This offering involves certain risks. Prior to making an investment decision, you should carefully consider all of the information in this prospectus, including, but not limited to, the risks factors described below. Our business could be materially and adversely affected by any of the risks and uncertainties described below. The trading price of our Shares may decline due to any of these risks and uncertainties and may cause you to lose all or part of your investment.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to business operations in the PRC; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS

We may suffer losses on projects due to cost overrun, delay in meeting our schedule and other unforeseen circumstances.

We face risks associated with cost overrun for projects. A significant amount of our contracts require us to complete a project for a fixed price within a fixed period of time which exposes us to the risk of cost overrun. The failure to accurately anticipate the cost of a project or any changes in costs of labor and equipment may also lead to cost overrun for our projects. Furthermore, clients may sometimes require us to perform extra work which is beyond the scope of work in the original project and we may be unable to meet schedule requirements for completing these projects, which may adversely affect our reputation and brand name. These risks may, singly or in the aggregate, adversely affect our business, reputation and financial results.

The global financial markets have experienced significant volatility recently, which have had negative repercussions on the global economy. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Certain recent adverse financial developments have impacted the global financial markets. These developments include a general slowing of economic growth in the U.S., China and globally, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. These macroeconomic developments negatively affected and may continue to affect our business, operating results or financial condition in a number of ways. For example, during the Track Record Period, we experienced delays on a number of projects and tightening of gross profit margins with respect to certain products. In addition, current or potential customers may reduce their ITS spending or be unable to fund projects or services purchases, which could cause them to delay, decrease or cancel purchases of our products and services or not to pay us or to delay paying us for previously purchased products and services. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time, including increase in interest expenses on our bank borrowings, or reduction of the amount of banking facilities currently available to us. If the economic downturn continues, our business, financial condition and results of operations could be materially and adversely affected.

We have experienced significant growth in the past, and we may not be able to maintain such growth in the future.

During the Track Record Period, we significantly increased the scope of our operations and increased our revenue from RMB694.1 million in 2007 to RMB1,126.9 million in 2008, and to RMB1,405.4 million in 2009. Our rapid growth may not be sustained in the future if we are unable to continue to expand the scope of our operations. The expansion of our business has, and will continue to, put pressure on our managerial, financial, operational and other resources. We also need to enhance financial and quality controls and recruit and train additional staff in order to keep pace with our growth. We may need to increase employee compensation levels in order to retain our existing executives and staff and attract the additional personnel we expect we may require. We cannot assure you that we will be able to manage our future expansion effectively. If we are unable to effectively manage our expanding operations and control increasing labor costs, our profitability may be adversely affected.

Ongoing evolution of our business model may result in variations in our business mix, corresponding fluctuations in our profit margins and working capital requirements, and increased exposure to regulatory risk.

Each of our Turnkey Solutions, Specialized Solutions and VA Services business segments enjoys a different profit margin and within each business segment our profit margins may be subject to variation based upon the specific mix of industry sectors and solutions provided. Such fluctuations in profit margins also have a corresponding impact on our working capital structure and business risk profile. As our business model continues to evolve, the relative revenue contribution from our various business segments has changed, leading to fluctuations in our overall margins and working capital requirements.

In 2007, 2008 and 2009, our overall gross profit margins were 32.5%, 25.8% and 28.5% respectively. Our gross profit margins for Turnkey Solutions were 18.3%, 17.6% and 20.4%, respectively, for the year ended December 31, 2007, 2008 and 2009, while the gross profit margins for Specialized Solutions were higher at 46.7%, 31.6% and 31.8%, respectively, for the year ended December 31, 2007, 2008 and 2009, and the gross profit margins for VA Services were at 67.1%, 81.2% and 62.7%, respectively, for the year ended December 31, 2007, 2008 and 2009. The relative revenue contribution from our higher margin Specialized Solutions business increased from 45.9% for the year ended December 31, 2007 to 61.5% for the year ended December 31, 2009, thereby positively affecting our overall gross profit margins. However, our overall gross profit margins were negatively affected by a general decline in the gross profit margin within our Specialized Solutions Segment from 46.7% for the year ended December 31, 2007 to 31.6% for the year ended December 31, 2008 and 31.8% for the year ended December 31, 2009 as a result of our expansion into the railway sector. Specialized Solutions projects in the railway sector typically enjoy lower gross profit margins than Specialized Solutions projects in the expressway sector and also have longer project lifecycles, leading to increased working capital requirements.

We expect that fluctuations in the relative revenue contribution from our various business segments and the margins within each segments as a result of the ongoing evolution of our business model may continue to lead to fluctuations in our overall profit margins and working capital requirements in the future. In addition, the continued evolution of our business mix will also lead to an increase in risks relating to competition and regulation. For example, our continuous expansion in railway Specialized Solutions may subject us to a different set of competitors. Whereas we have historically competed only with traditional expressway ITS companies, going forward we will also face competition from both traditional expressway ITS companies as well as railway specialized solutions companies. This expansion will also mean that we are subject, to a greater extent, to regulations imposed by railway regulatory bodies and affecting the railway industry. For further discussion of these changes during the Track Record Period, please refer to "Financial Information—Management's Discussion and Analysis of Financial Condition and Results of Operations".

We require substantial capital and any failure to obtain the capital we need on acceptable terms, or at all, may adversely affect our expansion plans and growth prospects.

The ITS industry in which we operate is generally capital intensive. As described further under "Business—Project Operation Process," in most of our Turnkey Solutions contracts, we are required to finance the purchase of materials and performance of engineering and other work on projects before we receive progress payments from customers in amounts sufficient to cover our expenditures. We may therefore have significant working capital requirements. Our working capital requirements may further increase if we are required to give our customers more favorable payment terms to compete successfully for certain projects. These terms may include reduced advance payments from customers and payment schedules from customers that are less favorable to us. As a result of increasing working capital requirements related to our business growth during the Track Record Period, we increased our bank borrowings from RMB65.2 million as of December 31, 2007 to RMB170.2 million as of December 31, 2009, and had a net cash outflow of RMB51.0 million in cash generated from operating activities for the year ended December 31, 2009.

We require capital to purchase equipment, develop new applications and solutions and develop and implement new technologies. We may be required to invest in research and development of new technology as well as improve our existing technologies, services and know-how. We incur a substantial portion of these costs in advance of any additional turnover to be generated by new or upgraded solutions or technology resulting from the expenditure. Our capital expenditures may increase as a result of our further expansion of our operations and upgrade of our solutions, which have resulted, and may result in the future, in increases in our borrowing needs.

To the extent that our funding requirements exceed our financial resources, we will be required to seek additional debt or equity financing or to defer planned expenditures and our evolving business mix may increase, from time to time, our working capital needs. In the past, we have financed our working capital and capital expenditures through a combination of sources, including cash flow from our operations and bank and other borrowings. If we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and we may be subject to additional covenants, which could limit our ability to access cash flows from operations. There can be no assurance that we will be able to raise adequate financing to fund our future capital requirements on acceptable terms, in time, or at all. Our failure to obtain sufficient financing in a timely manner and at reasonable cost could result in the delay or abandonment of our development and expansion plans and may have a material adverse effect on our business and financial results.

We may experience delays or defaults in payments by our customers.

Most of our contracts provide for prepayment and monthly or periodic progress payments from our customers with reference to performance milestones including delivery of equipment, installation and testing. However, we incur costs associated with a project, primarily equipment, subcontracting and certain project implementation expenses, on an ongoing basis, at the beginning of the project or before achieving the relevant performance milestones. In addition, there is customarily a 12- to 24-month warranty period after the completion of the project during which as much as 5% of the contract price is held by the customer until expiration of such period. As a result, we are required to pre-pay certain costs and expenses relating to projects prior to receiving sufficient payment from our customers to cover such costs and expenses.

We carry the risk that customers may delay or even be unable to make payment when such milestones are met or upon completion of projects. Delays in receiving payments or non-payment by our customers may put pressure on our cash flow position and our ability to meet our working capital requirements. In addition, defaults in payments to us on projects for which we have already incurred significant costs and expenses can materially and adversely affect our results of operations and reduce our financial resources that would otherwise be available to fund other projects. We cannot assure you that payments from customers will be made in a timely manner or that delays or defaults in payments will not affect our financial condition and results of operations.

Our backlog may not be indicative of our future results of operations.

In this prospectus, we have provided contract backlog figures that represent our estimate of the aggregate value of contracts signed as of a given date, *less* revenues recognized in connection with such contracts up to and including the same date. As of December 31, 2009, our aggregate backlog was approximately RMB917.5 million. However, this figure is based on the assumption that the relevant contracts will be performed in full in accordance with their terms. Many of our contracts do not provide for a fixed amount of work to be performed and are subject to modification or termination by the customer. The termination or modification of any one or more sizeable contracts may have a substantial and immediate effect on our backlog. Projects may also remain in our backlog for an extended period of time. We cannot guarantee that the amount estimated in our backlog will be realized in a timely fashion, or at all, or that, even if they are realized, will result in profits. As a result, you are warned against unduly relying on our backlog information presented in this prospectus as an indicator of our future earnings.

We depend on key personnel and failure to retain them could adversely affect our operations.

Our continued success and ability to expand our operations depend to a large extent upon the continued service of our key managerial employees. Our key personnel include Mr. Jiang Hailin, the chairman of our Board, executive Director and chief executive officer of the Company; Mr. Wang Jing, executive Director and vice president of the Company; Mr. Lu Xiao, executive Director, vice president of the Company and president of our Specialized Solutions business unit focusing on the railway sector; Mr. Pan Jianguo, executive Director and vice president of the Company; Mr. Leung Ming Shu, chief financial officer and company secretary; Mr. Lv Xilin, vice president of the Company and president of our Turnkey Solutions and VA Services business units focusing on the expressway sector; Mr. Jing Yang, vice president of the Company and president of our Specialized Solutions business unit focusing on the expressway sector; Mr. Kong Qiang, president of our Turnkey and Specialized Solutions business units focusing on the urban traffic sector; Mr. Zhao Lisen, head of the R&D center; and Mr. Mou Yi, our Group financial controller. Almost all of our key personnel have over 10 years' industry experience in their respective transportation, communication and related networking and infrastructure sectors. As such, they are able to make invaluable contribution to the business operations, strategic development and management of our Group. We rely on their expertise in developing business strategies, solution design and development, business operations, and their business networks with our clients and suppliers. Should we lose the services of these key personnel without securing adequate replacements, such event could, for example, limit our competitiveness, interrupt our business operations, reduce our product or service quality or cause customer dissatisfaction, any of which could adversely affect our business and results of operations. In addition, in order to manage our growth, we will need to recruit additional personnel or attract key personnel, and the failure to do so could harm our operations as well as our ability to grow our business. We do not maintain insurance with respect to the loss of any of our key personnel.

We currently depend on certain major suppliers, including Huawei, for the supply of certain electronic equipment and devices to be used in our solutions. If our relationships with these suppliers deteriorate we may lose customers, market share and revenue and our profit margins may decrease.

In providing our solutions, we purchase certain electronic equipment and devices from various suppliers. In 2007, 2008 and 2009, we purchased from a total of 491, 720 and 634 suppliers, respectively, among whom 79, 61 and 84 are telecommunication equipment and device providers, respectively. In 2008 and 2009, our purchases from our top five suppliers amounted to approximately RMB160.9 million, RMB322.1 million, and RMB368.5 million, respectively, representing approximately 34.3%, 38.5% and 36.7%, respectively, of our total cost of revenue.

In 2007, 2008 and 2009, our purchases of telecommunication equipment and devices from Huawei, our independent and largest supplier, amounted to approximately RMB109.8 million, RMB226.4 million and RMB259.9 million, respectively, which accounted for approximately 23.4%, 27.1% and 25.9%, respectively, of our total cost of revenue. We also purchased certain electronic equipment and devices from our next four largest suppliers, all of which are independent third parties, during the Track Record Period. Our next four largest suppliers during the Track Record Period have a relationship with our Group ranging from less than one year to more than three years, and are not subject to any long-term supply agreement with us.

Huawei has a long history of cooperation with us since our commencement of business operation in 2001. We benefit from a distribution contract between Aproud Technology and Huawei which has been in effect since 2002 and is renewed annually under which Aproud Technology is authorized as a distributor of Huawei products in the expressway sector in all provinces of China, except for Chongqing Municipality, Guizhou, Sichuan and Yunnan Provinces. Aproud Technology is also authorized to provide inspection, installation and maintenance services for certain Huawei communications equipment to be used in expressway projects in these areas. In addition, in 2009, we entered into a new distribution contract with Huawei under which Zhixun Tiancheng is authorized as a distributor of Huawei products in the railway sector in all provinces in China. Huawei's products form the backbone of many of our hardware- and software-based systems in both expressway and railway sectors. In addition, customers who specifically request Huawei products are obligated to use Aproud Technology or Zhixun Tiancheng's solutions business for the installation and maintenance of Huawei products, which provides us with opportunities to provide maintenance and upgrade services. We cannot assure you that we will be able to renew our contract with Huawei at commercially reasonable terms or at all when our current contract expires.

If our relationships with Huawei and other major suppliers deteriorate for any reason, we may lose certain customers and market share for the solutions and maintenance and upgrade services we provide and our profit margins may decrease. Our inability to obtain electronic equipment and devices for our solutions at commercially reasonable prices or at all would materially and adversely affect our ability to meet existing and future customer demand and could cause us to lose customers and market share, and could cause us to generate lower than anticipated revenue and our profit margins could decrease, thereby materially and adversely affecting our business, financial condition and results of operations.

We depend on sub-contractors to complete many of our Turnkey Solutions contracts.

In the course of providing our Turnkey Solutions, we engage sub-contractors, mostly labor services companies, to provide construction labor services, such as laying cables, dredging, plumbing and hoisting of large equipment. We engaged 53, 54 and 64 sub-contractors for the year ended December 31, 2007, 2008 and 2009, respectively. The sub-contractors we engaged during such periods were independent third parties that had no relationship with our Group and its connected persons. Outsourcing supplements our capacity, reduces the need to employ a large workforce, including skilled labor in different specialized areas and semi-skilled labor, and increases flexibility and cost effectiveness in carrying out contracts. We have established a system with respect to the selection and control of sub-contractors, including maintaining a regularly updated list of qualified sub-contractors, and entering into agreements with them to set forth each party's rights and obligations. Nevertheless, we may not be able to monitor the performance of these sub-contractors as directly and efficiently as with our own staff. In addition, qualified sub-contractors may not always be readily available when our needs for outsourcing arise. If we are unable to hire qualified sub-contractors, our ability to complete Turnkey Solutions projects could be impaired. If the amounts we are required to pay for sub-contractors exceed what we have estimated, especially in fixed-price or fixed unit price type contracts with our customers, we may suffer losses on these contracts. If a sub-contractor fails to provide services as required under a contract for any reason, we may be required to source these services on a delayed basis or at a higher price than anticipated, which could impact contract profitability. If a sub-contractor's performance does not meet our standards, the quality of the project may be affected, which could harm our reputation and potentially expose us to litigation and damage claims.

We face risks associated with potential acquisitions, investments, strategic partnerships, overseas expansion or other ventures.

To continue our business expansion, we may acquire or make investments in complementary businesses, facilities or services or products, or enter into strategic partnerships with parties who can provide access to such assets, if appropriate opportunities arise. We may not be able to identify suitable acquisition, investment or strategic partnership candidates, which may place us at a disadvantage if our competitors are able to grow their market share through acquisitions. If we do identify suitable candidates, we may not be able to obtain necessary funding or be able to complete those transactions on commercially acceptable terms or at all. If we acquire another company, we may have difficulty in integrating that company's personnel, products and operations. In addition, the key personnel of the acquired company may decline to work for us. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses.

In addition, we are exploring business opportunities in selected foreign markets through cooperation with PRC infrastructure construction companies. Furthermore, expansion into new markets outside China in cooperation with such partners exposes us to certain risks associated with differences in general business and competitive environment, legal and regulatory requirements, licensing regimes, tendering regimes, and potential adverse tax consequences. We cannot assure you that we will be able to identify suitable partners and projects that would allow us to further expand into or operate successfully in markets outside China.

We may be unable to secure projects in the future.

Our business largely depends on our ability to secure contracts from our clients. It is generally very difficult to predict whether or when we will win additional contracts, as many of our Turnkey Solutions clients select Turnkey Solutions providers based on a lengthy and complex bidding and selection process which is affected by a number of factors, including market conditions, financing arrangements, governmental approvals, the specific terms of the bids submitted and the qualifications of the bidder. In the event that our clients' bidding process or criteria change, our ability to successfully bid for certain projects may be adversely affected. All of our projects will expire between 12 to 24 months. Although we have identified several potential projects and are in the process of bidding for these projects, we cannot assure you that we will obtain contracts for any of these projects in the near future or at all. Our results of operations and cash flows can fluctuate significantly from quarter to quarter depending on the timing of our contracts. In addition, many of our contracts are subject to financing contingencies and, as a result, we are subject to the risk that the customer will not be able to secure the necessary financing for the project. In addition, due to increasing competition in the ITS sector, we may be unable to successfully bid for certain projects. Our competitors include state-owned or private domestic ITS solution providers and leading international companies. Other domestic ITS providers may have advantages over us in terms of local knowledge and an established network as well as pricing and geographical location, whereas international ITS providers may have more advanced technologies, more diverse experience and greater access to capital and personnel resources.

Customers may require us to provide credit enhancements. If we are unable to provide our customers with bonds, letters of credit, performance or financial guarantees, or other credit enhancements, we may be unable to obtain new project awards. Consistent with industry practice, we are often required to provide performance and surety bonds to our customers. These bonds indemnify the customer should we fail to perform our obligations under the contract. If a bond is required for a particular project and we are unable to obtain an appropriate bond, we will not be able to pursue that project. Moreover, due to events that affect the insurance and bonding markets generally, performance and surety bonds may be difficult to obtain or may be available only at significant cost. In addition, we could at times be unable to provide necessary letters of credit due to liquidity or other issues. Any inability to obtain adequate bonding and/or provide letters of credit or other customary credit enhancements and, as a result, to submit bids on new work, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We rely on our trademark, copyrights, contractual rights and other intellectual property rights, and failure to protect our intellectual property rights may affect our ability to compete.

Our success depends in part on our trademark, copyrights, contractual and other intellectual property rights. We currently rely on a combination of contractual rights, trademark and copyrights to protect our intellectual property rights. However, the protection of our intellectual properties may be compromised as a result of (i) expiration of the protection period of our registered trademark and copyrights, (ii) infringement by others of our intellectual property rights including counterfeiting our products, or (iii) refusal by relevant regulatory authorities to approve our pending trademark applications. Any of these events or occurrences may have a material adverse effect on our operations. There is no assurance that the measures we have put in place to protect our intellectual property rights will be sufficient. In addition, PRC laws may not protect our products and intellectual property rights to the same extent as the laws of other countries, and litigation to enforce our intellectual property rights, regardless of its outcome, would likely be time consuming and expensive to resolve and would divert our management's time and attention. Failure to protect or safeguard our intellectual property rights may seriously harm our business, results of operations or financial condition.

We could face claims by others that we are improperly using intellectual property owned by them or otherwise infringing their rights in intellectual property. Irrespective of the validity or the successful assertion of such claims, we could incur costs in either defending or settling any intellectual property disputes alleging infringement. Any potential intellectual property litigation against us could also force us to, inter alia, cease selling the challenged products, develop non-infringing alternatives or obtain licenses from owner of the infringed intellectual property. We may not be successful in developing such alternatives or in obtaining such licenses on reasonable terms or at all, which could damage our reputation and affect our profitability.

We may be adversely affected by exposure to product liability claims.

We do not maintain any product liability insurance. As advised by our PRC legal counsel, maintaining such insurance is not mandatory under PRC law. However, defective products, equipment failures and possible personal injuries during the setting up and the subsequent use of our products and solutions may provide grounds for claims to be brought against us. A successful product liability claim brought against us or a requirement to participate in any product recall may have a material adverse effect on our business and financial results. In addition, we may incur significant resources and time to defend ourselves if legal proceedings are brought against us. If any such claims are made, our reputation, financial condition and results of operations may also be adversely affected.

Our business relies heavily on proper operation and maintenance of our management information systems and any malfunction for any extended periods may have an adverse impact on our business.

Our information systems, together with our experience and knowledge in the industry, are critical to operating our business. Our information systems provide a database of information regarding sales records, inventory levels and various other facets of the business to assist business management and help ensure effective communication between various business units of the Group. We cannot assure you that our information systems will operate properly or without interruption. Any malfunction to any part or all of our information systems for a prolonged period may cause delays in operations or a breakdown of the overall system network. We cannot assure you that the level of security currently maintained will be sufficient to protect the system from third party intrusions, viruses, lost or stolen data or similar situations.

We plan to continually upgrade and improve our information systems as part of our growth and development strategy in the next three years. We cannot assure you that there will be no interruptions to our information system during the upgrades or that the new information systems will be able to integrate fully with the existing information system. If our existing or future information systems do not function properly, our business and results of operations may be materially and adversely affected.

We may be required to indemnify each Pre-IPO Investor from all losses, damages, liabilities and expenses pursuant to the Listco IRA.

Each of the Company, the IRA Controlling Shareholders and certain covenantors (each an "Indemnifying Party"), namely, Messrs. Jiang Hailin, Zhao Lisen, Lv Xilin, Dang Kulun, Pan Jianguo and Jing Yang, will, jointly and severally, indemnify, defend and hold harmless each Pre-IPO Investor for an indefinite period, from and against any and all losses, damages, liabilities, claims, lawsuits, proceedings, costs and expenses (including the fees, disbursements and other charges of counsel incurred by such Pre-IPO Investor in any action between the indemnifying party and such Pre-IPO Investor or between such Pre-IPO Investor and any third party, in connection with any investigation or evaluation of a claim or otherwise) resulting from or arising out of any breach by the indemnifying party of any representation, warranty, covenant or agreement in the Listco IRA, as amended and restated on March 5, 2010. For further details, please refer to "Our Investors—Obligations that Survive Upon Termination of the Listco IRA" of this prospectus.

Under the Listco IRA, as amended and restated on March 5, 2010, in the event of a breach of the Listco IRA, the amount of any payment by the Indemnifying Party to any Pre-IPO Investor shall be sufficient to make such Pre-IPO Investor whole for any diminution in value of the Shares, the share charges as described in "Our Investors—Subscription and Purchase by Baytree, GE Capital, Intel Capital, Greater China and Future Choice—Share Charges" of this prospectus, the put options as described in "Our Investors—Subscription and Purchase by Baytree, GE Capital, Intel Capital, Greater China and Future Choice—Put Options" of this prospectus, the short term loan from Baytree in the principal amount of US$11.5 million to China ITS Co., Ltd. as described in "Our Investors—Principal Terms of the Loan Agreement" of this prospectus or the Baytree Exchangeable Bond, as the case may be. Determination of the quantum of such amount would likely be determined in a court proceeding and would be subject to the court's judgment. Further, pursuant to the Listco IRA, as amended and restated on March 5, 2010, the Indemnifying Party is required, upon presentation of appropriate invoices, to promptly reimburse any Pre-IPO Investor for all such expenses as they are incurred by such Pre-IPO Investor.

If we are required to make payments of significant amounts to any Pre-IPO Investor pursuant to the indemnity in the Listco IRA, as amended and restated on March 5, 2010, our reputation, financial condition and results of operations may be adversely affected.

RISKS RELATING TO OUR INDUSTRY

Our performance largely depends on public spending on transportation infrastructure.

Our business strategy depends on the PRC government's public spending to build roads, bridges, tunnels railroads, and subways and other transportation infrastructure. Our major customers include PRC public institutions, which are public services institutions set up by the government or other organizations using state-owned assets, and state-owned enterprises. We are therefore exposed to changes in public works budgets. For the year ended December 31, 2007, 2008 and 2009, our sales to PRC public institutions and state-owned enterprises together represented over 50%, 75% and 75% of our total revenue, respectively. The future growth of the ITS industry in China depends primarily upon the continued availability of major transportation infrastructure projects. The nature, extent and timing of these projects will, however, be determined by the interplay of a variety of factors, including the PRC government's spending on transportation infrastructure in China and the general conditions and prospects of China's economy. The PRC government's spending on transportation infrastructure has historically been, and will continue to be, vulnerable to China's economy and is cyclical in nature. In 2009, the PRC government implemented a RMB4.0 trillion economic stimulus package that included significant investment in public infrastructure. As economic conditions improve, the PRC government may reduce its economic stimulus spending, which reduction may have adverse and uncertain impacts on national infrastructure spending. Should there be a significant reduction in public spending on transportation infrastructure projects in China and we fail to open up new markets in or outside China, our operations and profits could be adversely affected.

We face risks associated with contracting with public bodies and the related bidding processes.

Our major customers include PRC public institutions and state-owned enterprises. Many of our contracts are for large and high profile infrastructure projects, which may result in increased public scrutiny of our work. Because these projects are publicly funded, changes in government budget and policy considerations could result in delays, changes or cancellation of these projects.

The majority of our business is secured through a project bidding process which, in most cases, is regulated by certain PRC law, including the PRC Tender Law, and governmental authorities, including the Ministry of Industry and Information Technology (each as further described in "Regulatory Overview"). These regulations and the regulatory authorities that enforce them impose strict guidelines on the bidding processes. We face risks associated with legal compliance as far as such bidding procedures are concerned. If we fail to comply with the PRC Tender Law and other relevant regulations, we may be subject to penalties, such as fines, criminal liability, disqualification from participating in the bidding process, or revocation of business licenses, any of which may materially and adversely affect our business operations and prospects.

We are highly dependent on the ITS industry which is characterized by rapid technological change.

We are a leading transportation infrastructure technology solutions and services provider in China. Our financial performance is dependent upon the continuing growth of the ITS industry which has historically been characterized by rapid technological change, evolving industry standards and changing customer needs. We cannot guarantee that we will be able to continue to anticipate and respond to future industry demands in a timely manner. New services or technologies may render our existing services or technologies less competitive or even obsolete. If we fail to anticipate and respond to technological advancements and developments in the ITS industry in the future in a timely manner, our results of operations may be materially and adversely affected. We are also subject to the risks generally associated with new technology introductions and applications, including the lack of market acceptance, delays in new application development and failure of applications to operate properly.

We may be adversely affected by the seasonality of the transportation infrastructure construction industry.

Progress on transportation infrastructure projects is a necessary predecessor to our progress on related ITS projects. Cold weather in the Northern regions of the PRC in January and February, rainy weather in the Southern regions of the PRC in March and April and the Chinese New Year holiday (which normally takes place each year in January or February) lead to seasonality in construction projects and, correspondingly, in our business, particularly in our Turnkey Solutions and Specialized Solutions business segments.

RISKS RELATING TO BUSINESS OPERATIONS IN THE PRC

Political and economic policies of the PRC government could affect our business and results of operations.

Substantially all of our revenue is generated from products sold in the PRC. Any changes in the political, social and economic environment in the PRC will have a direct impact on the growth of the PRC economy and hence our business and future prospects. The PRC economy differs from the economies of most developed countries in a number of respects, including:

- its structure;
- level of government involvement;
- level of development;
- level of capital reinvestment;
- control of foreign exchange; and
- allocation of resources.

The PRC government has pursued economic reforms since the commencement of its open door policy in 1978 and has expressed its commitment to move further towards a "socialist market economy." However, many of the reforms and economic policies adopted or to be adopted by the PRC government are unprecedented or experimental in nature and may be reversed or have unforeseen results, which may have a material adverse effect on enterprises with businesses in the PRC, including us.

Changes in PRC foreign exchange regulations may adversely affect our results of operations and financial condition.

In 2005, the PRC government revalued the exchange rate of the Renminbi to the U.S. dollar and abolished the Renminbi to U.S. dollar peg applied in the past. We cannot assure you that in the future the PRC government will not revalue the Renminbi or permit its substantial appreciation. In particular, recent statements by officials of The People's Bank of China, which is the central bank in China, have suggested willingness of the PRC government to allow increasing flexibility in band within which the Renminbi is permitted to fluctuate. Any increase in the value of the Renminbi might adversely affect the growth of the Chinese economy, increase our operating expenses as well as the competitiveness of various industries in the PRC government, including our industry, which could in turn affect our financial condition and results of operations.

In the future, we may expand our business into other jurisdictions, which may result in revenue, expenses and assets in other currencies. Accordingly, exchange rate fluctuations with respect to other currencies could have a material adverse effect on our business, financial condition and results of operations.

Any termination of, or change in, preferential tax treatment in the PRC may have a negative impact on our results of operations.

The rate of income tax chargeable on companies in China may vary depending on the availability of preferential tax treatment or subsidies based on their industry or location. On March 16, 2007, the New PRC

Enterprise Income Tax Law was enacted, which became effective on January 1, 2008. On December 6, 2007, Regulation on the Implementation of Enterprise Income Tax Law of the PRC was promulgated and became effective on January 1, 2008. The New PRC Enterprise Income Tax Law adopts a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and terminates most of the current tax exemption, reduction and preferential treatments available under current tax laws and regulations. Under the New PRC Enterprise Income Tax Law, enterprises that were established and already enjoyed preferential tax treatments before March 16, 2007 will continue to enjoy them (i) in the case of preferential tax rates, for a period of five years from January 1, 2008, or (ii) in the case of preferential tax exemption or reduction for a specified term, until the expiration of such term. However, for those that do not enjoy the preferential treatment due to failure to make profits, the term of preferential treatment may be counted as of 2008. See "Regulatory Review—Tax" in this prospectus.

Some of our subsidiaries are currently subject to preferential income tax rates. Based on the new PRC Enterprises and related implementation stipulations, the change and termination of the preferential tax treatment in the PRC currently enjoyed by some of our subsidiaries may have a negative impact on our results of operations. The effective tax rate of the Group for the year ended December 31, 2007, 2008 and 2009 were 14.3%, (4.5)% and 13.0%, respectively.

Our Company was not subject to any enterprise income tax under PRC law during the Track Record Period. However, we cannot assure you that we will continue to be exempt from PRC enterprise income tax. Pursuant to the New PRC Enterprise Income Tax Law, effective January 1, 2008, enterprises incorporated outside the PRC with their "*de facto management bodies*" located within the PRC may be considered PRC tax resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The New PRC Enterprise Income Tax Law, however, does not define the term "*de facto management bodies*." If substantially all of our management continue to be located in China after the effective date of the new tax law, we may be considered a PRC tax resident enterprise and therefore subject to PRC enterprise income tax at the rate of 25% on our worldwide income, which will include the dividend income we receive from our subsidiaries.

Dividends payable by our PRC subsidiaries to us may become subject to withholding taxes under PRC tax laws.

Under the New PRC Enterprise Income Tax Law, dividends payable to foreign investors which are "*derived from sources within the PRC*" may be subject to income tax at the rate of 20% by way of withholding. Since we are a holding company and substantially all of our income will come from dividends that we receive from our PRC subsidiary, dividends that our PRC subsidiaries declare may be deemed "*derived from sources within the PRC*" for purposes of the New PRC Enterprise Income Tax Law and therefore subject to an exempted 10% withholding tax according to the New PRC Enterprise Income Tax Law and its implementation rules. If our PRC subsidiaries are required under the New PRC Enterprise Income Tax Law to withhold PRC income tax on dividends payable to us, your investment in our Company may be materially and adversely affected.

Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Under the new PRC Enterprise Income Tax Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC "resident enterprise," it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realize from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the new PRC Enterprise Income Tax Law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if you are required to pay PRC income tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

Recent PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our strategy as well as our business and prospects.

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (關於外國投資者併購境內企業的規定) (the "M&A Provisions") issued by six PRC ministries including the Ministry of Commerce, effective from September 8, 2006, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities of the shareholders of a domestic non-foreign-funded enterprise or subscribe to the increased capital of a domestic non-foreign-funded enterprise, and thus change the domestic non-foreign-funded enterprise into a foreign funded enterprise to conduct asset merger and acquisition. It stipulates that the business scope upon acquisition of domestic enterprises must conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄, 2007修訂) issued by the National Development and Reform Commission and the Ministry of Commerce, which restricts the scope of permitted foreign investment. It also provides the takeover procedures for equity interests in domestic companies.

Our PRC legal advisors have advised us that there are uncertainties as to how the recent M&A Provisions will be interpreted or implemented. If we decide to acquire a PRC company, we cannot assure you that we or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Provisions. This may restrict our ability to implement our acquisition strategy and adversely affect our business and prospects.

We are subject to risks associated with the PRC legal system.

Since 1979, many laws and regulations dealing with general economic matters or particular economic activities have been promulgated in the PRC. However, enforcement of existing laws and regulations may be uncertain and sporadic, and implementation and interpretation thereof may be inconsistent. The PRC judiciary is relatively inexperienced in enforcing the laws and regulations that currently exist, leading to a degree of uncertainty as to the outcome of any litigation. Further, it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC legal system is based on written statutes and decided legal cases. Decided legal cases do not have binding legal effect, although they are often followed by judges as guidance. The introduction of new PRC laws and regulations and the interpretation of existing ones may be subject to policy changes reflecting domestic, political or social changes. As the PRC legal system develops, there can be no assurance that changes in such legislation or interpretation thereof will not have a material adverse effect on our business, financial condition, results of operations and future prospects and could cause the price of our Shares to fall.

Any recurrence of severe acute respiratory syndrome or any other epidemic in China may have a material adverse effect on our business and operations, financial condition and results of operations.

Any future outbreaks of contagious diseases, including avian influenza and severe acute respiratory syndrome, or SARS, may materially and adversely affect our business and results of operations. There have been recent reports of outbreaks of a highly pathogenic avian influenza caused by H5N1 virus in certain regions of Asia and Europe. The World Health Organization and other agencies have issued and may continue to issue warnings on a potential avian influenza pandemic if there is sustained human-to-human transmission. An outbreak of avian influenza in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, particularly in Asia. Additionally, a recurrence of SARS, a highly contagious form of atypical pneumonia, similar to the occurrence in the first half of 2003, which affected China, Hong Kong and certain other areas, could have similar adverse effects. Further, the World Health Organization in April 2009 raised its pandemic alert level in response to an outbreak of influenza A caused by H1N1 virus that originated in Mexico, and resulted in a number of confirmed cases worldwide.

There is no guarantee that any future outbreak of avian influenza, SARS, influenza A H1N1 or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, influenza A H1N1 or other epidemics, will not seriously interrupt our operations or those of our suppliers or customers, which may have a material adverse effect on our results of operations.

Certain facts and statistics in this prospectus relating to the Chinese economy and the ITS industry in the PRC are derived from various publicly available official government publications and may not be fully reliable.

Certain facts and statistics in this prospectus relating to the PRC, the Chinese economy, the intelligent transport solutions sector and other related sectors of the PRC are derived from various official government publications. However, we cannot guarantee the quality or reliability of such official government source materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. Neither we, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, nor any of our or their affiliates or advisors have verified the accuracy of the information contained in such sources. We make no representation as to the accuracy of such facts and statistics from official government publications, which may not be consistent with other information compiled within or outside the PRC.

Due to possible inadequate or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this prospectus relating to the Chinese economy and the intelligent transport solutions sector and other related sectors in the PRC derived from official government publications may be inaccurate, or may not be comparable to statistics produced for other economies, and thus should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts and statistics from official government publications.

RISKS RELATING TO THE GLOBAL OFFERING

We are controlled by our Controlling Shareholders, whose interest may differ from those of our other shareholders.

Immediately following the Global Offering, our largest shareholder, China ITS Co., Ltd., will own approximately 45.7% of our issued share capital, assuming an Offer Price at the low end of the indicative offer price range at HK$2.85 per Share and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme. As a result, it will be able to exercise significant influence over all matters requiring shareholders' approval, including the appointment of directors and the approval of significant corporate transactions. It may also have veto power with respect to any shareholders' action or approval requiring a majority vote except where they are required by the Listing Rules to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Company and our Group or otherwise discourage a potential acquirer from attempting to obtain control of us through corporate actions such as merger or takeover attempts, which could conflict with the interests of our public shareholders.

There has been no prior public market for our Shares and there can be no assurance that an active market will develop.

Prior to the Global Offering, there has not been a public market for our Shares. An active public market may not develop or be sustained after the Global Offering. The initial Offer Price range for our Shares was the result of negotiations among us and the Joint Global Coordinators, on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied to list and deal our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop. If an active market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be adversely affected. There can be no assurance as to the ability of the shareholders to sell their Shares or the prices at which shareholders would be able to sell their Shares. Consequently, shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares in the Global Offering.

We are a holding company and our ability to pay dividends is dependent upon the earnings of, and distributions by, our subsidiaries.

We are a holding company incorporated under the laws of the Cayman Islands. All of our business operations are conducted through our subsidiaries. Our principal asset is our beneficial interest in our PRC operating subsidiaries. Our ability to pay dividends is dependent upon the earnings of our subsidiaries and their distributions of funds to us, primarily in the form of dividends. The ability of our subsidiaries to make distributions to us depends upon, among other things, their distributable earnings. As advised by our PRC legal advisors, under PRC law, payment of dividends is only permitted out of accumulated profits per PRC accounting standards and regulations, and our subsidiaries in the PRC are also required to set aside part of their after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in our subsidiaries' articles of association, restrictions contained in their debt instruments, withholding tax and other arrangements will also affect our subsidiaries' ability to make distributions to us. These restrictions could reduce the amount of distributions that we receive from our subsidiaries, which in turn would restrict our ability to fund group operations and pay dividends on the Shares.

You may experience difficulty enforcing judgments against us and our management.

The majority of our assets are located in the PRC. A substantial majority of our Directors and officers reside in the PRC. We have been advised by our PRC legal advisors that the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and Singapore, among others. As a result, recognition and enforcement in the PRC of judgments of a court in any of the jurisdiction mentioned above in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

The liquidity and market price of our Shares following the Global Offering may be volatile.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our turnover, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for comparable companies could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. In addition, from time to time, the Shares will likely be subject to changes in price that may not be directly related to our financial or business performance.

Our Share price may be affected if additional Shares are sold by our substantial shareholders or are issued by us.

Our Controlling Shareholders will remain our substantial shareholders immediately after the Global Offering. Further details are set out in "Statutory and General Information— Further Information about Directors and Substantial Shareholders" in Appendix VI to this prospectus. Furthermore, our Directors have been granted a general unconditional mandate to issue Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the ordinary share capital immediately following completion of the Global Offering. Further details are set out in the section headed "Share Capital—General Mandate to Issue Shares." Shares held by Controlling Shareholders, Selling Shareholders and Pre-IPO Investors and shares to be issued by us are subject to certain lock-up periods falling six and twelve months after the date on which trading in our Shares commences on the Stock Exchange, details of which are set out in the section headed "Underwriting."

We cannot assure you that our substantial shareholders or Controlling Shareholders will not dispose of the Shares held by them or that we will not issue Shares pursuant to the general mandate, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by the substantial shareholder, or the availability of Shares for sale by the substantial shareholder, or the issuance of Shares by our Company may have on the market price of our Shares. Sales or issuance of substantial amounts of Shares by the substantial shareholders or us, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

You may experience dilution because of the issuance of Shares pursuant to the awards or options granted under the Share Option Scheme.

We may grant share options under the Share Option Scheme, including to employees and directors of our Company and our subsidiaries. Further details of the Share Option Scheme are summarized in "Statutory and General Information—Share Option Scheme" in Appendix VI to this prospectus. The exercise of share options under the Share Option Scheme will result in an increase in the number of Shares in issue, and thereby may result in dilution to the percentage of ownership of the shareholders, and the earnings per Share and net asset value per Share depending on the exercise price.

You should not rely on any information contained in press articles or other media regarding the Group and the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage, including articles published in Apple Daily, Hong Kong Commercial Daily, Hong Kong Economic Journal, Hong Kong Economic Times, Ming Pao, Oriental Daily News, Sing Pao, Sing Tao Daily, The Standard, The Sun and Wen Wei Po, on June 23, 2010, regarding our Group and the Global Offering which included certain financial information, future plans and other information about our Group that does not appear in this prospectus. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We disclaim all responsibilities and liabilities for any information appearing in publications other than this prospectus. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any decision as to whether to purchase the Shares.

If we seek to determine the Offer Price below a certain price with the indicative offer price range, unless we receive the necessary consents from our Pre-IPO Investors, we will not proceed with price determination and the Global Offering will be terminated.

Our investment agreements with a number of our Pre-IPO Investors contain minimum market capitalization requirements. Based on our proposed offering structure and our indicative offer price range of HK$2.85 per Share and HK$3.90 per Share, we will meet the requirements for a Qualified IPO for CMTF at any price within this range, and the requirements for a Qualified IPO for Baytree/GE Capital/Intel Capital/Greater China/Future Choice with an Offer Price of HK$3.20 per Share or higher. In the event that we seek to determine the Offer Price at HK$3.19 or lower, the Global Offering, if completed, will not be a Qualified IPO for Baytree/GE Capital/Intel Capital/Greater China/Future Choice, unless we receive the necessary consents from the Pre-IPO Investors to approve the Global Offering at such Offer Price as a qualified IPO. In such event, unless the necessary consents are received, we will not proceed with price determination and the Global Offering will be terminated. If, as a result of the foregoing, price determination does not proceed and the Global Offering is terminated, we will issue an announcement on the Company's website and the website of the Stock Exchange as soon as practicable and in any case, no later than one business day after the decision to terminate the Global Offering is made. See "Our Investors—Qualified IPO Thresholds and the Global Offering".