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

HIGHLIGHTS OF 2015 ANNUAL RESULTS

- New contracts signed and orders secured for the year ended December 31, 2015 increased by approximately 20.2% to approximately RMB2,642.2 million compared to approximately RMB2,198.7 million for the year ended December 31, 2014.
- Backlog as at December 31, 2015 increased by approximately 10.9% to approximately RMB2,193.1 million compared to approximately RMB1,976.9 million as at December 31, 2014.
- Revenue for the year ended December 31, 2015 increased by approximately 2.2% to approximately RMB2,317.5 million compared to approximately RMB2,266.7 million for the year ended December 31, 2014.
- Gross profit for the year ended December 31, 2015 increased by approximately 12.5% to approximately RMB393.1 million compared to approximately RMB349.3 million for the year ended December 31, 2014.
- Gross profit margin was approximately 17.0%, which is higher than that in the year of 2014.
- The non-cash one-off expenses(1) for the year ended December 31, 2015 was approximately RMB215.1 million, which was RMB114.7 million in the year ended December 31, 2014.

- 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, 2015 was approximately RMB63.4 million, including the net financial expenses[3] and other non-cash expenses[4] which were approximately RMB74.9 million and RMB9.8 million respectively.

- During 2015, the Group's urban traffic segment experienced a declining business trend due to macro environment factors, and the loss of this segment was approximately RMB352.0 million which including the impairment loss recognised in this segment. On the other hand, the Group's railway segment recorded the historical highest revenue of RMB1,363.3 million for the year ended December 31, 2015. In the year ended December 31, 2015, the railway segment gross profit margin increased by 3.0% to 18.5% because of the growth in traditional and VAOS business under this segment, the profit of this segment reached approximately RMB133.6 million. In the expressway segment, the profit of this segment reached approximately RMB75.0 million for the year ended December 31, 2015.

- Loss attributable to owners of the parent of the Company for the year ended December 31, 2015 was approximately RMB278.5 million, compared to a loss of approximately RMB194.7 million for the year ended December 31, 2014.

Notes:

(1) Non-cash one-off expenses for the year ended December 31, 2015 include the impairment of goodwill, valuation of investment, intangible assets arising from acquisitions, properties and equipments, and the impairment of other receivables. And non-cash one-off expenses for the year ended December 31, 2014 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 income.

(4) Other non-cash expenses include equity-settled share option expenses, and amortisation of intangible assets arising from acquisitions.

ANNUAL RESULTS

The board of directors (individually, a "**Director**", or collectively, the "**Board**") of China ITS (Holdings) Co., Ltd. ("**CIC**" or the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (together as the "**Group**") for the year ended December 31, 2015, with comparative figures, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	*3*	**2,317,541**	2,266,696
Cost of sales		**(1,924,478)**	(1,917,437)
Gross profit		**393,063**	349,259
Other income and gains	*3*	**26,862**	28,418
Selling, general and administrative expenses		**(412,525)**	(428,712)
Other expenses		**(204,390)**	(77,083)
OPERATING LOSS		**(196,990)**	(128,118)
Finance income		**10,664**	11,178
Finance costs		**(85,600)**	(76,350)
Share of profits/(losses) of:			
Joint ventures		**(280)**	462
Associates		**5,963**	12,700
Loss on disposal of joint ventures		**(4,045)**	–
Gains/(losses) on disposal of subsidiaries		**126**	(17,775)
LOSS BEFORE TAX		**(270,162)**	(197,903)
Income tax expense	*4*	**(33,608)**	(17,467)
LOSS FOR THE YEAR		**(303,770)**	(215,370)
Attributable to:			
Owners of the parent		**(278,476)**	(194,657)
Non-controlling interests		**(25,294)**	(20,713)
		(303,770)	(215,370)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
		RMB	*RMB*
Basic			
— For loss for the year	*6*	**(0.17)**	(0.12)
Diluted			
— For loss for the year	*6*	**(0.17)**	(0.12)

Consolidated Statement of Comprehensive Income
Year ended December 31, 2015

	2015	2014
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(303,770)**	(215,370)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(12,707)**	(7,281)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(12,707)**	(7,281)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(316,477)**	(222,651)
Attributable to:		
Owners of the parent	**(291,183)**	(201,938)
Non-controlling interests	**(25,294)**	(20,713)
	(316,477)	(222,651)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Year ended December 31, 2015

	Notes	**December 31, 2015** **RMB'000**	December 31, 2014 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**293,073**	67,899
Investment properties		**125,800**	119,000
Prepaid land premium		**13,171**	13,471
Goodwill		**230,664**	353,782
Other intangible assets		**–**	42,184
Investments in joint ventures		**35,920**	52,452
Investments in associates		**78,212**	139,180
Available-for-sale investment		**25,307**	25,307
Deferred tax assets		**2,376**	5,030
Pledged deposits		**–**	4,500
Convertible borrowings		**82,300**	82,390
Total non-current assets		**886,823**	905,195
CURRENT ASSETS			
Inventories		**31,867**	20,721
Construction contracts	*7*	**1,494,229**	1,252,874
Trade and bills receivables	*8*	**1,703,204**	1,409,037
Prepayments, deposits and other receivables		**1,186,713**	1,332,641
Amounts due from related parties		**113,377**	84,895
Deferred cost		**–**	2,767
Held-to-maturity investment		**–**	67,530
Pledged deposits		**232,673**	79,716
Cash and cash equivalents		**736,107**	600,299
Total current assets		**5,498,170**	4,850,480
CURRENT LIABILITIES			
Trade and bills payables	*9*	**1,292,190**	1,176,568
Other payables and accruals		**395,010**	271,555
Construction contracts	*7*	**1,248,356**	855,940
Interest-bearing bank borrowings		**904,701**	579,664
Amounts due to related parties		**92,302**	59,131
Income tax payable		**24,714**	13,132
Guaranteed bonds — current portion		**–**	107,516
Convertible bonds — current portion		**–**	154,426
Total current liabilities		**3,957,273**	3,217,932
NET CURRENT ASSETS		**1,540,897**	1,632,548
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,427,720**	2,537,743

	December 31, 2015 *RMB'000*	December 31, 2014 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,427,720**	2,537,743
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**281,200**	63,000
Deferred tax liabilities	**20,380**	31,235
Total non-current liabilities	**301,580**	94,235
Net assets	**2,126,140**	2,443,508
EQUITY		
Equity attributable to owners of the parent		
Share capital	**290**	290
Equity component of convertible bonds	**–**	7,903
Other reserves	**2,136,854**	2,420,021
	2,137,144	2,428,214
Non-controlling interests	**(11,004)**	15,294
Total equity	**2,126,140**	2,443,508

Selected Notes to the Financial Statements

1. CORPORATE AND GROUP 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 Building 204, No. A10, Jiuxianqiao North Road, Chaoyang District, Beijing, 100015, the People's Republic of China (the "PRC").

2. 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's Committee interpretations issued and approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They 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.

3. REVENUE, OTHER INCOME AND GAINS

Revenue from the implementation of projects represents an appropriate proportion of contract revenue of construction contracts, net of business tax and government surcharges.

Revenue from the sale 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 from the rendering of services represents net invoiced value of services rendered.

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

	2015	2014
	RMB'000	*RMB'000*
Revenue		
Implementation of projects	**2,125,859**	2,122,907
Sale of products	**130,415**	98,699
Rendering of services	**61,267**	45,090
	2,317,541	2,266,696
Other income		
Gross rental income	**11,439**	8,483
Government grants*	**7,708**	2,046
Others	**915**	198
	20,062	10,727
Gains		
Changes in fair value of investment properties	**6,800**	9,900
Changes in fair value of convertible borrowings	**–**	2,390
Exchange gains	**–**	5,401
	26,862	28,418

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

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

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, 2015, 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 (2014: 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 RMB994,968,000 (2014: RMB886,239,000).

The major components of income tax expense are as follows:

	2015	2014
	RMB'000	*RMB'000*
Current income tax:		
Current income tax charge in Mainland China	**41,809**	30,828
Deferred income tax:		
Relating to origination and reversal of temporary differences	**(8,201)**	(13,361)
Income tax expense reported in the consolidated statement of profit or loss	**33,608**	17,467

A reconciliation of the tax expense applicable to 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:

2015	**Hong Kong** *RMB'000*	*%*	**Cayman Islands and British Virgin Islands** *RMB'000*	*%*	**Mainland China** *RMB'000*	*%*	**Total** *RMB'000*	*%*
Loss before tax	**(372)**	**–**	**(44,129)**	**–**	**(225,661)**	**–**	**(270,162)**	**–**
Tax at statutory tax rate	**(61)**	**16.4**	**–**	**–**	**(56,415)**	**25.0**	**(56,476)**	**20.9**
Tax holiday or lower tax rates enacted by local authorities	**–**	**–**	**–**	**–**	**18,627**	**(8.3)**	**18,627**	**(6.9)**
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**–**	**–**	**–**	**–**	**11,250**	**(5.0)**	**11,250**	**(4.2)**
Expenses not deductible for tax	**–**	**–**	**–**	**–**	**39,518**	**(17.5)**	**39,518**	**(14.6)**
Income not subject to tax	**–**	**–**	**–**	**–**	**(1,437)**	**0.6**	**(1,437)**	**0.5**
Adjustments in respect of current income tax of previous periods	**–**	**–**	**–**	**–**	**(671)**	**0.3**	**(671)**	**0.2**
Profit attributable to joint ventures and associates*	**–**	**–**	**–**	**–**	**(726)**	**0.3**	**(726)**	**0.3**
Tax losses not recognised	**61**	**(16.4)**	**–**	**–**	**23,462**	**(10.4)**	**23,523**	**(8.7)**
Tax charge at the Group's effective rate	**–**	**–**	**–**	**–**	**33,608**	**(14.9)**	**33,608**	**(12.4)**

2014	Hong Kong *RMB'000*	*%*	Cayman Islands and British Virgin Islands *RMB'000*	*%*	Mainland China *RMB'000*	*%*	Total *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)	0.2
Adjustments in respect of current income tax of previous periods	–	–	–	–	(19)	–	(19)	–
Effect of tax rate change	–	–	–	–	(1,776)	1.3	(1,776)	0.9
Profit attributable to joint ventures and associates*	–	–	–	–	(3,209)	2.3	(3,209)	1.6
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)

* The share of tax attributable to joint ventures and associates amounting to RMB726,000 (2014: RMB3,209,000) is included in "Share of profits of joint ventures" and "Share of profits of associates" in the consolidated statement of profit or loss.

5. DIVIDENDS

No dividend was proposed by the Company for the year ended December 31, 2015 and December 31, 2014.

6. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic loss per share ("EPS") amount is calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The calculation of the diluted earnings per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all the dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the year ended December 31, 2015 and December 31, 2014 in respect of a dilution as the impact of the share option scheme outstanding has an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	2015	2014
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(278,476)**	(194,657)

	Number of shares	
	2015	2014
Shares		
Weighted average number of shares in issue during the year used in the basic loss per share calculation	**1,654,024,868**	1,649,600,111

7. CONSTRUCTION CONTRACTS

	2015	2014
	RMB'000	*RMB'000*
Gross amount due from contract customers	**1,494,229**	1,252,874
Gross amount due to contract customers	**(1,248,356)**	(855,940)
	245,873	396,934
Contract costs incurred plus recognised profits less recognised losses to date	**10,510,293**	8,259,966
Less: Progress billings	**(10,264,420)**	(7,863,032)
	245,873	396,934

In 2015, RMB22.5 million (2014: RMB13.6 million) was provided for the impairment loss of the amounts due from contract customers.

8. TRADE AND BILLS RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**1,620,084**	1,353,485
Impairment	**(32,980)**	(11,010)
	1,587,104	1,342,475
Bills receivables	**116,100**	66,562
	1,703,204	1,409,037

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.

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:

	2015	2014
	RMB'000	*RMB'000*
Less than 6 months	**628,230**	733,657
6 months to 1 year	**418,047**	294,392
1 year to 2 years	**415,810**	226,351
2 years to 3 years	**119,272**	89,363
Over 3 years	**121,845**	65,274
	1,703,204	1,409,037

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

	2015	2014
	RMB'000	*RMB'000*
At January 1	**11,010**	256
Addition	**27,760**	10,754
Amount written off	**(5,790)**	–
At December 31	**32,980**	11,010

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB27,367,000 (2014: RMB7,307,000) with a carrying amount before provision of RMB30,859,000 (2014: RMB7,307,000).

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

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**628,230**	733,657
Past due but not impaired:		
Less than 6 months past due	**418,047**	294,392
6 months to 1 year past due	**207,905**	113,176
1 year to 2 years past due	**267,541**	158,580
2 years to 3 years past due	**120,558**	81,377
Over 3 years past due	**60,923**	27,855
	1,703,204	1,409,037

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, 2015, trade receivables of RMB41.9 million (2014: RMB120.0 million) are secured for the current bank loans of RMB24.5 million (2014: RMB50.0 million).

9. 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:

	2015	2014
	RMB'000	*RMB'000*
Current or less than 1 year past due	**845,507**	866,368
1 to 2 years past due	**312,579**	288,318
Over 2 years past due	**134,104**	21,882
	1,292,190	1,176,568

The Group's bills payable were secured by pledged deposits of the Group of RMB10.9 million as at December 31, 2015 (2014: RMB7.8 million).

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The revenue of the Group in 2015 was RMB2,317.5 million, representing an increase of 2.2% as compared to RMB2,266.7 million in 2014, new contracts signed and orders secured in 2015 amounted to RMB2,642.2 million, representing an increase of 20.2% as compared to 2014. Backlog as at the end of 2015 was RMB2,193.1 million, representing an increase of 10.9% as compared to 2014. The overall increase of revenue was due to remarkable growth in the railway segment.

In February 2016, the Company made an announcement that the Company's substantial shareholders will purchase expressway and urban traffic business at the initial total consideration of RMB 979,840,000. Because of the lack of growth of expressway and urban traffic business and boom of railway business, the Board believes the transaction is beneficial for the shareholders and the Company. The Company intends to use the proceeds to repay bank loan, enhance railway and civil aviation business and fill the general working capital of the Company.

For the further information of this transactions, please refer to HKEX website and see "VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANIES AND CONTINUING CONNECTED TRANSACTIONS" dated on 17th February 2016.

Segment Overview and Prospects

(i) Railway

The Company's railway business recorded the historical highest revenue of RMB1,363.3 million at the 31 December, 2015. From macro environment point of view, the "13th Five years plan (Draft)" announced that there will be 3.5–3.8 trillion RMB on railway infrastructure constructions from 2016 to 2020, which is much more higher than "12th Five years plan". It shows that there is still huge demand on railway development. From micro point of view, the railway segment has been benefited from the favourable industry environment with huge demand of reforming and upgrading existing local railway network communication services. In addition to maintaining the momentum of high growth in traditional communication solutions, the railway segment has also made remarkable breakthrough during the period by developing new solutions, such as passenger service and video surveillance.

In the future development plan, the railway segment will continue research and development including GPON (Gigabit-Capable Passive Optical Network) and Regional Protection System. The Board believes that these new products and solutions will make breakthrough and take revenues in 2016.

(ii) Civil Aviation

The civil aviation segment is relatively new to the Group as compared with other segments and thus it is expected that more resources will be utilized to develop and expand this business. The future development of the civil aviation segment will be mainly focusing on the informatization of airport ground services through the establishment of airport wireless solutions and obtaining sales revenues from communication services, surveillance services and value-added operation and services.

(iii) Expressway

In 2015, the Expressway recorded revenue of RMB808.9 million. According to Ministry of Transport of the PRC, the total investment amount for expressway construction in the PRC increased from approximately RMB686.2 billion in 2010 to approximately RMB781.8 billion in 2014, representing a CAGR of approximately 3.3%. The overall growth trend of the expressway segment appeared to be flat and mature. The financial performance of the expressway has showed signs of deterioration since 2014 with declining profit as a result of the lack of growth of the overall industry environment and changes in the modes of business to mitigate market pressure.

(iv) Urban Traffic

For urban traffic segment, as discussed in 2015, the Urban Traffic segment recorded revenue of RMB145.0 million. The urban traffic segment experienced a declining trend due to cutting back on urban traffic investment (which covered urban roads only and was separated from investments on metro and other forms of public transportation) of local government budget, which happened in 2014 and has not been improved in 2015.

Revenue

By Industry Segments

The Group's revenue for the year ended December 31, 2015 increased by 2.2% to RMB2,317.5 million as compared to RMB2,266.7 million for the year ended December 31, 2014 due to a 23.8% decrease in the expressway segment, a 24.4% decrease in the urban traffic and others segment which was partially offset by a 34.6% increase in the railway segment. The following table sets out the revenue breakdown by industry segments:

	Year ended December 31	
	2015	2014
	RMB'000	*RMB'000*
Revenue by industry segments		
Expressway	**808,884**	1,062,150
Railway	**1,363,250**	1,012,853
Urban traffic	**145,007**	191,693
Others	**400**	–
Elimination	**–**	–
Total	**2,317,541**	2,266,696

(i) Expressway

Revenue from the expressway segment in the year ended December 31, 2015 was RMB808.9 million, representing a decrease of RMB253.3 million as compared to RMB1,062.2 million for the year ended December 31, 2014. This decrease was mainly due to the impact of the change in the expressway industry. Since 2014, due to the lack of industry growth, the overall growth trend of the expressway segment of the Group is appearing to be flat and mature, the Group actively searched for new cooperative models with customers and invested manpower and resources to build up new product lines since 2014. The new contracts and orders secured amount in the year ended December 31, 2015 was RMB935.4 million and the backlog amount as at December 31, 2015 was RMB1,059.3 million for the expressway segment.

(ii) Railway

Revenue from the railway segment in the year ended December 31, 2015 was RMB1,363.3 million, representing an increase of RMB350.4 million as compared to RMB1,012.9 million for the year ended December 31, 2014. Following the strong recovery in 2014, the railway segment remained robust in 2015. During the year of 2015, the new contracts and orders secured amount for railway segment increased by approximately 40.2% as compared with 2014. Under the environment of increasing investment in railway construction in China during 2014 and 2015, 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. During 2015, the new contract and order secured, revenue backlog amounts from this segment all reached an all-time high. It is worth mentioning that in 2015 China railway network reform, new contract signed and order secured for the Group amounted to more than RMB0.5 billion in the year ended December 31, 2015, which on the one hand optimized the current performance, and on the other hand could lay the foundation for providing value-added services to the customers in the future. The Group believes that the railway segment will be able to seize more business opportunities relying on their own advantages. Going forward, the Group plans to promote its railway alarming system and railway electronic intelligent operation and management system to further improve the accuracy and punctuality of the railway alarming system and to construct a highly flexible and expandable intelligent railway communication network. In recent years, the railway segment of the Group has been benefited from the favorable industry environment with huge demand of reforming and upgrading the existing local railway network. In addition to maintaining the momentum of high growth in traditional communication solutions, the railway segment has also made remarkable breakthrough during the period by developing new solutions such as passenger service and video surveillance. The Directors believe that the railway segment will be able to seize more business opportunities and will continue to research and develop more competitive products and solutions in the future. The new contracts and orders secured amount in the year ended December 31, 2015 was RMB1,633.5 million and the backlog amount as at December 31, 2015 was RMB989.3 million for railway segment.

(iii) Urban Traffic

Revenue from the urban traffic segment in the year ended December 31, 2015 was RMB145.0 million, representing a decrease of RMB46.7 million as compared to RMB191.7 million for the year ended December 31, 2014. Since late 2013, local government in China has cut back on their investment to urban traffic projects to different extent, this situation has not been improved in the 2015. On the other hand, considering the large amount of capital investment in the implementation of urban traffic projects, the risk of the government delaying the payment schedule, the Group was more cautious in the selection of new projects. The new contracts and orders secured amount in the year ended December 31, 2015 was RMB73.3 million and the backlog amount as at December 31, 2015 was RMB144.5 million for urban traffic segment.

(iv) Others

Revenue from the others segment in the year ended December 31, 2015 was RMB0.4 million, representing an increase of RMB0.4 million as compared to nil in the year ended December 31, 2014. The new contract and order secured amount in the year ended December 31, 2015, and the backlog amount at December 31, 2015 were both nil for others segment.

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 an unique seasonal character. Most of the construction projects were in bidding stage and commenced implementations in the first half of 2015. Therefore, the new contracts were confirmed in the first half of the year and the revenue was recognized in the second half of the year, which resulted in a higher backlog amount in comparison with the figure at year end. The business pattern remained unchanged in 2015, but due to that lots of new contracts and orders were signed and secured during the second half of the year 2015 from the railway segment, which was higher than that for the past year, so the backlog amount was approximately RMB2,193.1 million as at December 31, 2015, which was higher than RMB1,879.2 million as at June 30, 2015.

During 2015, the Group had implemented more than 1,800 projects of 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 Ma-Zhu-Xi Expressway Project Hebei Shi-An (Shijiazhuang — Anyang) Expressway Project
Railway:	Shenyang Data Network Reform Project Harbin Network Reform Project The South and North of Hunan OTN 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 dropped by 32.3% for the year ended December 31, 2015 and special solutions' business and Value-Added Operation and Services' business increased by 17.3% and 94.3%, respectively. The following table sets out the revenue breakdown by business sectors:

	Year ended December 31	
	2015	2014
	RMB'000	*RMB'000*
Revenue by business sectors		
TS	**623,078**	919,861
SS	**1,509,893**	1,286,873
VAOS	**192,850**	99,250
Elimination	**(8,280)**	(39,288)
Total	**2,317,541**	2,266,696

(i) *Turnkey Solutions ("**TS**")*

Revenue from the TS business for the year ended December 31, 2015 was RMB623.1 million, representing a decrease of RMB296.8 million as compared to RMB919.9 million for the year ended December 31, 2014. As mentioned in the industry segment section, due to the decrease in urban traffic industry and the flat and mature overall growth trend in expressway industry, there was a decrease in the revenue from the TS business in these two segment. The TS business as a whole accounted for 26.9% of the Group's revenue in the year ended December 31, 2015, representing a decrease from 40.6% as recorded for the year ended December 31, 2014.

(ii) *Special Solutions ("**SS**")*

Revenue from the SS business in the year ended December 31, 2015 was RMB1,509.9 million, representing an increase of RMB223.0 million as compared with RMB1,286.9 million for the year ended December 31, 2014. As mentioned in the industry segment section, 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 26.9% as compared with 2014. The Group believes the revenue from this segment will further increase in 2016. The SS business as a whole accounted for 64.8% of the Group's revenue in the year ended December 31, 2015, which is higher than 55.0% as recorded for the year ended December 31, 2014.

*(iii) Value-added Operation and Services ("**VAOS**")*

Revenue from the VAOS business in the year ended December 31, 2015 was RMB192.8 million, representing an increase of RMB93.6 million as compared to RMB99.3 million for the year ended December 31, 2014. This increase was mainly due to the increase of VAOS in the railway segment. The VAOS business as a whole accounted for 8.3% of the Group's revenue in the year ended December 31, 2015, which is higher than 4.4% as recorded for the year ended December 31, 2014.

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 83.0% of the Group's revenue in the year ended December 31, 2015, which is lower than 84.6% as recorded for the year ended 31 December 2014.

By Industry Segments

	Year ended December 31	
	2015	2014
	RMB'000	*RMB'000*
Cost of Sales by industry segments		
Expressway	**643,274**	866,917
Railway	**1,111,294**	855,960
Urban traffic	**169,466**	194,560
Others	**444**	–
Elimination	**–**	–
Total	**1,924,478**	1,917,437
% of Revenue	**83.0%**	84.6%

(i) Expressway

The expressway segment decreased by RMB223.6 million to RMB643.3 million in the year ended December 31, 2015 as compared to RMB866.9 million for the year ended December 31, 2014.

(ii) Railway

The railway segment increased by RMB255.3 million to RMB1,111.3 million in the year ended December 31, 2015 as compared to RMB856.0 million for the year ended December 31, 2014.

(iii) Urban traffic

The urban traffic segment decreased by RMB25.1 million to RMB169.5 million in the year ended December 31, 2015 as compared to RMB194.6 million for the year ended December 31, 2014.

(iv) Others

The others segment increased by RMB0.4 million to RMB0.4 million in the year ended December 31, 2015 as compared to nil for the year ended December 31, 2014.

By Business Sectors

	Year ended December 31	
	2015	2014
	RMB'000	*RMB'000*
Cost of Sales by business sectors		
TS	**566,645**	806,936
SS	**1,227,073**	1,057,104
VAOS	**139,040**	92,685
Elimination	**(8,280)**	(39,288)
Total	**1,924,478**	1,917,437
% of Revenue	**83.0%**	84.6%

(i) TS

The cost of sales incurred for TS constituted 29.0% of the Group's cost of sales in the year ended December 31, 2015, 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 63.8% of the Group's cost of sales in the year ended December 31, 2015, which was higher than that in the prior year mainly because of the revenue from the SS was higher than that for the year ended December 31, 2014.

(iii) VAOS

The cost of sales incurred for VAOS constituted 7.2% of the Group's cost of sales in the year ended December 31, 2015, which was higher than that in the prior year.

Gross Profit

Overall gross profit of the Group increased from RMB349.3 million for the year ended December 31, 2014 to RMB393.1 million in the year ended December 31, 2015. Gross profit margin increased from 15.4% for the year ended December 31, 2014 to 17.0% in the year ended December 31, 2015 which was mainly due to (i) the growth in traditional business under the railway segment; (ii) the growth in VAOS business under the expressway and railway segments.

By Industry Segment

	Year ended December 31	
	2015	2014
	RMB'000	*RMB'000*
Gross profit by industry segments		
Expressway	**165,610**	195,233
Margin %	**20.5%**	18.4%
Railway	**251,956**	156,893
Margin %	**18.5%**	15.5%
Urban traffic	**(24,459)**	(2,867)
Margin %	**-16.9%**	(1.5%)
Others	**(44)**	–
Margin %	**-10.8%**	–
Total	**393,063**	349,259
Margin %	**17.0%**	15.4%

(i) Expressway

The expressway segment gross profit margin increased by 2.1% to 20.5% in the year ended December 31, 2015 as compared to 18.4% for the year ended December 31, 2014. The increase was mainly due to the increase in gross profit from the VAOS business during the year ended December 31, 2015.

(ii) Railway

The railway segment gross profit margin increased by 3.0% to 18.5% in the year ended December 31, 2015 as compared to 15.5% for the year ended December 31, 2014. This change was mainly due to the growth in traditional and VAOS business under this segment. In particular, the gross profit margin of VAOS is higher than the traditional and other new business, such as passenger service and video surveillance.

(iii) Urban traffic

The urban traffic segment gross profit margin decreased by 15.4% from -1.5% for the year ended December 31, 2014 to -16.9% in the year ended December 31, 2015. The main reason for this change is the overall slowdown in the urban traffic industry in 2015, leading to a significant decrease in new contracts and gross profit margin for the projects.

(iv) The others

The gross loss from the others segments was RMB0.04 million.

By Business Sectors

	Year ended December 31	
	2015	2014
	RMB'000	*RMB'000*
Gross profit by business sectors		
TS	**56,433**	112,925
Margin	**9.1%**	12.3%
SS	**282,820**	229,769
Margin	**18.7%**	17.9%
VAOS	**53,810**	6,565
Margin	**27.9%**	6.6%
Total	**393,063**	349,259
Margin	**17.0%**	15.4%

(i) TS

Gross profit margin for TS decreased by 3.2% to 9.1% in the year ended December 31, 2015 as compared to 12.3% for the year ended December 31, 2014, which was mainly due to the decrease in gross profit margin for the urban traffic segment.

(ii) SS

Gross profit margin for SS slightly increased by 0.8% to 18.7% in the year ended December 31, 2015, as compared to 17.9% for the year ended December 31, 2014, which was mainly due to the lower gross profit margin for some projects under the expressway segment and the decrease in gross profit margin for the urban traffic segment.

(iii) VAOS

Gross profit margin for VAOS increased from 6.6% for the year ended December 31, 2014 to 27.9% in the year ended December 31, 2015. The gross profit margin for VAOS 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 of (a) rental income from investment properties, (b) fair value changes of investment properties and financial assets, and (c) government grants. 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 investment properties.

Other Expenses

Other expenses mainly comprised of goodwill impairment of Beijing STONE, and China Traffic Holding, the impairment of valuation of investment in joint ventures and associate, the impairment of intangible assets arising from acquisitions and the impairment of property and equipment which were approximately RMB44.8 million, RMB78.3 million, RMB44.2 million, RMB32.4 million and RMB3.4 million respectively.

Selling, General and Administration Expenses

In the year ended December 31, 2015, selling, general and administration expenses was approximately RMB412.4 million, representing a decrease of RMB16.3 million as compared to approximately RMB428.7 million for the year ended December 31, 2014.

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

In the year ended December 31, 2015, selling, general and administration expenses which was related to daily operational activities ("**SG&A**") was approximately RMB342.0 million, as the percentage of sales slightly decreased by 1.6% to 14.8% as compared to 16.4% for the year ended December 31, 2014.

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 decreased from RMB221.9 million in the year ended December 31, 2014 to RMB211.0 million for the year ended December 31, 2015 primarily attributable to the decrease in the Group's headcount from 818 full time employees as at December 31, 2014 to 762 full time employees as at December 31, 2015, representing a 5.0% decrease and accounting for 61.7% of the SG&A.

The rental expenses increased from RMB27.0 million for the year ended December 31, 2014 to RMB34.5 million for the year ended December 31, 2015. The rental expenses accounted for 10.1% of the total SG&A in the year ended December 31, 2015, and increased 27.8% as compared to that of the corresponding period in 2014.

Research & Development expenses decreased from RMB41.3 million for the year ended December 31, 2014 to RMB36.6 million for the year ended December 31, 2015.

(ii) *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 RMB70.4 million for the year ended December 31, 2015, among which such expenses of the urban traffic segment were RMB55.8 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, 2013. For year ended December 31, 2015, equity-settled share option expenses was RMB0.1 million, which was much lower than that of RMB6.7 million for year ended December 31, 2014, 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 RMB9.7 million for the year ended December 31, 2015, which was lower than the expenses of RMB17.6 million for the year ended December 31, 2014, because certain intangible assets from acquisition were already fully amortized in 2014.

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 RMB74.9 million in the year ended December 31, 2015, which represented an increase of RMB9.7 million as compared to RMB65.2 million for the year ended December 31, 2014. The increase was mainly due to that the Company paid more finance cost to redempt the convertible bonds before the due date.

Share of Profits/(Losses) of Joint Ventures/Associates

Share of Profits of investment entities in the year ended December 31, 2015 was approximately RMB5.7 million, which represented a decrease from the amount of RMB13.2 million for the year ended December 31, 2014. 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, 2015 was RMB33.6 million, which was higher than the income tax expenses for the year ended December 31, 2014, and was mainly due to the dividend taxes of RMB11.3 million as Beijing RHY declared dividends to its shareholders on December 31, 2015.

Profit for the year

Before deducting the non-cash one-off expenses, the adjusted loss to the owners of the parent for the year ended December 31, 2015 was approximately RMB63.4 million. Loss to the owners of the parent for the year ended December 31, 2015 was approximately RMB278.5 million, compared to a loss of approximately RMB194.7 million for the year ended December 31, 2014.

Trade Receivables Turnover Days

The trade receivables turnover days in the year ended December 31, 2015 was 245 days (in the year ended December 31, 2014: 203 days).

Net Construction Turnover Days

The net amount due from contract customer turnover days in the year ended December 31, 2015 was 51 days (in the year ended December 31, 2014: 78 days).

Trade Payables Turnover Days

The trade payables turnover days in the year ended December 31, 2015 was 234 days (in the year ended December 31, 2014: 212 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, 2015 was 5 days (in the year ended December 31, 2014: 4 days).

Liquidity and Financial Resources

The Group's principal sources of working capital included cash flow from operating activities, banks and other borrowings, the proceeds from the Global Offering, and the proceeds from bond issued. As at December 31, 2015, the Group's current ratio (current assets divided by current liabilities) was 1.4 (as at December 31, 2014: 1.5). The Group's financial position remains healthy.

As at December 31, 2015, the Group was in a net negative cash of RMB367.5 million (as at December 31, 2014: net negative cash of RMB154.5 million) which included cash and cash equivalents of RMB736.1 million (as at December 31, 2014: RMB600.3 million), convertible borrowings of RMB82.3 million (as at December 31, 2014: RMB82.4 million), held-to-maturity investment nil (as at December 31, 2014: RMB67.5 million), interest-bearing bank borrowings of RMB1,185.9 million (as at December 31, 2014: RMB642.7 million) as well as guaranteed bonds nil (as at December 31, 2014: RMB107.6 million) and convertible bonds nil (as at December 31, 2014: RMB154.4 million). As at December 31, 2015, the Group's gearing ratio was 5.3%, which has increased from 2.0% as at December 31, 2014, due to the increase of interest-bearing bank borrowings. 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) divide total equity.

Contingent Liabilities

As at December 31, 2015, the Group had no material contingent liability.

Charges on Group Assets

As at December 31, 2015, expect for the secured deposits (current portion) of approximately RMB232.7 million (as at December 31, 2014: RMB79.7 million), the Group pledged its buildings having net book values of approximately RMB125.8 million (as at December 31, 2014: RMB119.0 million), trade receivables with a total value of RMB41.9 million (as at December 31, 2014: 120.0 million) and its equity interests in a subsidiary amount of approximately RMB227.0 million (as at December 31, 2014: nil) to banks to secure banking facilities granted to the Group. Save as disclosed above, as at December 31, 2015, the Group had no other asset charged to financial institution.

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 had been fully utilised in accordance with the intended uses as disclosed in the prospectus of the Company as at June 30, 2010.

Material Acquisitions or Disposals of Subsidiaries and Associated Company

On September 24, 2015, (i) Beijing Aproud Technology Co., Ltd* (北京亞邦偉業技術有限公司) ("**Aproud Technology**"), an indirect wholly-owned subsidiary of the Company; and (ii) Beijing Hezhong Jiuzhou Investment Co., Ltd* (北京合眾九州投資有限公司) ("**Hezhong Jiuzhou**") entered into a sale and purchase agreement pursuant to which Aproud Technology purchased from Hezhong Jiuzhou 100% equity interest in Beijing Hongrui Dake Technology Co., Ltd* (北京宏瑞達科科技有限公司) ("**Hongrui Dake**"), a wholly-owned subsidiary of Hezhong Jiuzhou, for a total consideration of RMB227.3 million. Hezhong Jiuzhou's assets primarily consisted of six floors of offices in Chaoyang District, Beijing, PRC, with a gross floor area of 9,443.05 square meters. As one of the applicable percentage ratios was more than 5% but all of the applicable percentage ratios were less than 25%, the acquisition of Hongrui

Dake constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and was subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Please refer to the announcement of the Company dated September 24, 2015 for further details.

Disposal of Shandong Yigou

In April 2015, Beijing RHY Technology Development Co., Ltd ("**RHY Technology**"), an indirect wholly-owned subsidiary of the Company, entered into equity transfer agreements in respect of the transfer of the entire equity interest in Shandong Yigou Software Technology Co., Ltd ("**Shandong Yigou**") held by RHY Technology, with two independent third parties (the "**Shandong Yigou Purchasers**"). Pursuant to the equity transfer agreements, RHY Technology transferred 52.8% of the equity interest in Shandong Yigou to the Shandong Yigou Purchasers at a total consideration of approximately RMB8.9 million, which was determined by reference to the net asset value as recorded in Shandong Yigou's accounts as at February 28, 2015. The transfer generated a loss of RMB4.1 million. Prior to the transfer, Shandong Yigou was engaged in software development services in expressway industry. The Group planned to discontinue this business operation and as part of such plan, and the Group transferred 52.8% equity interest and all the businesses of Shandong Yigou to the Shandong Yigou Purchasers. The disposal of Shandong Yigou is consistent with the Company's strategy of terminating the operation of the related business which is non-core to the Group's overall business strategy. 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 VA Holding

In June 2015, the Company entered into an equity transfer agreement in respect of the transfer of 100% of the equity interest in China ITS VA Holding Co., Ltd. ("**VA Holding**"), a wholly-owned subsidiary of the Company, with an independent third party (the "**VA Holding Purchaser**"). Pursuant to the equity transfer agreement, the Company transferred 100% of the equity interest in VA Holding to the VA Holding Purchaser at a total consideration of RMB50,100, which was determined by reference to the negative net asset value of RMB77,300 as recorded in VA Holding's accounts as at May 31, 2015. The transfer generated a profit of RMB127,400. Prior to the transfer, VA Holding did not engage in actual business. The Group transferred 100% equity interest and all the businesses of VA Holding to the VA Holding Purchaser. The disposal of VA Holding 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 Zhongzhi Real Estate

In July 2015, Intelligent Transportation Co., Ltd. ("**Intelligent Transportation**"), entered into an equity transfer agreement in respect of the transfer of 100% of the equity interest in Beijing Zhongzhi Real Estate Co., Ltd. ("**Beijing Zhongzhi Real Estate**") with an independent third party (the "**Beijing Zhongzhi Real Estate Purchaser**"). Pursuant to the equity transfer agreement, the Intelligent Transportation transferred 100% of the equity interest in Beijing Zhongzhi Real Estate to the Beijing Zhongzhi Real Estate Purchaser at a total consideration of approximately RMB8.7 million, which was determined by reference to the net asset value of Beijing Zhongzhi Real Estate at June 30, 2015. The transfer generated a loss of RMB1,000. Prior to the transfer, Beijing Zhongzhi Real Estate didn't engage in actual business. The Group transfered 100% equity interest and all the businesses of Beijing Zhongzhi Real Estate to the Beijing Zhongzhi Real Estate Purchaser. The disposal of Beijing Zhongzhi Real Estate 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.

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

In November 2015, the 10.0% guaranteed bonds due 2015 in the original principal amount of RMB210,000,000 (the "**Bonds**") matured. Following the maturity of the Bonds, the Company redeemed the entire outstanding principal amount of the Bonds in the sum of RMB109,000,000 plus interest of RMB5,450,000 accrued thereon pursuant to the terms and conditions of the Bonds. The bonds was withdrawn from the Stock Exchange of Hong Kong Limited (stock code: 85908), with effect from November 9, 2015.

For further details of the above mentioned redemption, please refer to the announcement dated November 9, 2015.

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, 2015.

EVENTS AFTER THE REPORTING PERIOD

Disposal of the Expressway and Urban Traffic businesses

On 17 February 2016, the Company and the King Victory Holdings Limited (the "**Purchaser**") entered into a master sale and purchase agreement (the "**Master Sale and Purchase Agreement**"), pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of each of Hugecom Limited, China Traffic Holding Limited, China Expressway Intelligent Transportation Technology Group Ltd. and Beijing RHY Technology Development Co., Ltd.* (北京瑞華贏科技發展有限公司) (the "**Target Companies**") and certain receivable owing by the Target Companies to the Company at the total consideration of RMB979,840,000, subject to the terms and conditions of the Master Sale and Purchase Agreement (the "**Disposal**"). The Target Companies and their subsidiaries are principally engaged in the provision of intelligent transportation system solutions and services to expressway and urban traffic sectors in the PRC. Upon completion of the disposal of the Target Companies, each of the Target Companies will cease to be a subsidiary of the Company.

As one of the applicable percentage ratios for the transaction contemplated under the Master Sale and Purchase Agreement is more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules. Since the Purchaser is an associate of Mr. Jiang Hailin, Mr. Liao Jie and China ITS Co., Ltd. pursuant to Rules 14A.12 and 14A.13 of the Listing Rules, each of which being a connected person of the Company, the Purchaser is a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore, the Disposal is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules and the Disposal will be subject to the approval of the independent shareholders taken on poll at an extraordinary general meeting to be convened by the Company. Please refer to the announcement of the Company dated 17 February 2016 for further details.

EMPLOYMENT AND EMOLUMENT POLICIES

As at December 31, 2015, the Group had 762 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.

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, 2015.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Model Code 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.

AUDIT COMMITTEE

The audit committee of the Company was established on June 18, 2010 with effect from the Listing with written terms of reference. The Board has adopted the latest terms of reference for the Audit Committee on December 22, 2015.

The primary duties of the audit committee are, among other things, to review and supervise our financial reporting process and internal control systems.

The audit committee comprises three independent non-executive Directors, being Mr. Choi Onward, Mr. Zhou Chunsheng and Mr. Sun Lu. The audit committee is chaired by Mr. Choi Onward. The audit committee has reviewed the accounting principles and practices and has also reviewed auditing, internal control and financial reporting matters, including the review of the final results of the Group for the year ended December 31, 2015 together with the management of the Company and external auditor, Ernst & Young.

In addition, the Company's external auditor, Ernst & Young, has performed an independent audit of the Group's consolidated financial statements for the year ended December 31, 2015 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. ***Note: EY to confirm.***

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend.

ANNUAL GENERAL MEETING

It is proposed that the upcoming annual general meeting of the Company (the "**Annual General Meeting**") will be held on May 20, 2016. Notice of the Annual General Meeting will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

PUBLICATION OF ANNUAL REPORT

The 2015 Annual Report of the Company containing all the information as required by Appendix 16 of the Listing Rules will be dispatched to the shareholders and available on the Company's website at www.its.cn and the Stock Exchange's website at www.hkexnews.hk in due course.

ACKNOWLEDGEMENT

The Chairman of the Company would like to thank the Board, management and all members of our staff for their commitment and diligence. The Chairman of the Company would also like to thank our shareholders and business associates for their strong support to the Group.

By Order of the Board
China ITS (Holdings) Co., Ltd.
Liao Jie
Chairman

Hong Kong, March 31, 2016

As at the date of this announcement, the executive Directors are Mr. Liao Jie, and Mr. Jiang Hailin, the non-executive Director is Mr. Tim Tianwei Zhang, and the independent non-executive Directors are Mr. Zhou Chunsheng, Mr. Choi Onward and Mr. Sun Lu.