中国智能交通系统(控股)有限公司

China ITS (Holdings) Co., Ltd.

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1900

Interim Report 2010

Designed and Printed: RR Donnelley Roman Financial

Contents

Financial Highlights

- Revenue grew by approximately 36.9% to approximately RMB642.0 million
- Gross profit increased by approximately 29.3% to approximately RMB192.5 million
- Gross profit margin was approximately 30.0%, which is at similar level to 2009
- Pro-forma profit before tax grew by approximately 37.6% to approximately RMB103.7 million *(note 1)*
- Pro-forma profit grew by approximately 33.1% to approximately RMB85.0 million *(note 2)*
- Pro-forma earnings per share was RMB6.51 cents per share *(note 3)*
- New contracts signed and orders secured amount to approximately RMB1,581.8 million

Notes:

1. Pro-forma profit before tax refers to profit before tax *plus* expenses relating to the listing of the Company's shares *plus* share-based payment expenses *plus (or less)* fair value changes on investment properties, for the six months ended June 30, 2010.
2. Pro-forma profit refers to pro-forma profit before tax *minus* income tax expenses and tax adjustment, for the six months ended June 30, 2010.
3. Pro-forma earnings per share refers to pro-forma profit *divide* weighted average number of shares in issue, for the six months ended June 30, 2010. It would be RMB5.42 cents if the number of common shares used is 1,569,047,334.

Corporate Information

Board of Directors

Executive Directors

Mr. Jiang Hailin *(Chairman)*
Mr. Wang Jing
Mr. Lu Xiao
Mr. Pan Jianguo

Independent Non-executive Directors

Mr. Zhou Chunsheng
Mr. Choi Onward
Mr. Sun Lu

Company Secretary

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

Authorized Representatives

Mr. Jiang Hailin
Suite 102, 1st Unit, 8th Building
1 Balizhuang Beili, Haidian District
Beijing
China

Mr. Leung Ming Shu *(FCCA, FCPA)*
Flat 1309, Block B, Tai Hang Terrace
5 Chun Fai Road
Jardine's Lookout
Hong Kong

Audit Committee

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

Remuneration Committee

Mr. Sun Lu *(Chairman)*
Mr. Zhou Chunsheng
Mr. Choi Onward

Nomination Committee

Mr. Zhou Chunsheng *(Chairman)*
Mr. Choi Onward
Mr. Sun Lu

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office in the PRC

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No.19A East 3rd Ring Road North
Chaoyang District, Beijing 100020
China

Principal Place of Business in Hong Kong

21/F New World Tower 1
18 Queen's Road Central
Hong Kong

Company Website

www.its.cn

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Corporate Information

Auditor
Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Compliance Advisor
CCB International Capital Limited

Legal Advisor
Morrison & Foerster *(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
Guangdong Development Bank Co., Ltd.
Beijing Branch
Bank of Beijing Co. Beijing Branch
Cuiweilu sub-branch
Bank of Communications Co., Ltd. Beijing Branch
Zhongguancun Yuanqu sub-branch
China Construction Bank Corporation
Beijing Branch
China Merchants Bank Co., Ltd. Beijing Branch
Beisanhuan sub-branch

Management Discussion and Analysis

Overview and Prospect

The Group achieved a more diversified revenue mix with the highest Specialized Solutions interim revenue in the Group's history in the six months ended June 30, 2010. Overall revenue for Specialized Solutions segment in the six months ended June 30, 2010 was RMB472.7 million, up 49.6% year-on-year from RMB315.9 million for the corresponding period in 2009. The strong performance was attributable to the Company's leading market share in expressway and railway Specialized Solutions sectors and broad market coverage which best positioned us to capitalize on favorable market environment. The Group's strong project lists on landmark projects in the six months ended June 30, 2010 were testimony to the Company's strong market position, technology, product quality, and value proposition. Based on current project pipelines and expected fixed assets investments build-out plan, the Company expects the strong momentum to continue throughout the rest of 2010 and beyond.

The Company's unique ITS offerings comprising Turnkey Solutions, Specialized Solutions and VA Services has provided the Company with a highly focused and integrated synergistic business model, which it will be able to provide the market with a complete chain of quality solutions and services. The Company's pure play flavor across several transportation industry sectors namely expressway, railway and urban traffic, differentiates us further from competition and offers us a comprehensive platform for product cross-selling, technology transfer, and implementation team scale up. Through the Company's diversified range of solutions and services, the Company's product offerings remained competitive across all sectors in the six months ended June 30, 2010.

In the six months ended June 30, 2010, revenue generation for the Company's railway wired and wireless specialized communications solutions were strong. Sales of the Company's railway specialized solutions in the six months ended June 30, 2010 represented 51.1% of total revenues, up from 38.3% for the corresponding period in 2009. The Company's revenue from the railway sector increased by 82.7% to RMB328.0 million for the six months ended June 30, 2010. With a strong market share of 60% in wireless specialized communications solutions and 70% in wired specialized communications solutions in 2009, the Group will continue to benefit from the growing market size of the railway ITS sector. Further, the Group is also expanding horizontally within the railway sector to other specialized solutions area including but not limited to specialized surveillance, signaling and power supply solutions. The Company expects to leverage on its strong sales coverage, localized customization teams, and extended business partnership with strategic shareholders to continuously roll-out new applications to the railway sector and achieve strong growth momentum.

The Company has also achieved significant growth for its expressway specialized surveillance solutions in the six months ended June 30, 2010. Revenue for its expressway specialized surveillance solutions increased from RMB25.1 million by 27.8% to RMB32.0 million for the six months ended June 30, 2010. This was mainly due to the continuous upgrade and expansion plan of established expressway network. As of the end of 2009, China has over 65,000 kilometers of expressway in operation, the Company has seen a lot of upgrade and expansion demand coming from these expressway operators in terms of increasing operating efficiency and continuously improving safety measures. The Company is well positioned to capture these upgrading opportunities with its long established customer relationship, solid nationwide installed base and leading product quality.

Management Discussion and Analysis

Overview and Prospect

In response to the government's plan to develop the urban traffic sector, in particular the rapid transit systems, the Company expects to see strong market demand for urban traffic ITS solutions, which it has achieved good initial traction with major cities initial projects awarded. There are approximately 11 cities with rapid transit systems in operation in China, and there are another 21 cities approved to build or are already building rapid transit systems. The Company strongly believes that it will be able to cross leverage on its competitive edge in other transportation ITS solutions and penetrate successfully into the urban traffic sector and achieve high market share.

In addition to a generally favourable market environment across all three transportation sectors, namely expressway, railway and urban traffic, which result in strong organic growth drivers for the Company's existing business offerings, the Company is also actively looking to consolidate the market by pursuing acquisition, investment or partnership opportunities. The Company intends to broaden its geographical footprint by pursuing cooperation with some localized companies with limited product offerings, and which it can cross leverage on extensive product portfolio of the Group and launch to the local market via the localized partner. On the other hand, the Company also intends to work with companies with core IP so that it can continue to expand its product lines and leverage the Company's broad market coverage in the sales front.

Looking ahead, the Company will continue to focus on improving its business mix and overall profitability while increasing cost efficiency and achieving economies of scales, securing land mark projects with leading market influence and improving its risk control capabilities to further strengthen its competitive advantages. The Company remains focused on high profitability specialized solution and value-added services business where it has demonstrated solid track records and established leading market position. The Company believes such focus will best position itself in the fast growing and fragmented ITS market. With strong performance achieved in the six months ended June 30, 2010, clear strategies with solid execution plan in place, the Company looks forward to continue delivering sustainable and healthy growth in the future.

Revenue

The Group's revenue in the six months ended June 30, 2010 increased by 36.9% to RMB642.0 million as compared to RMB468.8 million in the six months ended June 30, 2009. The overall increase in revenue in the six months ended June 30, 2010 is fueled by an 8.1% increase in Turnkey Solutions segment and a 49.6% increase in Specialized Solutions segment, and is offset by a slight 4.5% decrease in VA Services segment as the majority of VA Services revenue are expected to be recognized in the second half of the year. The following table sets out the revenue breakdown by segment:

	Six months ended June 30, 2010 RMB'000	Six months ended June 30, 2009 RMB'000 (Unaudited)
Turnkey Solutions	**165,154**	152,836
Specialized Solutions	**472,718**	315,948
VA Services	**4,080**	4,271
Elimination	**—**	(4,290)
Total	**641,952**	468,765

(i) Turnkey Solutions

Revenue from the Turnkey Solutions business in the six months ended June 30, 2010 was RMB165.2 million, an increase of RMB12.4 million, or 8.1%, as compared to RMB152.8 million in the six months ended June 30, 2009. The increase was attributable to the growth in expressway projects and has been slightly offset by the decline of urban roadway business. The revenue growth rate for expressway Turnkey Solution business was 15.1% in the six months ended June 30, 2010, as compared to the six months ended June 30, 2009, which remained a fast growth trend. On the urban roadway Turnkey Solutions sector, the Company has won several big urban roadway Turnkey Solutions projects such as Songyuan city and Heshun city in the first half and will start implementation in the second half of the year. Turnkey Solutions segment accounted for 25.7% of the Group's revenue in the six months ended June 30, 2010 which is lower than the level of 32.6% in the six months ended June 30, 2009.

(ii) Specialized Solutions

Revenue from the Specialized Solutions business in the six months ended June 30, 2010 was RMB472.7 million, an increase of RMB156.8 million, or 49.6%, as compared with RMB315.9 million in the six months ended June 30, 2009. The increase was attributable to increase in most Specialized Solutions business segments except for urban roadway surveillances and rapid transit. Revenue from railway Specialized Solutions grew by 82.7% in the six months ended June 30, 2010 to RMB328.0 million, which accounted for 69.4% of the total revenue in the Specialized Solutions business segment in the six months ended June 30, 2010. Several large projects such as the Hu-Hang (Shanghai to Hangzhou) railway, Ha-Da (Harbin to Dalian) railway, Jing-Hu (Beijing to Shanghai) railway and numerous projects from expansions of existing railway networks such as Daqing and Tai-Zhong-Yin have achieved significant progress in its implementation in the first half of 2010 and will continue to generate revenue in the second half of the year.

Revenue (continued)

(ii) Specialized Solutions (continued)

Revenue generated from expressway Specialized Solutions increased by RMB12.4 million, or 12.6%, in the six months ended June 30, 2010 as compared to the six months ended June 30, 2009, due to continuous growth in expressway ITS investment particularly in the western region of China as well as the continuous upgrade and expansion in the established provinces. With increasing management resources being focused on expanding the surveillance solutions market coverage in the first half of 2010, revenue from expressway surveillance solutions increased by 27.8% as compared to the corresponding period in 2009. The strong growth in expressway surveillance solutions was primarily due to increased resources available in this sector as a result of internal group restructuring, as well as increased spending from customers in expanding the surveillance capacity. Historically, the surveillance products were sold by to a subsidiary of the Group, namely, Beijing Bailian Zhida Technology Development Co., Ltd. (北京百聯智達科技發展有限公司). However, the Group restructured its business units and starting from early 2010, expressway surveillance solutions have became a part of Beijing Aproud Technology Co., Ltd. (北京亞邦偉業技術有限公司), also a subsidiary of the Group, which was able to leverage upon its larger and well established sales team to expand the Group's market footprint. Revenue from urban roadway surveillances solutions decreased by RMB4.1 million in the six months ended June 30, 2010, as compared to the six months ended June 30, 2009 and was primarily due to variations in project timing. In particular, certain major projects of the Group located in the Eastern provinces varied their implementation schedules to the third quarter of 2010. The Group has placed an increased focus on this sector, with the restructuring of Bailian Zhida to focus on urban roadway business development and targeting big cities with high resolution surveillance products, which the Group has already seen positive results supported by bids won to date. Revenue from rapid transit Specialized Solutions have slightly declined by RMB2.4 million to RMB14.2 million in the six months ended June 30, 2010 as compared to RMB16.6 million in the six months ended June 30, 2009. The decrease was primarily due to expected project implementation timetable for several major projects which are concentrated in the second half of 2010. Despite its relatively recent entry, the Company has demonstrated strong initial performance and has won the bid for several new lines including Xi'an, Shenyang and Hangzhou subway lines. The implementation of these projects will commence in the third quarter of 2010. Revenue generated from the energy business increased by 16.8% in the six months ended June 30, 2010. As the energy business is in a mature stage and is no longer a key focus of the Company, management have directed more attention to the transportation sectors, such as expressway, railway and urban traffic, which are expected to provide higher growth for the Company. However, the energy business will continue to generate a stable stream of revenue and profit for the Group. As a result of higher growth, the Specialized Solutions segment as a whole accounted for 73.6% of the Group's revenue in the six months ended June 30, 2010, which is higher than 67.4% as recorded in the six months ended June 30, 2009.

(iii) VA Services

Revenue from the VA Services business in the six months ended June 30, 2010 was RMB4.1 million, a slight decrease of RMB0.2 million as compared to RMB4.3 million in the six months ended June 30, 2009. The majority of revenue generated from VA Services will be recognized in the second half of 2010 under maintenance contracts from core customers in Shanxi, Xinjiang and Liaoning. The Company has a long business relationship with such core customers and has been promoting on the benefits of VA Services within such regions. All of the VA Services projects were expressway related in the six months ended June 30, 2010, which accounted for 0.6% of the Group's total revenue in the six months ended June 30, 2010, and is lower than 0.9% in the six months ended June 30, 2009, due to early stage of the business model of VA Services.

Cost of Sales

Cost of sales were incurred on a project-by-project basis for individual legal entities and were subsequently aggregated at segment and corporate level. The cost of sales were based on the equipment and other direct project costs incurred for completion of each of the relevant contracts. The cost of sales constituted 70.0% of the Group's revenue in the six months ended June 30, 2010, which represented an increase of 1.8% as compared to the corresponding period in 2009. This was due to a decrease in gross profit margins for both Turnkey Solutions and VA Services, which has been offset by the increase in contribution of Specialized Solutions which has higher margins than Turnkey Solutions. The following table set out the cost of sales breakdown by segment:

	Six months ended June 30, 2010 RMB'000	Six months ended June 30, 2009 RMB'000 (Unaudited)
Turnkey Solutions	**137,284**	120,656
Specialized Solutions	**309,795**	200,923
VA Services	**2,411**	2,613
Elimination	**—**	(4,290)
Total	**449,490**	319,902
% of revenue	***70.0%***	*68.2%*

(i) Turnkey Solutions

The cost of sales incurred for Turnkey Solutions constituted 30.6% of the Group's cost of sales in the six months ended June 30, 2010, which is lower as compared to the corresponding period in 2009, reflecting the reduced contribution of Turnkey Solutions to the Group's sales in the six months ended June 30, 2010.

(ii) Specialized Solutions

The cost of sales incurred for Specialized Solutions constituted 68.9% of the Group's cost of sales in the six months ended June 30, 2010, which is higher as compared to the corresponding period in 2009. The increase was due to contribution of this division to the Group's sales in the six months ended June 30, 2010. Within Specialized Solutions, the cost of sales for the railway business has grew by 77.1%, which accounted for 73.9% of the total Specialized Solutions cost of sales in the six months ended June 30, 2010.

(iii) VA Services

The cost of sales incurred for VA Services constituted 0.5% of the Group's cost of sales in the six months ended June 30, 2010, which is lower as compared to the corresponding period in 2009, reflecting the relative low contribution of VA Services to the Group's sales in the six months ended June 30, 2010.

Gross Profit

Overall gross profit of the Group increased from RMB148.9 million in the six months ended June 30, 2009 to RMB192.5 million in the six months ended June 30, 2010. Gross profit margin has slightly decreased from 31.8% in the six months ended June 30, 2009 to 30.0% in the six months ended June 30, 2010, due to lower profit margin in Turnkey Solutions projects generated from the expressway sector as a result of different project mix. This is partially offset by a higher percentage composition for Specialized Solutions, which has been primarily due to a change in product mix to include the higher margin high resolution surveillance products, in addition to a rebound in margins for expressway specialized solutions resulting from the Company's expanded market presence in the Liaoning Province where the Company aggressively built its market presence in 2009. The following table sets out the gross profit breakdown and gross profit margin by segment:

	Six months ended June 30, 2010		Six months ended June 30, 2009	
	RMB'000	%	RMB'000 (Unaudited)	%
Turnkey Solutions	**27,870**	**16.9**	32,180	21.1
Specialized Solutions	**162,923**	**34.5**	115,025	36.4
VA Services	**1,669**	**40.9**	1,658	38.8
Total	**192,462**	**30.0**	148,863	31.8

An analysis of gross profit by segment is as follows:

(i) **Turnkey Solutions**

Gross profit margin for Turnkey Solutions decreased by 4.2% to 16.9% in the six months ended June 30, 2010 as compared to 21.1% in the six months ended June 30, 2009. The margin decline was in line with normal margin variations range on an intra-year basis, reflecting the project nature of the Turnkey Solutions business where margins on individual projects may range from 15% to 20%. This means overall margins in this business segment will vary year to year, within this range, based on the project mix.

Gross Profit (continued)

(ii) Specialized Solutions

Gross profit margin for Specialized Solutions decreased slightly by 1.9% to 34.5% in the six months ended June 30, 2010, as compared to 36.4% in the six months ended June 30, 2009. The expressway specialized solutions margin increased from 46.1% in the six months ended June 30, 2009 to 53.2% in the six months ended June 30, 2010. The Group implemented a lower profit margin project in 2009 in Liaoning Province and expressway specialized solutions margin has returned to trend towards the 50% company average margin for express way communication solution this year. The urban roadway Specialized Solutions margin increased from 40.0% in the six months ended June 30, 2009 to 45.3% in the six months ended June 30, 2010, primarily due to a change in product mix as the Company shifted from traditional surveillance products to the higher margin high resolution surveillance products. The margin for the railway segment increased slightly to 30.3% in the six months ended June 30, 2010 as compared to 28.1% in the six months ended June 30, 2009. The margin for the rapid transit segment decreased from 30.7% in 2009 to 26.5% in 2010 due to more aggressive pricing strategy undertaken by the Company to enter into new cities. However, the Company expects that there will be further margin recovery towards industry levels of 30% will gradually take place as the Group further establishes its market presence with influential market share. The margin for the energy segment decreased slightly from 37.2% in the six months ended June 30, 2010 to 35.4% in the six months ended June 30, 2009 due to the mature stage of this business.

(iii) VA Services

Gross profit margin for VA Services slightly increased from 38.8% in the six months ended June 30, 2009 to 40.9% in the six months ended June 30, 2010. It is expected that the VA Services gross profit margin will follow the previous trend of over 60% during the rest of the year.

Other Income and Gains

Other income and gains arise from operating leases as well as the fair value changes on investment properties and were accounted for on a straight line basis over the lease terms and the property valuations. The decrease in rental and other income is due to changes in property usage as the Group had moved to a new office in April of 2009 and leased out the entire self-owned office premise, which contributed a fair value gain in the investment property for the six month ended June 30, 2009 and was in line with the real estate market in mainland China.

Selling, General and Administration Expenses

In the six months ended June 30, 2010, selling, general and administration expenses (“SG&A”) as a percentage of sales decreased by 2.0% to 14.2% as compared to the six months ended June 30, 2009 due to a result of economies of scale and successful cost control initiatives.

The staff costs remained as a large component of the Group’s SG&A in the six months ended June 30, 2010. The staff costs increased by 22.5%, mainly due to general headcount increase for the Company’s wholly owned subsidiaries in Jiangsu as part of the ongoing business expansions. Staff costs accounted for 34.3% of the total SG&A in the six months ended June 30, 2010, which is comparable to that (33.4%) incurred in the six months ended June 30, 2009 and was in line with the Company’s business growth and needs.

Selling, General and Administration Expenses (continued)

Travelling, entertainment and business expansion expenses arising from business development and implementation of projects, was at the average range of 5–7% of the total revenue for each entity in the six months ended June 30, 2010. Travelling, entertainment and business expansion expenses increased from RMB28.1 million in the six months ended June 30, 2009 to RMB30.4 million in the six months ended June 30, 2010. As a percentage of total selling, general and administrative expenses, these expenses decreased from 36.8% to 33.3% as a result of economies of scale and successful cost control initiatives.

The rental expenses increased from RMB5.7 million in the six months ended June 30, 2009 to RMB7.0 million in the six months ended June 30, 2010 due to the higher rental cost of the Company's new centralized office in Beijing. Subsequent to the Company's relocation to the new office in April of 2009, the impact of the higher rent was reflected in rental expenses in six months ended June 30, 2010. Rental expenses accounted for 7.7% of the total SG&A in the six months ended June 30, 2010, an increase of 0.3% as compared to the corresponding period in 2009.

Share-based payment expenses refer to the share options expenses related to the Company's pre-IPO share incentive scheme. In the six months ended June 30, 2010, Share-based payment expenses recorded no change from RMB4.9 million in the six months ended June 30, 2009, which accounted for 5.4% of the total SG&A in the six months ended June 30, 2010, a decrease of 1.1% as compared to the corresponding period in 2009.

Expenses Relating to the Listing of the Company's Shares

The listing expenses of RMB33.3 million accounted for 5.2% of revenue in the six months ended June 30, 2010. The major components of the listing expenses include fees of legal counsel, printers and auditors who were involved in the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("Listing"). Given that the listing expenses are one-off in nature, the analysis of profit before tax and profit for the period has being performed on a normalized basis after carving out the listing expenses incurred during the relevant period.

Finance Revenue

Finance revenue comprised of mainly interest income of RMB1.2 million in the six months ended June 30, 2010, which represented an increase of 178.9% as compared to the six months ended June 30, 2009. This increase was mainly due to a general increase in average bank balances as a result of the final round pre-IPO financing conducted in the first half of 2010.

Finance Cost

Finance cost in the six months ended June 30, 2010 was RMB5.4 million, which represented an increase of 58.0% as compared to the six months ended June 30, 2009. The increase was in line with business growth but the Company expects to reduce its debt level in the second half year of 2010 and fund a large part of short term business growth needs from the IPO proceeds and internally generated cash flows.

Share of Losses of Jointly-Controlled Entity

Share of Losses of Jointly-Controlled Entities in the six months ended June 30, 2010 was less than RMB1 million, which was the same as the level in the six months ended June 30, 2009. This results since the Company records such share of profits in the second half of the year. The jointly-controlled entities have a track record of contributing profit RMB0.9 million to RMB1.5 million in annual profits over the past two years and the variance is based on the number of projects these entities generate.

Income Tax Expenses

The total income tax expense in the six months ended June 30, 2010 was higher than that recorded in the six months ended June 30, 2009. The effective tax rate in the six months ended June 30, 2010 was 28.6%, which represented an increase of 11.5% as compared to the corresponding period in 2009. The increase was due to a lower level of profit before tax resulting from deduction of RMB33.3 million listing expenses incurred in the six months ended June 30, 2010 and which was a non-deductible tax item for PRC enterprise income tax purpose. After excluding the impact from this one-off listing expense, the effective tax rate was 18.9% in the six months ended June 30, 2010, representing an increase of 1.8% as compared to the corresponding period in 2009. After the new PRC tax law becoming effective on January 1, 2008, all companies are required to pay tax at the rate of 25%. However, as a foreign-invested entity, RHY enjoys a preferential tax treatment which will progress from 10% to 15% over five years starting from 2009, with an applicable tax rate of 11% in the six months ended June 30, 2010. The Company's other subsidiaries are qualified as High and New Technology Enterprises ("HNTE") and enjoy preferential tax rates ranging from 7.5% to 15% for 2010 except for two newly setup subsidiaries (Jiangsu Zhixun and Jiangsu Yijie), which will also be qualified as HNTE at the end of 2010. Due to the restricted preferential tax policy from Chinese government, these subsidiaries applied the highest income tax rate before the formal approval from relevant authorities, which is 25%.

Profit for the period

Profit for the period of the Company in the six months ended June 30, 2010 was RMB46.5 million after netting of the one-off listing expenses of RMB33.3 million, the share-based payment expenses of RMB4.9 million and the fair value changes on investment properties. The pro-forma profit for the period would be RMB85.0 million or 33.1% increase compared to the corresponding period of prior year. The following table set out the relevant reconciliations:

	Six months ended June 30, 2010 RMB'000	Six months ended June 30, 2009 RMB'000 (Unaudited)
Profit before tax	**65,188**	73,862
Add/(less):		
Expenses relating to the listing of the Company's shares	**33,309**	1,039
Share-based payment expenses	**4,943**	4,943
Fair value changes on investment properties	**300**	(4,469)
Pro-forma profit before tax	**103,740**	75,375
Add/(less):		
Income tax expenses	**(18,649)**	(12,595)
Income tax adjustment (Fair value changes on investment properties)	**(75)**	1,117
Pro-forma profit for the period	**85,016**	63,897

Trade Receivables Turnover Days

The trade receivables turnover days in the six months ended June 30, 2010 was 81 days (in the year ended December 31, 2009: 86 days). The decrease in trade receivables turnover days was mainly due to improvement of payment terms under a strong market environment. The Company's trade receivables turnover days were within the normal credit period granted to customers.

Trade Payables Turnover Days

The trade payables turnover days in the six months ended June 30, 2010 was 114 days (in the year ended December 31, 2009: 164 days). The decrease in trade payables turnover days was mainly due to a change in payment terms with suppliers under a strong market environment.

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 six months ended June 30, 2010 was 2 days (in the year ended December 31, 2009: 3 days). The decrease in inventory turnover days was due to higher sales achievement in the expressway Specialized Solution segment in the first half of 2010.

Liquidity and Financial Resources

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings and the proceeds from the Global Offering. As at June 30, 2010, the Group's current ratio (current assets divided by current liabilities) was 1.8 (as at December 31, 2009: 1.6). The Group's financial position remains healthy. As at June 30, 2010, the Group was in a net cash position of RMB35.1 million (as at December 31, 2009: net cash of RMB7.0 million) which included cash and cash equivalent of RMB225.1 million (as at December 31, 2009: RMB177.2 million) and short-term bank loans of RMB190.0 million (as at December 31, 2009: RMB170.2 million). As at June 30, 2010, the Group's gearing ratio was -18.2%, which has slightly decreased from -18.5% as at December 31, 2009. Gearing ratio refers to adjusted cash (interest-bearing bank borrowings minus pledged deposits, short-term deposit and cash and bank balances plus due to related parties) divide total equity.

Contingent Liabilities

As at June 30, 2010, the Group has no material contingent liability.

Charges on Group Assets

As at June 30, 2010, except for the secured deposits of approximately RMB134.5 million, the Group pledged its buildings having net book values of approximately RMB28.2 million (As at December 31, 2009: RMB80.1 million) to a bank to secure banking facilities granted to the Group. Save as disclosed above, as at June 30, 2010, the Group has no other asset charged to financial institution.

Material Acquisitions or Disposals of Subsidiaries and Associated Company

The Group has not conducted any material acquisition or disposal of any subsidiaries, jointly-controlled entities and associated companies in the six months ended June 30, 2010.

Use of Proceeds

The shares of the Company were listed on the Main Board of the Stock Exchange on July 15, 2010. As at June 30, 2010, the Company had not accomplished the listing. The Company currently does not have any intention to change its plan for use of proceeds as stated in the Prospectus.

Human Resources

As at June 30, 2010, the Group has 575 employees (December 31, 2009: 562 employees). The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Directors' Report

The board of directors (individually, a "Director", or collectively, the "Board") of China ITS (Holdings) Co., Ltd. (the "Company") presents its report together with the audited consolidated results of the Company and its subsidiaries (together as the "Group") for the six months ended June 30, 2010.

Interim Dividend

The Board did not recommend the payment of an interim dividend.

Audit Committee

The audit committee of the Company was established on June 18, 2010 with effect from the Listing with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the Company's 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 interim results of the Group for the six months ended June 30, 2010 together with the management of the Company and external auditor.

In addition, the Company's external auditor, Ernst & Young, has performed an independent audit of the Group's interim financial information for the six months ended June 30, 2010 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

The shares of the Company (the "Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on July 15, 2010 (the "Listing"). As at June 30, 2010, being the balance sheet date of the interim period and prior to the Listing, Section 352 of the Securities and Futures Ordinance (Cap.571, laws of Hong Kong) ("SFO") and the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Hong Kong Listing Rules (the "Model Code") were not applicable to the directors and chief executive of the Company.

As at August 29, 2010, being the date of the interim report, the interests and short positions of the directors and chief executive of the Company in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interest in the Company

Name of Director	Nature of interest	Number of securities	Approximate percentage of shareholding
Jiang Hailin[1]	Beneficiary of the Fino Trust	853,744,597 (L)[4]	54.41% (L)[4]
		106,236,916 (S)[4]	6.77% (S)[4]
Wang Jing[2]	Beneficiary of the Tesco Trust	865,094,597 (L)[4]	55.14% (L)[4]
		106,236,916 (S)[4]	6.77% (S)[4]
Pan Jianguo[3]	Beneficiary of the Binks Trust	853,744,597 (L)[4]	54.41% (L)[4]
		106,236,916 (S)[4]	6.77% (S)[4]
Lu Xiao	Beneficiary Owner	4,662,105 (L)[4]	0.30% (L)[4]

Notes:

(1) The Shares are held by Best Partners Development Limited, the issued share capital of which is owned as to 83% by Fino Investments Limited, as nominee and trustee for Credit Suisse Trust Limited, which is the trustee holding such interests on trust for the beneficiaries of the Fino Trust, namely Liao Daoxun, Wu Yurui, Liang Shiping, Jiang Hailin, Wu Chunhong, Yuan Chuang, Lv Xilin and Zhao Lisen. The Fino Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore. Jiang Hailin is a beneficiary of the Fino Trust, which is indirectly interested in China ITS Co., Ltd., which in turn is interested in 853,744,597 Shares.

(2) The Shares are held by Best Partners Development Limited, the issued share capital of which is owned as to 17% by Tesco Investments Limited, as nominees and trustee for Credit Suisse Trust Limited, which is the trustee holding such interests on trust for the beneficiaries of the Tesco Trust, namely Wang Jing, Zhang Qian, Guan Xiong, Zheng Hui and Wang Li. The Tesco Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore. Wang Jing is a beneficiary of the Tesco Trust, which is indirectly interested in China ITS Co., Ltd., which in turn is interested in 853,744,597 Shares.

(3) The Shares are held by Joy Bright Success Limited, the issued share capital of which is owned as to 60.3960% by Gouver Investments Limited and as to 39.6040% by Rockyjing Investment Limited, which in turn is wholly-owned by Binks Investments Limited (formerly known as Sinatra Investments Limited), as nominee and trustee for Credit Suisse Trust Limited, which is the trustee holding such interests on trust for the beneficiaries of the Binks Trust, namely Dang Kulun, Pan Jianguo and Jing Yang. The Binks Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore. Pan Jianguo is a beneficiary of the Binks Trust, which is indirectly interested in China ITS Co., Ltd., which in turn is interested in 853,744,597 Shares.

(4) (L) denotes long positions, (S) denotes short positions.

(ii) **Interest in underlying shares of the Company**

Name of Director	Nature of Interest	Number of Shares in the Company subject to options granted under the Pre-IPO Share Incentive Scheme	Approximate percentage of shareholding upon the exercise of the options granted under the Pre-IPO Share Incentive Scheme
Wang Jing	Beneficial owner	11,350,000	0.7234%
Lu Xiao	Beneficial owner	4,662,105	0.2971%

Directors' Rights to Acquire Shares

Save as otherwise disclosed in this interim report, at no time during the six months ended June 30, 2010, was the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

Pre-IPO Share Incentive Scheme/Share Option Scheme

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

1. Pre-IPO Share Incentive Scheme

The Company and China ITS Co., Ltd. adopted the Pre-IPO Share Incentive Scheme on December 28, 2008, respectively. The purpose of the Pre-IPO Share Incentive Scheme is to recognize and reward the contribution of certain eligible participants have or may have made to the growth and development of the business(es) of the Group.

Below is a list of the Directors, senior management and other personnel of the Company who have been granted options under the Pre-IPO Share Incentive Scheme:

Grantee and position	Number of Shares under the options granted under the Pre-IPO Share Incentive Scheme	% of shareholding base on share capital as at June 30, 2010	% of shareholding after the Listing and the partial exercise of the over allotment option	Number of options that become exercisable on December 31, 2008	Number of options that become exercisable on December 31, 2010	Number of options that become exercisable on June 30, 2011	Number of options that become exercisable on December 31, 2011	Number of options that become exercisable on June 30, 2012	Number of options that become exercisable on December 31, 2012	Number of options that become exercisable on June 30, 2013
Wang Jing (王靖) (Executive Director)	11,350,000	0.84%	0.72%	3,518,500	1,305,250	1,305,250	1,305,250	1,305,250	1,305,250	1,305,250
Lu Xiao (陸驍) (Executive Director)	4,662,105	0.35%	0.30%	1,445,253	536,142	536,142	536,142	536,142	536,142	536,142
Leung Ming Shu (梁銘樞) (Chief financial officer and company secretary)	9,332,000	0.69%	0.59%	2,892,920	1,073,180	1,073,180	1,073,180	1,073,180	1,073,180	1,073,180
Lv Xilin (呂西林) (Vice President of the Company, president of Turnkey Solutions and VA Services — expressway)	1,773,000	0.13%	0.11%	549,630	203,895	203,895	203,895	203,895	203,895	203,895
Kong Qiang (孔強) (President of Turnkey and Specialized Solutions — urban traffic)	6,400,000	0.47%	0.41%	1,984,000	736,000	736,000	736,000	736,000	736,000	736,000
Mou Yi (牟軼) (Group financial controller)	1,300,000	0.10%	0.08%	637,000	110,500	110,500	110,500	110,500	110,500	110,500

Grantee and position	Number of Shares under the options granted under the Pre-IPO Share Incentive Scheme	% of shareholding base on share capital as at June 30, 2010	% of shareholding after the Listing and the partial exercise of the over allotment option	Number of options that become exercisable on December 31, 2008	Number of options that become exercisable on December 31, 2010	Number of options that become exercisable on June 30, 2011	Number of options that become exercisable on December 31, 2011	Number of options that become exercisable on June 30, 2012	Number of options that become exercisable on December 31, 2012	Number of options that become exercisable on June 30, 2013
Liao Yibing (廖一兵) (Vice President of Turnkey Solutions – Expressway)	3,978,000	0.29%	0.25%	1,949,220	338,130	338,130	338,130	338,130	338,130	338,130
Li Jing (李菁) (Marketing Director of Turnkey Solutions – Expressway)	3,410,000	0.25%	0.22%	1,670,900	289,850	289,850	289,850	289,850	289,850	289,850
Zhang Yi (張屹) (General Manager of Specialized Solutions – Railway)	3,000,000	0.22%	0.19%	3,000,000	–	–	–	–	–	–
Wang Junqiu (汪軍球) (Vice President of Specialized Solutions – Expressway)	2,842,000	0.21%	0.18%	1,392,580	241,570	241,570	241,570	241,570	241,570	241,570
Shu Yonghua (舒永華) (Vice President of Specialized Solutions – Expressway)	2,270,000	0.17%	0.14%	1,112,300	192,950	192,950	192,950	192,950	192,950	192,950
Mei Haijun (梅海軍) (Assistant to President/ Projects Director of Specialized Solutions – Railway)	2,100,000	0.16%	0.13%	2,100,000	–	–	–	–	–	–
Wu Zengtao (武增濤) (Vice President of Specialized Solutions – Expressway)	2,080,000	0.15%	0.13%	1,019,200	176,800	176,800	176,800	176,800	176,800	176,800
25 employees being granted between 1,000,001 to 2,000,000 Pre-IPO Share Incentive Options	35,374,000	2.62%	2.25%	19,642,410	2,621,932	2,621,932	2,621,932	2,621,932	2,621,932	2,621,930

Grantee and position	Number of Shares under the options granted under the Pre-IPO Share Incentive Scheme	% of shareholding base on share capital as at June 30, 2010	% of shareholding after the Listing and the partial exercise of the over allotment option	Number of options that become exercisable on December 31, 2008	Number of options that become exercisable on December 31, 2010	Number of options that become exercisable on June 30, 2011	Number of options that become exercisable on December 31, 2011	Number of options that become exercisable on June 30, 2012	Number of options that become exercisable on December 31, 2012	Number of options that become exercisable on June 30, 2013
20 employees being granted between 500,001 to 1,000,000 Pre-IPO Share Incentive Options	141,116,000	1.05%	0.90%	7,291,840	1,137,360	1,137,360	1,137,360	1,137,360	1,137,360	1,137,360
57 employees being granted less than 500,000 Pre-IPO Share Incentive Options	12,666,000	0.94%	0.81%	7,964,640	783,560	783,560	783,560	783,560	783,560	783,560
	116,653,105	8.64%	7.43%	58,170,393	9,747,119	9,747,119	9,747,119	9,747,119	9,747,119	9,747,117

All of the outstanding options granted under the Pre-IPO Share Incentive Scheme were granted on December 28, 2008.

The exercise period and subscription price of a Share payable by a grantee in respect of the outstanding options granted under the Pre-IPO Share Incentive Scheme are as follows:

Tranche	Exercise Period	Subscription Price Payable per Share
1	December 31, 2008 to December 30, 2013	RMB0.60
2A	December 31, 2010 to December 30, 2015	RMB2.00
2B	June 30, 2011 to June 29, 2016	RMB2.00
3A	December 31, 2011 to December 30, 2016	RMB3.00
3B	June 30, 2012 to June 29, 2017	RMB3.00
4A	December 31, 2012 to December 30, 2017	RMB4.00
4B	June 30, 2013 to June 29, 2018	RMB4.00

None of the outstanding options granted under the Pre-IPO Share Incentive Scheme have been exercised, cancelled or lapsed in the six months ended June 30, 2010.

China ITS Co., Ltd. will not transfer any Shares under the Pre-IPO Share Incentive Scheme to the grantees within the first six months from the date of Listing. The grantees have confirmed that they will not exercise their options during this six-month period.

The options issued under the Pre-IPO Share Incentive Scheme represent approximately 8.6391% and 7.4346% of the Company's enlarged share capital as at June 30, 2010 and as at the date of the interim report, respectively. Upon exercise of such options, China ITS Co., Ltd., the controlling shareholder of the Company, shall transfer the relevant number of Shares to the grantee of the options. There is therefore no dilutive effect on the shareholders of the Company resulting from the exercise of the options under the Pre-IPO Share Incentive Scheme.

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. The purpose of the Share Option Scheme is to recognize and acknowledge the contributions that the Eligible Participants (as defined in the section headed "Other information — Share Option Scheme" in the Prospectus) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain an ongoing business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of 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 which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 155,029,633 Shares of the Company, being 10% of the total number of Shares in issue immediately prior to the date on which dealings in the Shares commenced on the Stock Exchange.

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 June 18, 2010. Under the Share Option Scheme, each option has a 10-year exercise period.

As at the date of this interim report, no option has been granted under the Share Option Scheme.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at June 30, 2010, being the balance sheet date of the interim period and prior to the Listing, Section 336 of the SFO were not applicable to substantial shareholders.

As at August 29, 2010, being the date of the interim report, to the best knowledge of the Directors, the records of interest (being 5% or more of the issued share capital of the Company) as registered in the register kept by the Company under section 336 of the SFO were as follows:

(i) Long positions in the Shares and underlying shares of the Company

Name	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding[1]
China ITS Co., Ltd.[1]	Beneficial owner	853,744,597 (L)[9] 106,236,916 (S)[9]	54.41% (L)[9] 6.77% (S)[9]
Joy Bright Success Limited[2]	Interest of a controlled corporation	853,744,597 (L)[9] 106,236,916 (S)[9]	54.41% (L)[9] 6.77% (S)[9]
Gouver Investments Limited[2][4]	Interest of a controlled corporation	853,744,597 (L)[9] 106,236,916 (S)[9]	54.41% (L)[9] 6.77% (S)[9]
Rockyjing Investment Limited[2][4]	Interest of a controlled corporation	853,744,597 (L)[9] 106,236,916 (S)[9]	54.41% (L)[9] 6.77% (S)[9]
Best Partners Development Limited[3]	Interest of a controlled corporation	853,744,597 (L)[9] 106,236,916 (S)[9]	54.41% (L)[9] 6.77% (S)[9]
Fino Investments Limited[5]	Interest of a controlled corporation	853,744,597 (L)[9] 106,236,916 (S)[9]	54.41% (L)[9] 6.77% (S)[9]
Tesco Investments Limited[6]	Interest of a controlled corporation	853,744,597 (L)[9] 106,236,916 (S)[9]	54.41% (L)[9] 6.77% (S)[9]
Binks Investments Limited[4]	Interest of a controlled corporation	853,744,597 (L)[9] 106,236,916 (S)[9]	54.41% (L)[9] 6.77% (S)[9]
Credit Suisse Trust Limited[4][5][6]	Trustee	853,744,597 (L)[9] 106,236,916 (S)[9]	54.41% (L)[9] 6.77% (S)[9]
Huaxin Investments Limited[4]	Beneficial owner	227,457,995 (L)[9]	14.50% (L)[9]
Temasek Holdings (Private) Limited[7]	Interest of a controlled corporation	144,226,748 (L)[9] 93,520,747 (S)[9]	9.20% (L)[9] 5.96% (S)[9]
Central Huijin Investment Ltd[8]	Interest of a controlled corporation	405,490,232 (L)[9]	25.84% (L)[9]

Notes:

(1) The issued share capital of China ITS Co. Ltd. is owned as to 27.1806% by Joy Bright Success Limited and as to 72.8194% by Best Partners Development Limited.

(2) The issued share capital of Joy Bright Success Limited is owned as to 60.3960% by Gouver Investments Limited and as to 39.6040% by Rockyjing Investment Limited.

(3) The entire issued share capital of Best Partners Development Limited is held as to 83% by Fino Investments Limited and as to 17% by Tesco Investments Limited.

(4) Huaxin Investments Limited, Gouver Investments Limited and Rockyjing Investment Limited are 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 the Binks Trust, namely Dang Kulun, Pan Jianguo and Jing Yang. The Binks Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.

(5) 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 the Fino Trust, namely Liao Daoxun, Wu Yurui, Liang Shiping, Jiang Hailin, Wu Chunhong, Yuan Chuang, Lv Xilin and Zhao Lisen. The Fino Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.

(6) 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 the Tesco Trust, namely Wang Jing, Zhang Qian, Guan Xiong, Zheng Hui and Wong Li. The Tesco Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.

(7) These 144,226,748 Shares held by Baytree Investments (Mauritius) Pte Ltd ("Baytree") include Shares owned by China ITS Co., Ltd which have been automatically exchanged with Baytree upon the Listing (but the registration of the these Shares has not yet been completed). Baytree is wholly owned by Dunearn Investments (Mauritius) Pte Ltd. Dunearn Investments (Mauritius) Pte Ltd is wholly owned by Seletar Investments Pte Ltd, which is wholly owned by Temasek Capital (Private) Limited. Temasek Capital (Private) Limited is in turn wholly owned by Temasek Holdings (Private) Limited.

(8) These 405,490,232 Shares held by CCB International Asset Management Limited ("CCBIAM") include Shares charged to CCBIAM and Shares owned by China ITS Co., Ltd which have been automatically exchanged with CCBIAM upon the Listing (but the registration of the these Shares has not yet been completed). CCBIAM is wholly owned by CCB International Assets Management (Cayman) Limited. CCB International Assets Management (Cayman) Limited is wholly owned by CCB International (Holdings) Limited, which is wholly owned by CCB Financial Holdings Limited. CCB Financial Holdings Limited is wholly owned by CCB International Group Holdings Limited, which is wholly owned by China Construction Bank Corporation. China Construction Bank Corporation is owned as to 57.09% by Central Huijin Investment Ltd.

(9) (L) denotes long positions; (S) denotes short positions.

Purchase, Sale or Redemption of Listed Securities

As the Listing has not occurred as at June 30, 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended June 30, 2010.

Employment and Emolument Policies

As at June 30, 2010, the Group has 575 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 the 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.

Remuneration Committee

The Company has established a remuneration committee on June 18, 2010, whose primary duties are to evaluate and make recommendations to the Board regarding the compensation of the Directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of senior management of the Group.

The current members of the remuneration committee are Mr. Choi Onward, Mr. Zhou Chunsheng and Mr. Sun Lu. The remuneration committee is chaired by Mr. Sun Lu.

Nomination Committee

The Company established a nomination committee on June 18, 2010 to make recommendations to the Board regarding candidates to fill vacancies on the board of directors.

The current members of the nomination committee are Mr. Zhou Chunsheng, Mr. Choi Onward and Mr. Sun Lu. The nomination committee is chaired by Mr. Zhou Chunsheng.

Changes to Information in Respect of Directors

In the six months ended June 30, 2010, there were no changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the publication of the Prospectus.

Use of Proceeds from Listing

The Shares were listed on the Main Board of the Stock Exchange on July 15, 2010. As at June 30, 2010, the Company had not accomplished the Listing. The Company currently does not have any intention to change its plan for use of proceeds as stated in the Prospectus.

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 Corporate Governance Code as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintaining and improving a high standard of corporate governance practices.

In the six months ended June 30, 2010, the Company continued to apply most of the code provisions (the "**Code Provisions**") of the Corporate Governance Code. A summary of the deviations from the Code Provisions is set out as below:

Code Provision A2.1

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.

At present, the positions of the chairman of the Board and the chief executive officer of the Company are held by Mr. Jiang Hailin. Although this deviates from the practice under the Code Provision A2.1, where the two positions should be held by two different individuals, Mr. Jiang has considerable and extensive knowledge and experience in the intelligent traffic system industry and in enterprise operation and management in general. The Board believes that it is in the best interest of the Company to continue to have an executive chairman so the Board can benefit from his knowledge of the business and his capability in leading the Board in discussing the strategy and long-term development of the industry.

From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman of the Board should not be able to monopolize the voting result. The Board considers that the balance of power between the Board and the senior management can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

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 from the date of Listing on July 15, 2010 to the date of the interim report.

On behalf of the Board of Directors
China ITS (Holdings) Co., Ltd.
Mr. Jiang Hailin
Chairman

Hong Kong, August 29, 2010

Independent Auditors' Report

ERNST & YOUNG
安永

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

We have audited the financial statements of China ITS (Holdings) Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") set out on pages 30 to 100, which comprise the consolidated and company statements of financial position as at 30 June 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2010, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2010 and of the Group's profit and cash flows for the six months ended 30 June 2010 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

29 August 2010

Consolidated Income Statement

Six months ended 30 June 2010

	Notes	For the six months ended 30 June 2010 RMB'000	2009 RMB'000 (Unaudited)
REVENUE	4	**641,952**	468,765
Cost of revenue	5	**(449,490)**	(319,902)
Gross profit		**192,462**	148,863
Other income and gains	5	**1,839**	5,285
Selling, general and administrative expenses		**(90,911)**	(76,177)
Other expenses and losses	5	**(304)**	(18)
OPERATING PROFIT		**103,086**	77,953
Finance income	5	**1,216**	436
Finance costs	5	**(5,434)**	(3,439)
Share of losses of jointly-controlled entities	16	**(371)**	(49)
Expenses relating to the listing of the Company's shares		**(33,309)**	(1,039)
PROFIT BEFORE TAX	5	**65,188**	73,862
Income tax expense	8	**(18,649)**	(12,595)
PROFIT FOR THE PERIOD		**46,539**	61,267
Attributable to:			
Owners of the parent	9	**46,539**	61,267
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**RMB**	RMB
Basic and diluted	11	**3.56 cents**	5.15 cents

Details of the dividends payable and proposed for the six months ended 30 June 2010 are disclosed in note 10 to the financial statements.

Consolidated Statement of Comprehensive Income

Six months ended 30 June 2010

	Notes	For the six months ended 30 June 2010 RMB'000	2009 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD		**46,539**	61,267
Surplus on property revaluation upon transfer from property, plant and equipment to investment properties	12, 31(a)	**–**	10,376
Income tax effect	8	**–**	(2,594)
		–	7,782
Exchange differences on translation of foreign operations	31(b)	**458**	1,096
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**458**	1,096
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**46,997**	70,145
Attributable to:			
Owners of the parent		**46,997**	70,145

Consolidated Statement of Financial Position

30 June 2010

	Notes	30 June 2010 RMB'000	31 December 2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**24,135**	26,223
Investment properties	13	**79,800**	80,100
Interests in jointly-controlled entities	16	**15,823**	8,544
Goodwill	14	**230,664**	230,664
Deferred tax assets	8	**5,866**	5,946
Other assets		**556**	540
		356,844	352,017
CURRENT ASSETS			
Amount due from contract customers	17	**960,746**	679,579
Trade and notes receivables	18	**467,326**	411,394
Prepayments, deposits and other receivables	19	**286,419**	213,313
Inventories	20	**6,677**	6,432
Due from related parties	29	**227**	3,900
Pledged deposits	21	**134,500**	173,607
Short-term deposit	21	**67,723**	—
Cash and bank balances	21	**225,107**	177,173
		2,148,725	1,665,398
CURRENT LIABILITIES			
Amount due to contract customers	17	**144,333**	138,956
Trade and notes payables	22	**499,107**	488,590
Other payables and accruals	23	**367,491**	227,413
Interest-bearing bank borrowings	24	**190,000**	170,150
Due to related parties	29	**7,541**	4,567
Tax payable		**2,173**	12,792
		1,210,645	1,042,468
NET CURRENT ASSETS		**938,080**	622,930
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,294,924**	974,947

Consolidated Statement of Financial Position

30 June 2010

	Notes	30 June 2010 RMB'000	31 December 2009 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,294,924**	974,947
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8	**30,217**	21,788
		30,217	21,788
Net Assets		**1,264,707**	953,159
EQUITY			
Equity attributable to owners of the parent			
Issued capital	26	**238**	216
Share premium	26	**379,776**	120,190
Statutory reserve	27(a)	**55,069**	55,069
Capital reserve	27(a)	**558,524**	553,581
Surplus reserve	31(a)	**7,782**	7,782
Foreign currency translation reserve	31(b)	**17,347**	16,889
Retained earnings		**245,971**	199,432
Total equity		**1,264,707**	953,159

Jiang Hailin
Director

Pan Jianguo
Director

Consolidated Statement of Changes in Equity

Six months ended 30 June 2010

		Equity attributable to owners of the parent and total equity							
	Notes	Issued capital RMB'000 note 26	Share premium account RMB'000 Note 26	Statutory reserve RMB'000 note 27(a)	Capital reserve RMB'000 note 27(a)	Asset revaluation reserve RMB'000 note 31(a)	Exchange fluctuation reserve RMB'000 note 31(b)	Retained earnings RMB'000	Total RMB'000
For the six months ended 30 June 2009 (unaudited)									
At 1 January 2009		205	–	20,263	391,695	–	15,236	243,067	670,466
Total comprehensive income for the period		–	–	–	–	7,782	1,096	61,267	70,145
Issue of shares		11	120,190	–	–	–	–	–	120,201
Share-based payment transactions	28	–	–	–	4,943	–	–	–	4,943
Transfer from retained earnings		–	–	–	54,000	–	–	(54,000)	–
At 30 June 2009		216	120,190	20,263	450,638	7,782	16,332	250,334	865,755
For the six months ended 30 June 2010									
At 1 January 2010		**216**	**120,190**	**55,069**	**553,581**	**7,782**	**16,889**	**199,432**	**953,159**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**458**	**46,539**	**46,997**
Issue of shares	26	**22**	**309,586**	**–**	**–**	**–**	**–**	**–**	**309,608**
Share-based payment transactions	28	**–**	**–**	**–**	**4,943**	**–**	**–**	**–**	**4,943**
Dividend declared	10	**–**	**(50,000)**	**–**	**–**	**–**	**–**	**–**	**(50,000)**
At 30 June 2010		**238**	**379,776**	**55,069**	**558,524**	**7,782**	**17,347**	**245,971**	**1,264,707**

Consolidated Statement of Cash Flows

Six months ended 30 June 2010

	Notes	For the six months ended 30 June 2010 RMB'000	2009 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**46,539**	61,267
Adjustments for:			
Depreciation	5	**3,840**	2,385
Loss on disposal of items of property, plant and equipment, net	5	**4**	18
Share-based payment expense		**4,943**	4,943
Expenses related to the listing of the Company's shares	5	**33,309**	1,039
Write-back of impairment of trade receivables	5	**(178)**	—
Deferred income tax charge	8	**8,509**	7,277
Share of losses of jointly-controlled entities	16	**371**	49
Net (gain)/loss from fair value adjustment on investment properties	5	**300**	(4,469)
Interest income	5	**(1,216)**	(436)
Finance costs	5	**5,434**	3,439
		101,855	75,512
Changes in assets and liabilities:			
Decrease/(increase) in pledged deposits for notes payable and project bonds		**41,169**	(57,757)
Increase in trade and notes receivables		**(55,754)**	(26,328)
Increase in prepayments, deposits and other receivables		**(67,472)**	(127,522)
Increase in amount due from contract customers		**(281,167)**	(59,406)
(Increase)/decrease in inventories		**(245)**	1,870
(Decrease)/increase in amounts due to related parties		**(1,645)**	392
Increase/(decrease) in trade and notes payables		**10,517**	(114,341)
Increase in amount due to contract customers		**5,377**	102,307
Increase/(decrease) in other payables and accruals		**74,917**	(40,656)
Decrease in income tax payable		**(10,619)**	(369)
Cash used in operations		**(183,067)**	(246,298)
Interest paid	5	**(5,434)**	(3,439)
Interest received	5	**1,216**	436
Net cash flows used in operating activities		**(187,285)**	(249,301)

Consolidated Statement of Cash Flows

Six months ended 30 June 2010

	Notes	For the six months ended 30 June 2010 RMB'000	2009 RMB'000 (Unaudited)
Net cash flows used in operating activities		**(187,285)**	(249,301)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**4**	—
Purchases of items of property, plant and equipment	12	**(1,760)**	(1,020)
Increase in short term deposits	21	**(67,723)**	—
Decrease in amounts due from related parties		**3,673**	—
Capital injection to a jointly-controlled entity	16	**(7,650)**	—
Net cash flows used in investing activities		**(73,456)**	(1,020)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**165,000**	151,350
Repayment of bank loans		**(145,150)**	(75,000)
Increase in pledged deposits for bank loans		**(2,062)**	—
Dividends paid		**(15,297)**	—
Net proceeds from issue of shares		**309,608**	120,201
Increase in amounts due to related parties		**4,619**	—
Prepayment of listing expenses		**(8,501)**	(3,093)
Net cash flows from financing activities		**308,217**	193,458
Net increase/(decrease) in cash and bank balances		**47,476**	(56,863)
Effect of foreign exchange rate changes, net		**458**	1,096
Cash and bank balances at beginning of period		**177,173**	169,473
CASH AND BANK BALANCES AT END OF PERIOD		**225,107**	113,706

Statement of Financial Position

30 June 2010

	Notes	30 June 2010 RMB'000	31 December 2009 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	**585,883**	591,330
		585,883	591,330
CURRENT ASSETS			
Prepayments, deposits and other receivables	19	**74,623**	71,115
Due from subsidiaries	25	**197,440**	—
Pledged deposits	21	**—**	50,228
Short-term deposit	21	**67,723**	—
Cash and cash equivalents	21	**74,521**	747
		414,307	122,090
CURRENT LIABILITIES			
Other payables and accruals	23	**90,204**	24,064
Due to a subsidiary	25	**7,722**	5,041
		97,926	29,105
NET CURRENT ASSETS		**316,381**	92,985
TOTAL ASSETS LESS CURRENT LIABILITIES		**902,264**	684,315
Net Assets		**902,264**	684,315
EQUITY			
Issued capital	26	**238**	216
Share premium	26	**379,776**	120,190
Contributed surplus	27(b)	**586,802**	586,802
Exchange fluctuation reserve		**(2,519)**	4,187
Accumulated losses		**(62,033)**	(27,080)
Total equity		**902,264**	684,315

Jiang Hailin
Director

Pan Jianguo
Director

Notes to the Financial Statements

30 June 2010

1. Corporate Information and Group Reorganisation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 20 February 2008. The principal place of business of the Company is located at Level 11, Nexus Center, No. 19A East Third Ring Road North, Beijing 100020, the People's Republic of China (the "PRC"). The ordinary shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 July 2010.

Pursuant to a group reorganisation (the "Reorganisation") for the purpose of listing of the Company's ordinary shares on the Stock Exchange, on 18 June 2008, the Company acquired the entire issued capital of China Toprise Limited and Fairstar Success Holdings Limited, the then holding companies of the companies comprising the Group, from China ITS Co., Ltd. ("China ITS" the then holding company of the Company) and became the holding company of the Group. Further details of the Reorganisation are set out in the Company's prospectus dated 30 June 2010 (the "Prospectus").

The principal activity of the Company is investment holding. The Group is a transportation infrastructure technology solutions and services provider in the PRC.

The Group's principal businesses are summarised as follows:

- Turnkey Solutions business — it involves the integration of information technology with the physical transportation infrastructure;

- Specialised Solutions business — it provides solutions to discrete problems occurring in a client's existing or planned transportation infrastructure through the design, development and implementation of hardware-based and software-based systems; and

- Value-added Services business — it involves post-construction maintenance services for turnkey and specialised solutions.

The Group's principal operations and geographic market are in the PRC.

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") that remain in effect, and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, 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.

2.1 Basis of Presentation (continued)

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 six months ended 30 June 2010. Except for the Reorganisation which has been accounted for as a reorganisation under common control in a manner similar to a pooling-of-interest, the purchase method of accounting is used to account for the acquisition of subsidiaries of the Group. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The pooling-of-interests method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs in the period as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the financial statements for the six months ended 30 June 2010.

IFRS 2 Amendments	Amendments to IFRS 2: *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
Amendments to IFRS 5	Amendments to IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
IFRIC 18	*Transfers of Assets from Customers*

2.2 Changes in Accounting Policies and Disclosures (continued)

Apart from the above, the Group has adopted during the period the following amendments included in Improvements to IFRSs issued by the IASB in May 2008 and April 2009: amendments to IFRS 2, IAS 38, IFRIC-Int 9, IFRIC-Int 16, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 38 and IAS 39.

The adoption of these new and revised IFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 Issued but not yet Effective International Financial Reporting Standards

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

IFRS 9	*Financial Instruments*[4]
IAS 24 (Revised)	*Related Party Disclosures*[3]
IAS 32 Amendment	Amendment to IAS 32: *Financial Instruments: Presentation — Classification of Rights Issues*[1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayment of a Minimum Funding Requirement*[3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]
Improvement to IFRSs*	Improvements to IFRS issued in May 2010[3]

* The IASB has issued improvements IFRSs 2010 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results and financial position.

2.4 Summary of Significant Accounting Policies

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 Hong Kong dollars. 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 entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. All differences are taken to the income statement. 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 determined.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the reporting currency of the Group at the rate of exchange ruling at the end of the reporting period and their income statements 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 foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

2.4 Summary of Significant Accounting Policies (continued)

Goodwill (continued)

The carrying amount of goodwill is reviewed 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 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

Where goodwill forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint Ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

2.4 Summary of Significant Accounting Policies (continued)

Joint Ventures (continued)

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-Controlled Entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities 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. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

Related Parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a jointly-controlled entity;

(c) the party is a member of the key management personnel of the Group or its parent;

2.4 Summary of Significant Accounting Policies (continued)

Related Parties (continued)

(d) the party is a close member of the family of any individual referred to in (a) or (c); or

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d).

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant 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	5 years
Office equipment	5 years
Motor vehicles	5 years
Leasehold improvements	Over the shorter of the expected life of the leasehold improvements and the lease term

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, plant and equipment and 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 income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment and Depreciation (continued)

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property at cost less accumulated depreciation and any impairment losses up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation surplus in the statement of comprehensive income.

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.

Investment Properties

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Investments and Other Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of IAS 39 are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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.

The Group's financial assets include cash and bank balances, trade and notes receivables, amounts due from related parties, and other receivables.

Subsequent Measurement

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

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, such assets are subsequently measured carried at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated 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 finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs.

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 derecognised when:

- the rights to receive cash flows from the asset have expired; or
- 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 (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 Summary of Significant Accounting Policies (continued)

Investments and Other Financial Assets (continued)

Derecognition of Financial Assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has 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.

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists 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.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets (continued)

Financial Assets Carried at Amortised Cost (continued)

If there is objective evidence that an impairment loss has been incurred, 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 (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). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. 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.

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 future write-off is later recovered, the recovery is credited to the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average 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.

Impairment of Non-Financial Assets other than Goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, financial assets, investment properties and goodwill), 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 to sell, 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.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of Non-Financial Assets other than Goodwill (continued)

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 income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any 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 income statement 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.

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.

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 amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

2.4 Summary of Significant Accounting Policies (continued)

Contracts for Services (continued)

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.

Cash and Cash Equivalents

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, which form an integral part of the Group's cash management.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of IAS 39 are classified 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. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and notes payables, other payables, amount due to related parties and interest-bearing bank borrowings.

2.4 Summary of Significant Accounting Policies (continued)

Financial Liabilities (continued)

Subsequent Measurement

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

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 not be material, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method 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 income statement.

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 income statement.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only 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.

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 income statement.

2.4 Summary of Significant Accounting Policies (continued)

Employee Benefits

Share Option Plan

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

Equity-settled Transactions

The cost of equity-settled transactions with employees, for awards granted after 7 November 2002, is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a Hull-White Binomial option pricing model, further details of which are given in note 28 below.

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. 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 consolidated income statement for a period represents the movement in 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 payment transaction, 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. All cancellations of equity-settled transaction awards are treated equally.

2.4 Summary of Significant Accounting Policies (continued)

Employee Benefits (continued)

Equity-settled Transactions (continued)

There is no dilutive effect from the options granted by China ITS in the computation of earnings per share of the Company. As further disclosed in note 11 below, the underlying ordinary shares of the Company were in issue and owned by China ITS and which will be transferred to the relevant employees upon the exercise of such options.

Pension Scheme

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

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 income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

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;

2.4 Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" above;

(d) rental income, on a time proportion basis over the lease terms; and

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

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.

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

- where 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

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where 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.

2.4 Summary of Significant Accounting Policies (continued)

Income Tax (continued)

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

- where 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

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are recognised only 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 income 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 income taxes relate to the same taxable entity and the same taxation authority.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings 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.

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 the disclosure of contingent liabilities, at the end of the reporting period. However, 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 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 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.

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.

3. Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Fair Value of Investment Properties

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 30 June 2010 was RMB79.8 million (31 December 2009: RMB80.1 million).

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, such differences will have an impact on the carrying amounts of the receivables and impairment loss in the period in which such 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 no additional 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. No impairment loss was recognised for receivables for the six months ended 30 June 2010 (six months ended 30 June 2009: 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 activities 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.

3. Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Current Income Tax and Deferred Income Tax

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining 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 income statement for the period in which such a reversal takes place. The carrying value of deferred tax assets at 30 June 2010 was approximately RMB5.9 million (31 December 2009: RMB5.9 million).

Estimation of Total Budgeted Costs and Cost to Completion for Construction Contracts

Total budgeted costs for construction contracts comprise (i) direct material costs, (ii) costs of subcontracting and direct labour, and (iii) an appropriation of variable and fixed construction overheads. In estimating the total budgeted costs for construction contracts, management makes reference to information such as (i) current offers from sub-contractors and suppliers, (ii) recent offers agreed with sub-contractors and suppliers, and (iii) professional estimation on construction and material costs.

4. Revenue

Revenue, which is also the Group's turnover, represents: (i) an appropriate proportion of contract revenue of construction contracts, net of business tax and government surcharges; and (ii) the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for goods returns and trade discounts.

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2010	**2009**
	RMB'000	**RMB'000**
		(Unaudited)
Revenue from:		
Implementation of projects	**630,902**	456,365
Sale of products	**11,050**	12,400
	641,952	468,765

5. Profit Before Tax

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

		For the six months ended 30 June	
	Notes	**2010**	**2009**
		RMB'000	**RMB'000**
			(Unaudited)
Cost of services rendered for implementation of projects		**443,969**	312,547
Cost of inventories sold for sale of products		**5,521**	7,355
		449,490	319,902
Employee benefit expense (including directors' and senior executives' remuneration (note 6)	(a)	**31,203**	25,474
Minimum lease payments under operating leases:			
Land and buildings		**7,046**	5,664
Expenses related to the listing of the Company's shares		**33,309**	1,039
Auditors' remuneration		**1,000**	—
Depreciation	(b)	**3,840**	2,385
Write-back of impairment of trade receivables, net		**(178)**	—
Foreign exchange differences, net		**410**	230
Other income and gains	(c)	**(1,839)**	(5,285)
Finance income	(d)	**(1,216)**	(436)
Finance costs	(e)	**5,434**	3,439
Other expenses and losses	(f)	**304**	18

5. Profit Before Tax (continued)

(a) Employee benefit expense

	For the six months ended 30 June 2010 RMB'000	For the six months ended 30 June 2009 RMB'000 (Unaudited)
Employee benefit expense (including directors' and senior executives' remuneration (note 6)		
Wages and salaries	**18,613**	15,061
Social insurance costs and staff welfare	**5,512**	3,688
Pension scheme contributions	**2,135**	1,782
Share-based payment expenses (note 28)	**4,943**	4,943
	31,203	25,474

(b) Depreciation

	For the six months ended 30 June 2010 RMB'000	For the six months ended 30 June 2009 RMB'000 (Unaudited)
Included in selling, general and administrative expenses	**3,840**	2,385

(c) Other Income and Gains

	Note	For the six months ended 30 June 2010 RMB'000	For the six months ended 30 June 2009 RMB'000 (Unaudited)
Fair value gain on investment properties		**—**	4,469
Rental income	(i)	**1,775**	813
Others		**64**	3
		1,839	5,285

Note: (i) The Group's rental income for the six months ended 30 June 2010 was received from independent third parties. Included in the Group's rental income for the six months ended 30 June 2009 was rental income of RMB813,000 received from related parties. Further details are contained in note 29 to the financial statements.

5. Profit Before Tax (continued)

(d) Finance Income

	For the six months ended 30 June	
	2010	**2009**
	RMB'000	**RMB'000**
		(Unaudited)
Bank interest income	**1,216**	436

(e) Finance Costs

	For the six months ended 30 June	
	2010	**2009**
	RMB'000	**RMB'000**
		(Unaudited)
Interest on bank loans	**5,434**	3,439

(f) Other Expenses

	For the six months ended 30 June	
	2010	**2009**
	RMB'000	**RMB'000**
		(Unaudited)
Fair value loss on investment properties	**300**	—
Loss on disposal of items of property, plant and equipment	**4**	18
	304	18

6. Directors' Remuneration

Directors' remuneration for the period, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000 (Unaudited)
Fees	—	—
Other emoluments:		
Salaries, allowances and benefits in kind	404	1,036
Bonuses	—	—
Share-based payment expense	937	1,288
Pension scheme contributions	45	43
	1,386	2,367

(a) Independent Non-executive Directors

There were no fees or other remunerations paid to independent non-executive directors for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

(b) Executive Directors

Six months ended 30 June 2010	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payment expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Mr. Jiang Hailin	—	134	—	16	150
Mr. Wang Jing	—	50	664	—	714
Mr. Dang Kulun	—	29	—	3	32
Mr. Pan Jianguo	—	105	—	13	118
Mr. Lu Xiao	—	86	273	13	372
	—	404	937	45	1,386

6. Directors' Remuneration (continued)

(b) Executive Directors (continued)

Six months ended 30 June 2009 (unaudited)	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payment expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Mr. Jiang Hailin	—	133	—	12	145
Mr. Wang Jing	—	51	664	—	715
Mr. Zhao Lisen	—	70	—	4	74
Mr. Lv Xilin	—	45	92	4	141
Mr. Dang Kulun	—	133	—	12	145
Mr. Pan Jianguo	—	102	—	4	106
Mr. Jing Yang	—	109	—	4	113
Mr. Mou Yi	—	42	50	3	95
Mr. Leung Ming Shu	—	351	482	—	833
	—	1,036	1,288	43	2,367

On 31 December 2008, certain directors were granted share options, in respect of their services to the Group, under the share option plan of China ITS, further details of which are set out in note 28 below. The fair value of these options, which has been recognised in the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the six months ended 30 June 2010 is included in the above directors' remuneration disclosures.

Mr. Dang Kulun ceased to be a director of the Company on 9 February 2010. Mr. Pan Jianguo, Mr. Jing Yang, Mr. Leung Ming Shu, Mr. Lv Xilin, Mr. Mou Yi and Mr. Zhao Lisen ceased to be directors of the Company on 10 June 2009 pursuant to a resolution passed on that day. Mr. Pan Jianguo was reappointed as the director of the Company on 9 February 2010. Mr. Lu Xiao was appointed as a director of the Company on 1 July 2009. The directors' remuneration disclosed above only covers the periods during which the abovementioned individuals were directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the six months ended 30 June 2010.

During the six months ended 30 June 2010, no payments were made by the Group to directors of the Company in respect of inducement to join the Group or compensation for loss of office (six months ended 30 June 2009: Nil).

7. Five Highest Paid Employees

The five highest paid employees during the six months ended 30 June 2010 included two (six months ended 30 June 2009: two) directors, details of whose remuneration are set out in note 6 above. Details of the remuneration of the remaining three (six months ended 30 June 2009: three) non-director, highest paid employees for the six months ended 30 June 2010 are as follows:

	For the six months ended 30 June	
	2010	**2009**
	RMB'000	**RMB'000**
		(Unaudited)
Salaries, allowances and benefits in kind	**233**	231
Share-based payment expense	**1,093**	820
Pension scheme contributions	**13**	22
	1,399	1,073

The number of non-director, highest paid individuals whose remuneration fell within the following band is as follows:

	Number of employees For the six months ended 30 June	
	2010	**2009**
		(Unaudited)
Nil to RMB1,000,000	**3**	3

During the year ended 31 December 2008, share options were granted to three non-director, highest paid employees in respect of their services to the Group, further details of the share option plan are set out in note 28 below. The fair value of these options, which has been recognised in the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the six months ended 30 June 2010 is included in the above non-director, highest paid employees remuneration disclosures.

8. Income Tax

The Group was not subject to Hong Kong profits tax for the six months ended 30 June 2010 as the Group did not have any tax assessable profits derived from Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The PRC subsidiaries of the Company were subject to the PRC statutory income tax rate of 33% before 1 January 2008. In accordance with relevant tax rules and regulations effective before 1 January 2008, entities qualified as advanced technology enterprises and operated in designated areas were entitled to apply for a tax exemption and a 50% reduction in the income tax rate over a certain period.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Enterprise Income Tax Law (the "New PRC Enterprise Income Tax Law") was approved and became effective on 1 January 2008. The New PRC Enterprise Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

In accordance with the New PRC Enterprise Income Tax Law, enterprises that are designated as High and New Technology Enterprises ("HNTE") are entitled to apply a preferential income tax rate of 15% for certain periods. The implementation guidance for enterprises designated as HNTE was released for implementation in April 2008.

On 26 December 2007, the State Council of the PRC promulgated the implementation rule (the "Implementation Rule") regarding the details of the transitional provisions of the existing tax concessions. Pursuant to the Implementation Rule, entities qualified as advanced technology enterprises and operated in designated areas were entitled to continue to enjoy the tax exemption and a 50% reduction in the income tax rate based on the tax rate of 10% or 15% over a period of time. Pursuant to the Implementation Rule, entities who had been granted a preferential income tax rate of 15% were allowed to apply for a gradual transition of the income tax rate from 18% to 25% over a period of five years.

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

(i) 北京亞邦偉業技術有限公司, 北京百聯智達科技發展有限公司, 北京智訊天成技術有限公司 and 北京亞邦偉業軟件有限公司 were designated and approved as HNTEs in December 2008 for a period of three years from 1 January 2008 and therefore were entitled to a preferential tax rate of 15% for the three years ending 31 December 2010.

(ii) 北京亞邦偉業信息工程有限公司 and 北京和信日晟技術有限公司, which had been designated and approved as advanced technology enterprises, were designated and approved as HNTEs in December 2008 for a period of three years from 1 January 2008. In accordance with the Implementation Rule, 北京亞邦偉業信息工程有限公司 and 北京和信日晟技術有限公司 were entitled to a preferential tax rate of 7.5% for the year ended 31 December 2009 and were entitled to a preferential tax rate of 15% for the year ending 31 December 2010 as HNTEs.

8. Income Tax (continued)

(iii) In accordance with the Implementation Rule and pursuant to the approval from the state tax bureau of the Beijing Economic-technological Development Area, Kaiguoshuisuohan 2008 No.55 (開國稅所函[2008]55號) dated 26 May 2008, 北京瑞華贏科技發展有限公司 was entitled to 50% reduction in the transitional tax rate, which is 10%, from 1 January 2009. This preferential tax rate will be progressively increased to 15% over five years. The preferential income tax rate applicable to 北京瑞華贏科技發展有限公司 is 11% for the year ending 31 December 2010.

Under the Implementation Rule, from 1 January 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 30 June 2010, 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 (31 December 2009: Nil). In the opinion of the directors of the Company, it is not probable that the Group's PRC subsidiaries will distribute profits earned during the six months ended 30 June 2010 in the foreseeable future.

The major components of income tax expense are:

	For the six months ended 30 June	
	2010	**2009**
	RMB'000	**RMB'000**
		(Unaudited)
Current income tax:		
Current income tax charge in the PRC	**10,140**	5,318
Deferred income tax:	**8,509**	7,277
Income tax expense reported in the consolidated income statement	**18,649**	12,595

8. Income Tax (continued)

A reconciliation of income tax expense to profit before tax at the PRC's statutory income tax rate for the six months ended 30 June 2010 is as follows:

	For the six months ended 30 June	
	2010	**2009**
	RMB'000	**RMB'000**
		(Unaudited)
Profit before tax	**65,188**	73,862
At the PRC statutory income tax rate of 25%	**16,297**	18,466
Tax holiday or lower tax rates for the PRC subsidiaries	**(9,880)**	(9,612)
Non-deductible expenses	**10,757**	3,124
Adjustments in respect of current income tax of previous period	**768**	—
Unrecognised tax losses	**696**	—
Effect of changes in tax rates	**(30)**	612
Unrecognised losses attributable to jointly-controlled entities	**41**	5
Income tax expense reported in the consolidated income statement	**18,649**	12,595

The movements in deferred tax assets and liabilities for the six months ended 30 June 2010 are as follows:

Deferred Tax Assets

	Impairment of trade receivables RMB'000	**Accrued expenses RMB'000**	**Total RMB'000**
For the six months ended 30 June 2010			
At 31 December 2009 and 1 January 2010	**1,119**	**4,827**	**5,946**
Deferred tax charged to the income statement	**—**	**(80)**	**(80)**
At 30 June 2010	**1,119**	**4,747**	**5,866**
For the six months ended 30 June 2009 (Unaudited)			
At 1 January 2009	1,119	7,203	8,322
Deferred tax credited to the income statement	—	1,127	1,127
At 30 June 2009	1,119	8,330	9,449

8. Income Tax (continued)

Deferred tax liabilities

	Fair value adjustment on investment properties RMB'000	Unrealised profits RMB'000	Recognition of revenue on construction contracts* RMB'000	Withholding tax of the PRC RMB'000	Total RMB'000
For the six months ended 30 June 2010					
At 31 December 2009 and 1 January 2010	**6,356**	**763**	**14,669**	**–**	**21,788**
Deferred tax charged/(credited) to the income statement	**(75)**	**(381)**	**8,885**	**–**	**8,429**
At 30 June 2010	**6,281**	**382**	**23,554**	**–**	**30,217**
For the six months ended 30 June 2009 (Unaudited)					
At 1 January 2009	786	468	3,571	6,958	11,783
Deferred tax charged to the statement of comprehensive income	2,594	–	–	–	2,594
Deferred tax charged to the income statement	1,117	–	7,237	–	8,354
At 30 June 2009	4,497	468	10,808	6,958	22,731

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

The Group had tax losses arising in Mainland China of RMB2.8 million (31 December 2009: Nil) as at 30 June 2010 that will expire in five years to offset future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that are not considered probable that taxable profits will be available against the tax losses.

9. Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the six months ended 30 June 2010 includes a loss of RMB34,953,000 (six months ended 30 June 2009: RMB1,511,000) which has been dealt with in the financial statements of the Company (note 27(b)).

10. Dividends

Pursuant to the resolutions of the board of directors and the shareholders passed on 19 March 2010, the Company declared a special dividend of RMB50 million payable to shareholders registered at the close of business on 31 December 2008 from its share premium account. The dividend was subsequently paid out in July 2010.

The board of the directors of the Company did not recommend the payment of any interim dividend for the six months ended 30 June 2010.

No dividend was declared or paid by the Group for the six months ended 30 June 2009.

11. Earnings Per Share Attributable to Equity Holders of the Parent

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent for the six months ended 30 June 2010, and the weighted average number of ordinary shares of 1,306,460,952 (six months ended 30 June 2009: 1,188,996,760) in issue during the six months ended 30 June 2010.

	For the six months ended 30 June	
	2010	**2009**
	RMB'000	**RMB'000**
		(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**46,539**	61,267

	Number of shares For the six months ended 30 June	
	2010	**2009**
		(Unaudited)
Shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	**1,306,460,952**	1,188,996,760

11. Earnings Per Share Attributable to Equity Holders of the Parent (continued)

Diluted earnings per share amount is equal to the basic earnings per share amount as the Company did not have any dilutive potential ordinary shares during the periods. The share option scheme as disclosed in note 28 will not give rise to any additional ordinary shares of the Company upon their exercise because the underlying ordinary shares of the Company were in issue and owned by China ITS which will be transferred to the relevant employees upon the exercise of relevant options.

The basic earnings per share amount for the six months ended 30 June 2010 is not adjusted for the issuance of 200,002,781 ordinary shares pursuant to the initial public offering (the "IPO") on 15 July 2010 and the issuance of 18,751,000 ordinary shares pursuant to the exercise of over-allotment options on 2 August 2010.

12. Property, Plant and Equipment

Group

30 June 2010	Buildings RMB'000	Computers and electronic equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 31 December 2009 and 1 January 2010						
Cost	3,059	6,783	5,461	15,530	8,983	39,816
Accumulated depreciation	(160)	(3,236)	(1,980)	(5,708)	(2,509)	(13,593)
Net carrying amount	2,899	3,547	3,481	9,822	6,474	26,223
At 1 January 2010, net of accumulated depreciation	2,899	3,547	3,481	9,822	6,474	26,223
Additions	–	433	276	499	552	1,760
Disposals	–	(8)	–	–	–	(8)
Depreciation charge for the period	(70)	(792)	(512)	(1,076)	(1,390)	(3,840)
At 30 June 2010, net of accumulated depreciation	2,829	3,180	3,245	9,245	5,636	24,135
At 30 June 2010						
Cost	3,059	7,188	5,737	16,029	9,535	41,548
Accumulated depreciation	(230)	(4,008)	(2,492)	(6,784)	(3,899)	(17,413)
Net carrying amount	2,829	3,180	3,245	9,245	5,636	24,135

12. Property, Plant and Equipment (continued)

Group (continued)

30 June 2009 (unaudited)	Buildings RMB'000	Computers and electronic equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 31 December 2008 and 1 January 2009						
Cost	34,683	5,144	2,764	12,883	2,939	58,413
Accumulated Depreciation	(3,838)	(1,353)	(952)	(3,227)	(1,304)	(10,674)
Net carrying amount	30,845	3,791	1,812	9,656	1,635	47,739
At 1 January 2009, net of accumulated depreciation	30,845	3,791	1,812	9,656	1,635	47,739
Additions	—	496	34	490	—	1,020
Disposals	—	(18)	—	—	—	(18)
Revaluation upon transfer to investment properties	10,376	—	—	—	—	10,376
Transfer to investment properties (note 13)	(36,989)	—	—	—	—	(36,989)
Depreciation charge for the period	(318)	(557)	(362)	(835)	(313)	(2,385)
At 30 June 2009, net of accumulated depreciation	3,914	3,712	1,484	9,311	1,322	19,743
At 30 June 2009						
Cost	9,157	5,603	2,798	13,373	2,939	33,870
Accumulated depreciation	(5,243)	(1,891)	(1,314)	(4,062)	(1,617)	(14,127)
Net carrying amount	3,914	3,712	1,484	9,311	1,322	19,743

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

	30 June 2010 RMB'000	31 December 2009 RMB'000
Lease of over 50 years	**2,829**	2,899

13. Investment Properties

Group

	30 June 2010 RMB'000
At 31 December 2009 and 1 January 2010	**80,100**
Net loss from fair value adjustment	**(300)**
At 30 June 2010	**79,800**

	30 June 2009 RMB'000 (Unaudited)
At 1 January 2009	32,003
Transfer from property, plant and equipment (note 12)	36,989
Net gain from fair value adjustment	4,469
	73,461

The Group's investment properties were revalued by Savills Valuation and Professional Services Limited on 30 June 2010, an independent firm of professional valuers, at RMB79.8 million, by reference to the comparable market transactions as available and where appropriate, on the basis of capitalisation of net rental income.

The Group's investment properties amounting to RMB28,200,000 (31 December 2009: RMB80,100,000) were pledged to secure bank loans granted to the Group at 30 June 2010, as disclosed in note 24 below.

The Group's investment properties are situated in the PRC and the land lease prepayments of the investment properties are held under a long-term lease.

14. Goodwill

The goodwill of RMB230,664,000 as at 30 June 2010 and 31 December 2009 arose from the acquisition of 北京亞邦偉業技術有限公司 and its subsidiaries (collectively "Aproud Group") as at 1 January 2006, which is considered by the directors of the Company as a separate cash-generating unit. The Group performs the assessment for impairment of goodwill annually.

The directors of the Company are of the opinion that there are no indications of impairment at the end of the reporting period.

15. Investments in Subsidiaries

Company

	30 June 2010 RMB'000	31 December 2009 RMB'000
Unlisted shares, at cost	**585,883**	591,330

Particulars of the subsidiaries of the Company are as follows:

Name	Place and date of incorporation or registration and place of operation	Nominal value of issued ordinary share/ registered capital	Percentage of equity interests attributable to the Company Direct/	Indirect	Principal activities
Winitop Investments Limited	British Virgin Islands 18 February 2009	—	100		Investment holding
Well Score International Limited	Hong Kong 27 March 2009	HK$1.0		100	Investment holding
China Toprise Limited	British Virgin Islands 16 June 2006	US$1,000	100		Investment holding
Fairstar Success Holdings Limited	British Virgin Islands 13 June 2006	US$50,000	100		Investment holding
北京瑞華贏科技發展有限公司 Beijing RHY Technology Development Co., Ltd.	PRC 16 February 2001	RMB150 million		100	Intelligent traffic system turnkey solutions and value-added services
北京亞邦偉業技術有限公司 Beijing Aproud Technology Co., Ltd.	PRC 15 February 2001	RMB80 million		100	Communication and surveillance specialised solutions and value-added services
北京亞邦偉業信息工程有限公司 Beijing Aproud Information Engineering Co., Ltd.	PRC 3 September 2004	RMB2 million		100	Value-added services and specialised solutions

15. Investments in Subsidiaries (continued)

Company (continued)

Name	Place and date of incorporation or registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity interests attributable to the Company Direct/Indirect	Principal activities
北京和信日晟科技有限公司 Beijing Hexin Risheng Technology Co., Ltd.	PRC 26 December 2003	RMB10 million	100	Communication and surveillance specialised solutions
北京百聯智達科技發展有限公司 Beijing Bailian Zhida Technology Development Co., Ltd.	PRC 18 April 2007	RMB5.5 million	100	Surveillance specialised solutions
北京昊天佳捷科技有限公司 Beijing Haotian Jiajie Technology Co., Ltd.	PRC 30 March 2007	RMB100 million	100	Communication specialised solutions and value-added services
北京智訊天成技術有限公司 Beijing Zhixun Tiancheng Technology Co., Ltd.	PRC 25 June 2007	RMB50 million	100	Communication specialised solutions
北京亞邦偉業軟件有限公司 Beijing Aproud Software Co., Ltd.	PRC 11 July 2007	RMB5 million	100	Intelligent transportation system related software development
江蘇智訊天成技術有限公司 Jiangsu Zhixun Tiancheng Technology Co., Ltd.	PRC 19 November 2009	RMB10 million	100	Communication specialised solutions
江蘇易捷科技有限公司 Jiangsu Yijie Technology Co., Ltd.	PRC 16 March 2010	RMB10 million	100	Communication specialised solutions

The English names of the Group's PRC subsidiaries above represent the best efforts of the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

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

北京瑞華贏科技發展有限公司, 北京亞邦偉業技術有限公司 and 北京昊天佳捷科技有限公司 are registered as Sino-foreign equity joint venture enterprise under the PRC laws. All other PRC subsidiaries are limited liability companies. The registered capital of the Group's PRC subsidiaries was fully paid up as at 30 June 2010.

16. Interests in Jointly-Controlled Entities

Group

	30 June 2010 RMB'000	31 December 2009 RMB'000
Share of net assets	**15,823**	8,544

Particulars of the jointly-controlled entities are as follows:

Name	Place of registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
武漢辰光交通科技發展有限公司 (note 1)	PRC	51%	60%	51%	Intelligent traffic system turnkey solutions
新疆瑞華贏機電系統技術有限公司 (note 2)	PRC	51%	60%	51%	Value-added services
成都智達威路特科技有限公司 (note 3)	PRC	51%	60%	51%	Value-added services

Notes:

(1) The resolution of the shareholders meeting of 武漢辰光交通科技發展有限公司 requires three-fourth of votes for approval of essential decisions and two-thirds of votes for other matters. The board of directors of 武漢辰光交通科技發展有限公司 has five persons and the Group has three representatives. In accordance with the articles of association of 武漢辰光交通科技發展有限公司, the resolution of the board of directors meetings require two-thirds of votes of directors for approval. Based on the above, in the opinion of the directors, the Group is unable to exercise unilateral control over the financial and operating policies of 武漢辰光交通科技發展有限公司 and accordingly, it is accounted for as a jointly-controlled entity of the Group.

(2) The resolution of the shareholders meeting of 新疆瑞華贏機電系統技術有限公司 requires two-thirds of votes for approval. The board of directors of 新疆瑞華贏機電系統技術有限公司 has five persons and the Group has three representatives. In accordance with the articles of association of 新疆瑞華贏機電系統技術有限公司, the resolution of the board of directors meetings require two-thirds of votes of directors for approval. Based on the above, in the opinion of the directors, the Group is unable to exercise unilateral control over the financial and operating policies of 新疆瑞華贏機電系統技術有限公司 and accordingly, it is accounted for as a jointly-controlled entity of the Group.

(3) The board of directors of 成都智達威路特科技有限公司 has five persons and the Group has three representatives. In accordance with the articles of association of 成都智達威路特科技有限公司, the resolution of the board of directors meetings require at least four-fifth of votes of directors for approval. Based on the above, in the opinion of the directors, the Group is unable to exercise unilateral control over the financial and operating policies of 成都智達威路特科技有限公司 and accordingly, it is accounted for as a jointly-controlled entity of the Group. The Group made capital contribution of RMB7,650,000 to 成都智達威路特科技有限公司 in January 2010.

16. Interests in Jointly-Controlled Entities (continued)

The share of profits of jointly-controlled entities during the six months ended 30 June 2010 is as follows:

Group

	For the six months ended 30 June	
	2010	**2009**
	RMB'000	**RMB'000**
		(Unaudited)
Share of profits/(losses) of jointly-controlled entities:		
武漢辰光交通科技發展有限公司	**(356)**	142
新疆瑞華贏機電系統技術有限公司	**(12)**	(191)
成都智達威路特科技有限公司	**(3)**	—
	(371)	(49)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

Share of the jointly-controlled entities' assets and liabilities

	30 June 2010 RMB'000	**31 December 2009 RMB'000**
Current assets	**15,776**	12,289
Non-current assets	**3,998**	856
Current liabilities	**(3,951)**	(4,601)
Net assets	**15,823**	8,544

Share of the jointly-controlled entities' results

	For the six months ended 30 June	
	2010	**2009**
	RMB'000	**RMB'000**
		(Unaudited)
Revenue and other income	**3,601**	3,680
Costs and expenses	**(3,972)**	(3,729)
Loss after tax	**(371)**	(49)

17. Amount due from/due to Contract Customers

Group

	30 June 2010 RMB'000	31 December 2009 RMB'000
Amount due from contract customers	**960,746**	679,579
Amount due to contract customers	**(144,333)**	(138,956)
	816,413	540,623
Contract costs incurred plus recognised profits less recognised losses to date	**2,797,742**	2,492,873
Less: Progress billings	**(1,981,329)**	(1,952,250)
	816,413	540,623

18. Trade and Notes Receivables

Group

	30 June 2010 RMB'000	31 December 2009 RMB'000
Trade receivables	**463,806**	414,138
Provision for impairment	**(3,138)**	(3,316)
	460,668	410,822
Notes receivable	**6,658**	572
	467,326	411,394

Trade receivables, which are non-interest-bearing, are recognised and carried at original invoiced amount less any impairment loss. An estimate for doubtful debts is made when there is objective evidence that an impairment loss on receivables has been incurred. The Group generally does not require collateral from its customers.

18. Trade and Notes Receivables (continued)

There is no movement in impairment of trade receivables for the six months ended 30 June 2009. The movement in impairment of trade receivables for the six months ended 30 June 2010 is as follows:

	30 June 2010 RMB'000
At 31 December 2009 and 1 January 2010	**3,316**
Write-back of impairment	**(178)**
At 30 June 2010	**3,138**

Included in the above provision for impairment of trade receivables is a provision for an individually impaired trade receivable of RMB3,138,000 (31 December 2009: RMB3,316,000). The individually impaired trade receivable relates to a customer that was in default in payment. The Group does not hold any collateral or other credit enhancements over the balance.

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

	30 June 2010 RMB'000	31 December 2009 RMB'000
Less than 6 months	**274,418**	280,578
6 months to 1 year	**162,891**	97,745
1 year to 2 years	**28,519**	32,905
2 years to 3 years	**1,353**	166
Over 3 years	**145**	—
	467,326	411,394

18. Trade and Notes Receivables (continued)

Trade and notes receivables generally have credit terms ranging from 30 days to 90 days. An aged analysis of the trade and notes receivables that are neither individually nor collectively considered to be impaired is as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Neither past due nor impaired	**69,813**	160,291
Past due but not impaired:		
Less than 6 months past due	**219,061**	122,584
6 months to 1 year past due	**148,435**	95,447
1 year to 2 years past due	**28,519**	32,906
2 years to 3 years past due	**1,353**	166
Over 3 years past due	**145**	—
	467,326	411,394

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 of the Company 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. The Group does not hold any collateral or other credit enhancements over these balances.

19. Prepayments, Deposits and Other Receivables

Group

	30 June 2010 RMB'000	31 December 2009 RMB'000
Prepayments to suppliers for purchases of goods	**213,351**	133,908
Tender deposits	**22,773**	27,625
Advances to staff	**7,335**	6,838
Contract deposits	**26,014**	31,019
Prepayments related to the listing of the Company's shares	**8,359**	2,709
Others	**8,587**	11,214
	286,419	213,313

19. Prepayments, Deposits and Other Receivables (continued)

Company

	30 June 2010 RMB'000	31 December 2009 RMB'000
Prepayments related to the listing of the Company's shares	**8,359**	2,709
Dividends receivable from subsidiaries	**66,264**	66,880
Others	**—**	1,526
	74,623	71,115

20. Inventories

Group

	30 June 2010 RMB'000	31 December 2009 RMB'000
Raw materials	**2,726**	2,831
Work in progress	**164**	191
Finished goods	**334**	325
General merchandise	**3,453**	3,085
	6,677	6,432

21. Cash and Bank Balances, Short-Term Deposit and Pledged Deposits

Group

	30 June 2010 RMB'000	31 December 2009 RMB'000
Cash and bank balances	**225,107**	177,173
Non-pledged short-term deposit with original maturity of more than three months when acquired	**67,723**	—
Pledged deposits	**134,500**	173,607
	427,330	350,780
Less: Non-pledged short-term deposit with original maturity of more than three months when acquired	**(67,723)**	—
Less: Pledged deposits for		
— Bank loans (note 24)	**(52,290)**	(50,228)
— Project bonds	**(58,026)**	(74,660)
— Notes payable	**(24,184)**	(48,719)
	(134,500)	(173,607)
Cash and bank balances	**225,107**	177,173

Cash at banks earns interest at floating rates based on daily bank deposit rates. The short-term deposit is made for a period of 12 months when acquired and earns a bank deposit rate of 2.7% per annum.

The cash and bank balances, short-term deposit and pledged deposits of the Group denominated in RMB amounted to RMB232.8 million (31 December 2009: RMB298.7 million) as at 30 June 2010. 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.

21. Cash and Bank Balances, Short-Term Deposit and Pledged Deposits (continued)

Company

	30 June 2010 RMB'000	31 December 2009 RMB'000
Cash and bank balances	**74,521**	747
Non-pledged short-term deposit with original maturity of more than three months when acquired	**67,723**	—
Pledged deposits	**—**	50,228
	142,244	50,975
Less: Non-pledged short-term deposit with original maturity of more than three months when acquired	**(67,723)**	—
Less: Pledged deposits for bank loans	**—**	(50,228)
Cash and bank balances	**74,521**	747

22. Trade and Notes Payables

Group

	30 June 2010 RMB'000	31 December 2009 RMB'000
Trade payables	**437,007**	351,925
Notes payable	**62,100**	136,665
	499,107	488,590

The Group's notes payable were secured by pledged deposits of the Group of RMB24.2 million (31 December 2009: RMB48.7 million) as at 30 June 2010.

22. Trade and Notes Payables (continued)

Trade payables are non-interest-bearing and generally have credit terms ranging from 1 to 90 days. An aged analysis of the Group's trade payables is as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Current or less than 1 year past due	**416,330**	332,428
1 to 2 years past due	**14,193**	11,951
Over 2 years past due	**6,484**	7,546
	437,007	351,925

23. Other Payables and Accruals

Group

	30 June 2010 RMB'000	31 December 2009 RMB'000
Advances from customers	**167,316**	109,199
Deposits received	**1,749**	4,670
Staff costs and welfare accruals	**16,672**	17,614
Accruals related to the listing of the Company's shares	**38,780**	8,322
Other taxes payable	**79,322**	70,079
Dividend payables	**50,000**	15,297
Others	**13,652**	2,232
	367,491	227,413

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

Company

	30 June 2010 RMB'000	31 December 2009 RMB'000
Dividend payables	**50,000**	15,297
Accruals related to the listing of the Company's shares	**38,780**	8,322
Others	**1,424**	445
	90,204	24,064

24. Interest-bearing Bank Borrowings

Group

	Effective interest rate %	30 June 2010 RMB'000	31 December 2009 RMB'000
Current			
Bank loans — secured and repayable within one year	4.78—6.11	**70,000**	95,150
Bank loans — unsecured and repayable within one year	5.31—6.11	**120,000**	75,000
		190,000	170,150

The bank loans amounting to RMB25.0 million (31 December 2009: RMB50.0 million) as at 30 June 2010 were secured by investment properties of the Group of RMB28.2 million (31 December 2009: RMB80.1 million) (note 13 above).

The bank loans amounting to approximately RMB45 million as at 30 June 2010 were secured by irrevocable standby letters of credit amounting to HKD26.7 million and USD4.3 million issued by Off-Shore Banking Department of China Merchants Bank. The abovementioned letters of credit are secured by pledged deposits of the Group amounting to RMB52.3 million. The bank loans amounting to RMB45.2 million as at 31 December 2009 were secured by pledged deposits of the Group of approximately RMB50.2 million.

As at 30 June 2010, the Group had unutilised available bank borrowing facilities amounting to RMB55.9 million (31 December 2009: RMB24.0 million).

The Group's bank loans are all denominated in RMB with fixed interest rates. The carrying amounts of the Group's current borrowings approximate to their fair values.

25. Due from/Due to the Subsidiaries

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

26. Share Capital

Shares

	30 June 2010 RMB'000	31 December 2009 RMB'000
Authorised:		
1,900,000,000 ordinary shares of HK$0.0002 each	**335**	335
Issued and fully paid		
1,350,293,553 (31 December 2009: 1,226,329,477) ordinary shares of HK$0.0002 each	**238**	216

During the six months ended 30 June 2010, the addition in share capital was as follows:

On 26 February 2010, a consortium consisting of Baytree Investments (Mauritius) Pte Ltd ("Baytree"), GE Capital Equity Investment LTD., Intel Capital Corporation, Greater China PE Fund L.P. and Future Choice Limited ("Future Choice") (collectively known as the "Co-investors"), entered into an agreement (the "Agreement") for (a) the purchase and subscription of ordinary shares of the Company, (b) the subscription by Baytree of an exchangeable bond of China ITS and the extension of a short-term loan to China ITS, and (c) further subscription of ordinary shares of the Company by Baytree and Future Choice upon its initial public offerings.

Pursuant to the Agreement, the Co-investors subscribed for an aggregate 123,964,076 new ordinary shares of the Company with a par value of HK$0.0002 each at a consideration of US$46.0 million (equivalent to RMB312.4 million) on 5 March 2010, resulting in a share premium of RMB309,586,000 after netting off share issue expenses. The issued ordinary shares of the Company increased to 1,350,293,553 ordinary shares with a par value of HK$0.0002 each thereafter.

27. Reserves

(a) Group

The amounts of the Group's statutory reserve and capital reserve and movements therein for the current and prior periods are presented in the consolidated statement of changes in equity on page 34 of the financial statements.

Statutory Reserve

According to the PRC Company Law, each of the PRC subsidiaries of the Group is required to transfer 10% of its after-tax profit, 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 company, 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, further details of which are included in the accountants' report as set out in Appendix I to the Prospectus; ii) reserves arising from the share options granted by China ITS to the employees of the Group as set out in note 28 above; and iii) capitalised retained earnings to the capital of certain subsidiaries.

27. Reserves (continued)

(b) Company

	Notes	Share premium RMB'000	Contributed surplus (note (i)) RMB'000	Foreign currency translation reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
At 31 December 2009 and 1 January 2010		**120,190**	**586,802**	**4,187**	**(27,080)**	**684,099**
Issues of ordinary shares	26	**309,586**	**—**	**—**	**—**	**309,586**
Total comprehensive income for the period		**—**	**—**	**(6,706)**	**(34,953)**	**(41,659)**
Dividend declared	10	**(50,000)**	**—**	**—**	**—**	**(50,000)**
At 30 June 2010		**379,776**	**586,802**	**(2,519)**	**(62,033)**	**902,026**

Note (i) The contributed surplus of the Company represented the excess of net assets value transferred to the Group from China ITS over the par value of shares issued to China ITS pursuant to the Reorganisation.

28. Share Option Scheme

On 31 December 2008 (the "Grant Date"), China ITS launched a share option scheme (the "Scheme"). Pursuant to the Scheme, China ITS granted 116,653,107 options to acquire the equivalent number of the existing ordinary shares of the Company from China ITS (the "Share Options") to eligible employees of the Group and directors, included in which 58,170,393 Share Options were vested on the Grant Date and the remaining 58,482,714 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 share option expense recognised during the six months ended 30 June 2010 is as follows:

	For the six month ended 30 June	
	2010 RMB'000	2009 RMB'000 (Unaudited)
Share-based payment expense	**4,943**	4,943

28. Share Option Scheme (continued)

The following table illustrates the numbers and weighted average exercise prices (WAEP) of the Share Options and their movements for the six months ended 30 June 2010:

	Numbers '000	WAEP RMB
Outstanding at 31 December 2009 and 1 January 2010 and 30 June 2010	**116,653**	1.80
Exercisable at 31 December 2009 and 30 June 2010	**58,170**	0.60

The fair value of the Share Options at the Grant Date was estimated by an independent firm of professional valuers, Marsh (Beijing) Risk Consulting Co., Ltd., using the Hull-White Binomial Model (the "HW Model"), taking into account the terms and conditions upon which the share options were granted.

Since the Share Options were granted by China ITS, the Company did not have any outstanding share options as at 30 June 2010 (31 December 2009: Nil).

29. Related Party Disclosures

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

	Notes	For the six months ended 30 June 2010 RMB'000	For the six months ended 30 June 2009 RMB'000 (Unaudited)
Purchases from a related party:			
武漢辰光交通科技發展有限公司	(a)	–	4,800
Rental income from related parties:			
RHY Investment Holding Co., Ltd	(b)	–	106
Bailian Youli Investment Co., Ltd	(b)	–	300
Total		–	406

Notes:

(a) The entity is a jointly-controlled entity of the Group.

The purchases were made in relation to the turnkey solution and communication and surveillance specialised solution businesses which involved various types of equipment such as telecommunication equipment, testing equipment, cables, display systems and closed-circuit monitors for project implementation and purchases of specialised solutions.

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 party and the Group after taking reference of market prices.

The purchases from the jointly-controlled entity will continue but these related party transactions do not constitute continuing connected party transactions as defined in Chapter 14A of the Listing Rules.

(b) RHY Investment Holding Co., Ltd. is 60% owned by a director of the Company. Bailian Youli Investment Co., Ltd. is owned by a director of the Company.

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 after taking reference of market prices.

29. Related Party Disclosures (continued)

	Notes	30 June 2010 RMB'000	31 December 2009 RMB'000
Due from related parties:			
Non-trade related			
RHY Investment Holding Co., Ltd	(c)	**227**	2,711
武漢辰光交通科技發展有限公司		**—**	1,189
Total		**227**	3,900
Due to related parties:			
Trade related			
武漢辰光交通科技發展有限公司		**1,415**	2,435
新疆瑞華贏機電系統技術有限公司	(d)	**—**	625
		1,415	3,060
Non-trade related			
Bailian Youli Investment Co., Ltd		**2,000**	287
武漢辰光交通科技發展有限公司		**1,976**	1,220
成都智達威路特科技有限公司	(d)	**2,150**	—
		6,126	1,507
Total		**7,541**	4,567

Notes:

(c) The maximum amount outstanding during the period was RMB2,711,000.

(d) The entity is a jointly-controlled entity of the Group.

Terms and conditions of transactions with related parties

Outstanding balances as at 30 June 2010 and 31 December 2009 were unsecured and interest-free. There were no fixed terms of repayment and settlement will be in cash. There were no guarantees provided or received for any related party receivables or payables. The non-trade related amounts due from/due to related parties as at 30 June 2010 were fully settled subsequently.

29. Related Party Disclosures (continued)

Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000 (Unaudited)
Salaries, bonuses, allowances and benefits in kind	**679**	918
Share-based payment expenses	**1,314**	1,314
Pension plan contributions	**77**	38
Total compensation paid to key management personnel	**2,070**	2,270

Further details of the directors' remuneration are included in note 6 above.

30. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the turnkey solutions segment involves the integration of information technology with the physical transportation infrastructure;

(b) the specialised solutions segment provides solutions to discrete problems occurring in a client's existing or planned transportation infrastructure through the design, development and implementation of hardware-based and software-based systems; and

(c) the value-added services segment involves post-construction maintenance services for turnkey and specialised solutions.

Management monitors the results of its 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 before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, fair value gain/(loss) from the Group's investment properties, share of losses of jointly-controlled entities as well as head office and corporate expenses are excluded from such measurement.

30. Operating Segment Information (continued)

Segment assets exclude deferred tax assets, property, plant and equipment, investment properties, amounts due from related parties, interests in jointly-controlled entities and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, interest-bearing bank borrowings, amounts due to related parties, income tax payables and other unallocated head office and corporate assets as these liabilities are managed on a group basis.

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

All of the Group's revenue from external customers is generated from the PRC. All of the Group's non-current assets are located in the PRC.

None of the Group's sales to a single external customer amounted to 10% or more of the Group's revenue during the six months ended 30 June 2010. Revenue of approximately RMB50.4 million for the six months ended 30 June 2009 was derived from a single customer in the specialised solution business.

30. Operating Segment Information (continued)

	Turnkey solutions RMB'000	Specialised solutions RMB'000	Value-added services RMB'000	Consolidated RMB'000
Six months ended 30 June 2010				
Segment revenue				
Sales to external customers	165,154	472,718	4,080	641,952
Intersegment sales	—	—	—	—
	165,154	472,718	4,080	641,952
Reconciliation:				
Elimination of intersegment sales				—
Revenue				641,952
Segment results	15,073	98,888	263	114,224
Reconciliation:				
Interest income				1,216
Share of losses of jointly-controlled entities				(371)
Corporate and other unallocated expenses				(44,447)
Finance costs				(5,434)
Profit before tax				65,188
30 June 2010				
Segment assets	626,964	1,303,009	13,930	1,943,903
Reconciliation:				
Corporate and other unallocated assets				561,666
Total assets				2,505,569
Segment liabilities	353,084	557,117	10,837	921,038
Reconciliation:				
Unallocated liabilities				319,824
Total liabilities				1,240,862
Six months ended 30 June 2010				
Other segment information				
Share of losses of jointly-controlled entities				371
Impairment losses reversed in the income statement				(178)
Depreciation				3,840
Interests in jointly-controlled entities				15,823
Capital expenditure				1,760

30. Operating Segment Information (continued)

	Turnkey solutions RMB'000	Specialised solutions RMB'000	Value-added services RMB'000	Consolidated RMB'000
Six months ended 30 June 2009 (Unaudited)				
Segment revenue				
Sales to external customers	152,836	311,658	4,271	468,765
Intersegment sales	—	4,290	—	4,290
	152,836	315,948	4,271	473,055
Reconciliation:				
Elimination of intersegment sales				(4,290)
Revenue				468,765
Segment results	28,114	52,037	1,354	81,505
Reconciliation:				
Interest income				436
Share of losses of jointly-controlled entities				(49)
Unallocated gains				4,469
Corporate and other unallocated expenses				(9,060)
Finance costs				(3,439)
Profit before tax				73,862
31 December 2009				
Segment assets	488,466	1,036,582	12,854	1,537,902
Reconciliation:				
Corporate and other unallocated assets				479,513
Total assets				2,017,415
Segment liabilities	305,703	533,296	663	839,662
Reconciliation:				
Unallocated liabilities				224,594
Total liabilities				1,064,256
Six months ended 30 June 2009 (Unaudited)				
Other segment information				
Share of losses of:				
Jointly-controlled entities				49
Depreciation				2,385
Capital expenditure				300
31 December 2009				
Interests in jointly controlled entities				8,544

31. Notes to the Statement of Comprehensive Income

(a) Asset revaluation reserve

The movement in surplus reserve during the six months ended 30 June 2009 represented the asset revaluation reserve of the Group's buildings included in property, plant and equipment upon the transfer to investment properties on 31 March 2009.

(b) Exchange fluctuation reserve

The functional currencies of overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities were translated into the reporting currency of the Group at the exchange rates ruling at the end of the reporting period and their income statements are translated at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve.

32. Supplemental Cash Flow Information

	For the six months ended 30 June	
	2010	**2009**
	RMB'000	**RMB'000**
		(Unaudited)
Cash paid for income tax	**20,759**	21,262

33. Pledge of Assets

Details of the Group's bank loans, which secured by the assets of the Group, are included in notes 13 and 24, respectively, to the financial statements.

34. Operating Lease Commitments

Group as lessee

The lease commitments are in respect of office premises, all of which are classified as operating leases. These non-cancellable leases have lease terms of two months to five years. Future minimum lease payments under these leases are as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Within one year	**13,546**	13,538
In the second to fifth years, inclusive	**14,592**	21,046
	28,138	34,584

Group as lessor

The Group leases its investment properties to certain related parties and independent third parties, with leases negotiated for a term of two years. Future minimum rental receivables under non-cancellable operating leases are as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Within one year	**4,211**	4,097
In the second to fifth years, inclusive	**6,091**	2,805
	10,302	6,902

The Company did not have any operating lease commitments as at 30 June 2010 (31 December 2009: nil).

35. Commitments

As at 30 June 2010, neither the Group nor the Company had any significant commitments save as disclosed in note 34 above (31 December 2009: Nil).

36. 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

	30 June 2010 Loans and receivables RMB'000	31 December 2009 Loans and receivables RMB'000
Trade and notes receivables	**467,326**	411,394
Due from related parties	**227**	3,900
Financial assets included in prepayments, deposits and other receivables	**48,787**	58,644
Pledged deposits	**134,500**	173,607
Short-term deposit	**67,723**	—
Cash and cash equivalent	**225,107**	177,173
	943,670	824,718

Group

Financial Liabilities

	30 June 2010 Financial liabilities at amortised cost RMB'000	31 December 2009 Financial liabilities at amortised cost RMB'000
Trade and notes payables	**499,107**	488,590
Due to related parties	**7,541**	4,567
Financial liabilities included in other payables and accruals	**1,749**	4,670
Interest-bearing bank borrowings	**190,000**	170,150
	698,397	667,977

36. Financial Instruments by Category (continued)

Company

Financial Assets

	30 June 2010 Loans and receivables RMB'000	31 December 2009 Loans and receivables RMB'000
Due from subsidiaries	**197,440**	—
Pledged deposits	**—**	50,228
Short-term deposit	**67,723**	—
Cash and cash equivalents	**74,521**	747
	339,684	50,975

Company

Financial Liability

	30 June 2010 Financial liability at amortised cost RMB'000	31 December 2009 Financial liability at amortised cost RMB'000
Due to a subsidiary	**7,722**	5,041

37. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing bank borrowings, cash and cash equivalents, a short-term deposit and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, amounts due from related parties, other receivables, trade and notes payables, amounts due to related parties and other payables, 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. Generally, senior management of the Group analyses and formulates measures to manage the Group's exposure to these risks. In addition, the board of directors of the Company analyses and approves the proposals made by the senior management. The Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

(i) Interest Rate Risk

The Group did not have any bank borrowings with floating interest rates as at 30 June 2010 (31 December 2009: Nil). Therefore, the Group considers that the exposure to interest rate risk is insignificant.

(ii) Foreign Currency Risk

Substantially all of the Group's businesses are denominated in RMB, which is the Group's presentation currency. Each entity within the Group determines its own functional currency. RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The Group's certain bank balances are denominated in US$ and HK$, and certain expenses and payables of the Group are denominated in currencies other than the RMB.

The following table demonstrates the sensitivity as at 30 June 2010 and 31 December 2009 to a reasonable possible change in US$ exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

37. Financial Risk Management Objectives and Policies (continued)

(ii) Foreign Currency Risk (continued)

	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity * RMB'000
30 June 2010			
If RMB weakens against US$	**5**	**213**	**7,977**
If RMB strengthens against US$	**(5)**	**(213)**	**(7,977)**
31 December 2009			
If RMB weakens against US$	5	—	2,958
If RMB strengthens against US$	(5)	—	(2,958)

* Excluding retained earnings

(iii) 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, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The carrying amounts of cash and cash equivalents the short-term deposit, pledged bank balances, trade and notes receivables, other receivables, and amounts due from related parties, represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. Substantially all of the Group's cash and cash equivalents are held with major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. As the Group's major customers are the 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.

37. Financial Risk Management Objectives and Policies (continued)

(iv) Liquidity Risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to an excessive repayment risk in any particular period. The Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

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 30 June 2010	**On demand RMB'000**	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**Total RMB'000**
Trade and notes payables	**161,602**	**337,505**	**—**	**499,107**
Due to related parties	**7,541**	**—**	**—**	**7,541**
Financial liabilities included in other payables and accruals	**1,749**	**—**	**—**	**1,749**
Interest-bearing bank borrowings	**—**	**25,000**	**165,000**	**190,000**
	170,892	**362,505**	**165,000**	**698,397**

As at 31 December 2009	**On demand RMB'000**	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**Total RMB'000**
Trade and notes payables	49,571	439,019	—	488,590
Due to related parties	4,567	—	—	4,567
Financial liabilities included in other payables and accruals	4,670	—	—	4,670
Interest-bearing bank borrowings	—	—	170,150	170,150
	58,808	439,019	170,150	667,977

37. Financial Risk Management Objectives and Policies (continued)

(iv) Liquidity Risk (continued)

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 loans, 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.

(v) Capital management

The Group's capital management objectives 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 the 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.

38. Events after the Reporting Period

Listing on the Stock Exchange

On 15 July 2010, the Company listed its ordinary shares on the Main Board of the Stock Exchange and issued 200,002,781 ordinary shares with a par value of HK$0.0002 each to Hong Kong public investors and international investors at the offer price of HK$3.49 per share.

On 2 August 2010, the over-allotment options (as defined in the Prospectus) were partially exercised and the Company issued 18,751,000 additional ordinary shares with a par value of HK$0.0002 each to the international investors at the offer price of HK$3.49 per share.

39. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 29 August 2010.