



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

2013

Interim Report



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Financial Highlights



The amount of **new contract signed and order secured** for the six months ended June 30, 2013 was approximately RMB1,659.1 million, compared to approximately RMB1,475.6 million for the six months ended June 30, 2012, or an approximately 12.4% increase.

The amount of **backlog** as at June 30, 2013 was approximately RMB2,680.5 million, compared to approximately RMB2,019.6 million as at December 31, 2012, or an approximately 32.7% increase.

Revenue for the six months ended June 30, 2013 was approximately RMB975.9 million, compared to approximately RMB728.1 million for the six month ended June 30, 2012, or an approximately 34.0% increase.

Gross profit for the six months ended June 30, 2013 was approximately RMB251.7 million, compared to approximately RMB205.3 million for the six month ended June 30, 2012, or an approximately 22.6% increase.

Gross profit margin increased from 22.0% for the second half of the prior year to approximately 25.8%.

Non-cash expenses⁽¹⁾ for the six months ended June 30, 2013 was approximately RMB21.4 million, compared to approximately RMB26.9 million for the six month ended June 30, 2012, or an approximately 20.4% decrease.

Before deducting the non-cash expenses, the pro forma profit attributable to owners of parent⁽²⁾ of the Company for the six months ended June 30, 2013 was approximately RMB64.8 million, compared to approximately RMB53.6 million for the six month ended June 30, 2012, or an approximately 20.9% increase.

Profit attributable to owners of the parent of the Company for the six months ended June 30, 2013 was RMB43.4 million, compared to approximately RMB26.7 million for the six month ended June 30, 2012, or an approximately 62.5% increase.

Earnings per share⁽³⁾ for the six months ended June 30, 2013 was approximately RMB0.03 per share.

The Interim Dividend of RMB6.5 million will be paid in form of cash and/or shares of the Company as elected by the shareholders in accordance with the Scrip Dividend Scheme.

Notes:

- (1) Non-cash expenses include equity-settled share option expenses and amortization of intangible assets arising from acquisitions.
- (2) Pro forma profit attributable to owners of the parent refers to profit attributable to owners of the parent *plus* non-cash expenses.
- (3) Earnings per share refers to profit attributable to owners of the parent *divided by* weighted average number of shares in issue, during the six months ended June 30, 2013.

Corporate Information

Board of Directors

Executive Directors

Mr. Liao Jie (*Chairman*)
Mr. Jiang Hailin (*Chief Executive Officer*)
Mr. Wang Jing
Mr. Lu Xiao
Mr. Pan Jianguo
Mr. Lv Xilin

Independent Non-executive Directors

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

Company Secretary

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

Authorized Representatives

Mr. Jiang Hailin
Suite 102, 1st Unit, 8th building
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 (*Chairman*) (*FCCA, HKICPA*)
Mr. Zhou Chunsheng
Mr. Sun Lu

Remuneration Committee

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

Nomination Committee

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

Registered Office

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

Head Office in the PRC

Unit 1801A, 18th Floor
West Tower, World Finance Centre
No. 1 East 3rd Ring Road Middle
Chaoyang District
Beijing 100020, China

Principal Place of Business in Hong Kong

Unit 2209, 22nd Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Company Website

www.its.cn

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Corporate Information



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

Auditor

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

Legal Advisor

Orrick, Herrington & Sutcliffe (Hong Kong law)

Listing Exchange Information

Place of listing: Main Board of The Stock
Exchange of Hong Kong Limited
Stock code: 1900
Board lot: 1000 shares

Principal Bankers

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

Management Discussion and Analysis

Overview and Prospect

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

In the first half of 2013, China ITS (Holdings) Co., Ltd. (the “**Company**”) and its subsidiaries (collectively the “**Group**”) recorded revenue of RMB975.9 million, representing an increase of RMB247.8 million as compared to RMB728.1 million in the six months ended June 30, 2012. The new contracts signed and orders secured recorded RMB1,659.1 million, representing a increase of 12.4% as compared to RMB1,475.6 million in the six months ended June 30, 2012. Backlog reached historical high, which was RMB2,680.5 million as at June 30, 2013. The overall gross profit was RMB251.7 million, representing a increase of 22.6% compared with first half year of 2012, gross profit margin rebounded 3.8% to 25.8% as compared with second half year of 2012. The pro forma profit for the period for the six months ended June 30, 2013 was RMB63.8 million, compared to RMB52.9 million for the six months ended June 30, 2012.

CORE BUSINESS OF THE GROUP AND OPERATION THEREOF

For the six months ended June 30, 2013, the Group’s revenue from the expressway sector (“**Expressway**”) reached RMB573.4 million, representing an increase of RMB201.0 million from RMB372.4 million for the corresponding period in 2012, making up 57.4% of the Group’s total revenue, Revenue from the railway sector (“**Railway**”) decreased by RMB58.2 million to RMB213.4 million during the reporting period and representing 21.4% of the Group’s total revenue. Revenue from the urban traffic sector (“**Urban Traffic**”) increased by 150.2% to RMB204.4 million, representing 20.5% of the Group’s total revenue.

(i) Expressway

The overall increase of Expressway sector recorded revenue was partially attributable to the strong contract growth of western China region, the Group has entered into the contracts of Dali-Lijiang Expressway (大理至麗江高速公路) Construction and this is the largest sales contract entered into by the Group in the history of the Group in terms of contract value of a single contract. Meanwhile, for specialized solution (the “**SS**”), the Group entered into a contract with construction of the data transmission system of the national expressway communication system-networking project (全國高速公路信息通信系統聯網工程幹綫傳輸系統). This project is a milestone in the Expressway sector, which demonstrated the Group’s national coverage as a solid foundation for the expansion of the communication SS business of the Group.

In the first half of 2013, the major projects of Expressway (besides two milestones projects above) contains Hubei Yiba (Yichang-Badong) Expressway project. The amount of new contract signed and order secured in the six months ended June 30, 2013 was RMB1,014.3 million and the backlog amount as at June 30, 2013 was RMB1,328.1 million for Expressway, representing good outlook into the second half of 2013 or even in 2014.

(ii) Railway

The slight decrease of revenue from the Railway sector recorded revenue was partially caused by delay of the bidding process and construction project of hi-speed railway such as Hangchang (Hangzhou–Changsha) hi-speed railway construction project. However, as Chinese government continues investment on railway construction and completes restructuring of China Railway Corporation and Ministry of Transport, the Group believes it will bring more business opportunities and rebound with strong sales and new contracts signed in the second half of the year or beyond.

In the first half of 2013, the major projects of Railway include Daxi (Datong–Xi’an) Passenger Transportation Railway Project, Xiashen (Xiamen–Shenzhen) Railway Project, Longhai (Lianyungang–Lanzhou) Railway Upgrade Project. The amount of new contract signed and order secured in the six months ended June 30, 2013 was RMB525.3 million and the backlog amount as at June 30, 2013 was RMB988.3 million for Railway sector.

Management Discussion and Analysis

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CORE BUSINESS OF THE GROUP AND OPERATION THEREOF (continued)

(iii) Urban Traffic

Because of completion restructuring of Urban Traffic sector business and management team build up, the Urban Traffic recorded a significant increase on revenues. This is due to M&A synergies from sharing of client base, product offering and business model cross-selling. The Group believes there will be continued strong growth under the urbanization and massive government investment in China.

In the first half of 2013, the major projects of Urban Traffic include Shaanxi Ankang Social Security Project, Guangdong Guangzhou Electronic Police Project, Guangdong Huadu Video Surveillance Project. The amount of new contract signed and order secured in the six months ended June 30, 2013 was RMB117.9 million and the backlog amount as at June 30, 2013 was RMB357.4 million for Urban Traffic.

PURCHASE AND CANCELLATION OF BONDS

In May 2013, in consideration of a healthy level of working capital and cash flows, the Company purchased and cancelled part of the Company's 10.0% guaranteed bonds due 2015 ("Bonds") in the principal amount of RMB20,000,000, representing approximately 9.5238% of the outstanding Bonds in principal amount of RMB210,000,000 immediately prior to the cancellation to optimize the performance of the Group and enhance the shareholders' interest in terms of the earnings per share of the Company by reducing future financial expenses and financial gearing level of the Company, without affecting the Group's day-to-day operations or restricting the Group's ability to grow. Hence the Board considers that the purchase is in the interest of the Company and its shareholders as a whole.

For further details of the abovementioned purchase and cancellation of Bonds, please refer to the announcement of the Company on May 30, 2013.

PROSPECTS

New sector breakthrough

As China will spend second 4 trillion RMB on metro construction, and the total length of urban rapid transit lines in China is expected to achieve a mileage of 6,000 kilometers by 2020, urban rapid transit sector is next potential tipping point. In the first half of 2013, the Group entered into a contract of Chongqing Urban Railway Transportation (Group) Co., Ltd to provide turnkey solutions ("TS") for the Second Phase Construction Project for the 6th Line of the Chongqing Rapid Transit (重慶市軌道交通六號綫二期工程). In the second half year of 2013 or even in 2014, the Group will continue to extend business in this sector.

With respect to the operation stage, the development of new technologies such as mobile internet, cloud computing and data mining will drive the transformation of the target client of intelligent transportation systems ("ITS") participants from operators to passengers. Given this, the Group will seek appropriate M&A targets or potential partners to enhance our market position of new sectors or business models.

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PROSPECTS (continued)

Prospects

Looking forward, the Group will be more focused on the sectors with higher growth and better synergies in the transportation industry, such as Expressway, Railway, Urban Traffic and other new feasible sectors (such as smart city and urban rapid transit). The Group had successfully reorganized and disposed non-core business such as energy and will not operate any other business unrelated to transportation industry in the coming years.

In the point of view of internal management, as for front-end line, the Group will continue to provide full range of solutions and services, develop dedicated strategy tailored to customer needs in each sector, and drive industry innovation and standards. As for mid/back-end line, the Group will streamline management structure, clear division of teams, and optimize operating cost. In general, the Group will continue aiming to become an ITS industry leader and to provide safe, reliable, efficient, and environmental products and services in the future.

Others

With reference to the share subscription agreement dated December 11, 2012 (the “**Share Subscription Agreement**”) and supplemental agreement dated January 14, 2013 entered into between Beijing Global Holdings Limited and China Expressway Intelligent Transportation Technology Group Ltd. (formerly known as Bestvilla Investments Limited) (“**China Expressway**”), Beijing Haotian Jiajie Technology Co., Ltd. (“**Haotian Jiajie**”) would be transferred to a wholly-owned subsidiary of the Company, which was expected to be completed by the end of April 2013. Due to delay in obtaining the relevant governmental approval involved in the transfer of Haotian Jiajie, such transfer has not been complete as at the completion date of this transaction. The Company and the parties of the agreement consider it appropriate to complete the Share Subscription Agreement on or before March 11, 2014, when the relevant governmental approval is expected to be obtained.

For further details of the abovementioned delay of completion of the Share Subscription Agreement, please refer to the announcement of the Company on June 7, 2013.

Management Discussion and Analysis

Business and Financial Review

REVENUE

By Industry Sectors

The Group's Revenue for the six months ended June 30, 2013 increased by 34.0% to RMB975.9 million as compared to RMB728.1 million for the six months ended June 30, 2012 due to the continuous increasing demand of intelligent transportation networks in China. The Group's revenue increase was composed of a remarkable 54.0% increase in Expressway sector, a strong 150.2% increase in Urban Traffic sector, and was offset by a 21.4% decrease in Railway sector, and a 44.4% decrease in the less strategic energy sectors. The following table sets out the revenue breakdown by industry sectors:

	Six months ended June 30,	
	2013 RMB'000	2012 RMB'000
Revenue by industry sectors		
Expressway	573,427	372,449
Railway	213,409	271,639
Urban traffic	204,437	81,697
Energy	6,945	12,353
Elimination	(22,313)	(10,057)
Total	975,905	728,081

(i) Expressway

Revenue from the Expressway sector in the six months ended June 30, 2013 was RMB573.4 million, representing an increase of RMB201.0 million as compared to RMB372.4 million for the six months ended June 30, 2012. Expressway sector was still a key revenue and profit driver for the Group in this year. From the market aspect, local expressway bureaus all over mainland China such as Northwest, Southwest and central regions has put more and more effort in expressway constructions. From the Group aspect, management had made significant progress in developing new regions such as Hubei, Shanxi and Yunnan. In the meantime, our expressway subsidiary has entered into the contract with Dali Expressway Construction Headquarters, which is responsible for the management of the construction of the Yunnan Dali Expressway, with a contract price of approximately RMB510.6 million in early this year. The Group won the contract through a competitive bidding process and will be responsible for the construction of the communication system, monitoring system, toll collection system, tunnel ventilation and lighting and power distribution infrastructure for the project. The Yunnan Dali Project is a milestone in Expressway sector for the nature, amount and region aspects. The Group believes the Expressway sector will have a massive increment in 2013 and have the continued growth in the coming years under the ongoing contribution from government's infrastructure construction. The amount of new contract and order secured in the six months ended June 30, 2013 was RMB1,014.3 million and the backlog amount as at June 30, 2013 was RMB1,328.1 million for Expressway sector.

Management Discussion and Analysis

Business and Financial Review



REVENUE (continued)

By Industry Sectors (continued)

(ii) Railway

Revenue from the Railway sector in the six months ended June 30, 2013 was RMB213.4 million, representing a decrease of RMB58.2 million as compared to RMB271.6 million for the six months ended June 30, 2012. The decrease in the first half this year is mainly due to the postponement of the bidding process and construction schedule for some of our budgeted railway projects. Some large projects such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hangchang (Hangzhou–Changsha) railway will have significant process in the second half this year and contributed meaningful revenue respectively. Under the trend of continued contribution in railway construction in China, the Group believes it will bring more business opportunities in this sector especially in the post-construction operation period. The amount of new contract and order secured in the six months ended June 30, 2013 was RMB525.3 million and the backlog amount as at June 30, 2013 was RMB988.3 million for Railway sector.

(iii) Urban Traffic

Revenue from the Urban Traffic business in the six months ended June 30, 2013 was RMB204.4 million, representing a massive increase of RMB122.7 million as compared to RMB81.7 million for the six month ended June 30, 2012. The increase was a result of positive business expansion carrying out by the management team. Through two acquisitions of China Traffic Holdings Ltd. (“**CTH**”) in August 2011 and Beijing STONE Intelligent Transportation System Integration Co., Ltd. (“**STONE**”) in June 2012, the Group completed the comprehensive business coverage for the Urban Traffic with established and matured business model across TS, SS and value-added operation and service (“**VAOS**”) within the fast growing Urban Traffic sector. After the acquisition, the Group had three business units covering surveillance, information platform and ITS integration solution. With such diversified corporate structure, the sales network will be expanded to all types of business in the industry throughout China. 2013 is the full fiscal year after the aforesaid business expansions so that the Group has recorded strong revenue growth in the first half this year. The Urban Traffic sector became the Group’s major business growth driver after the Expressway and Railway sectors. The Group believes there will be continued growth in the industry sector under the significant trend of urbanization in recent China. The amount of new contract and order secured in the six months ended June 30, 2013 was RMB117.9 million and the backlog amount as at June 30, 2013 was RMB357.4 million for Urban Traffic sector.

(iv) Energy

Revenue from the energy business in the six months ended June 30, 2013 was RMB6.9 million, representing a decrease of RMB5.5 million as compared to RMB12.4 million for the six months ended June 30, 2012. As the energy business is in a mature stage and is no longer a key focus of the Group, 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. The Group had successfully reorganized such business and will discontinue running it since this year. The amount of new contract and order secured in the six months ended June 30, 2013 was RMB1.6 million and the backlog amount as at June 30, 2013 was RMB6.7 million for energy sector.

Management Discussion and Analysis

Business and Financial Review



BUSINESS PATTERN AND MAJOR PROJECTS

The Group's business is correlated with the PRC central government's macroeconomic policies on infrastructure investment and has unique seasonal character. Most of the construction projects are in bidding stage and start implementations in first half of the year. Therefore, the new contracts are confirmed in the first half and the recognized revenue is recorded in the second half. This resulted in a higher backlog amount in comparing with the interim figure for the six months ended June 30, 2012. The business pattern remained similar in 2013 for the backlog amount was approximately RMB2,680.5 million as at June 30, 2013, resulting in a historical high backlog carried over to the second half of 2013.

During this year, the Group had implemented more than 820 projects in varied sizes, covering most of the region in Mainland China. The following table sets out the major projects generating revenue in each industry sector:

Industry sector	Project name
Expressway:	Yunnan Dali (Dali-Lijiang) Expressway Project National Expressway Communication System Networking Project Hubei Yiba (Yichang-Badong) Expressway Project
Railway:	Daxi (Datong-Xi'an) Passenger Transportation Railway Project Xiashen (Xiamen-Shenzhen) Railway Project Longhai (Lianyungang-Lanzhou) Railway Upgrade Project
Urban Traffic:	Shaanxi Ankang Social Security Project Guangdong Guangzhou Electronic Police Project Guangdong Huadu Video Surveillance Project

By Business models

The revenue for the six months ended June 30, 2013 was changed by a strong 95.7% increase in the TS' business, a 0.1% increase in the SS' business, and a 101.8% increase in the VAOS' business, respectively. The following table sets out the revenue breakdown by business models:

	Six months ended June 30,	
	2013 RMB'000	2012 RMB'000
Revenue by Segments		
TS	496,148	253,476
SS	468,054	467,802
VAOS	34,016	16,860
Elimination	(22,313)	(10,057)
Total	975,905	728,081

Management Discussion and Analysis

Business and Financial Review



BUSINESS PATTERN AND MAJOR PROJECTS (continued)

By Business models (continued)

(i) TS

Revenue from the TS' business for the six months ended June 30, 2013 was RMB496.1 million, representing an strong increase of RMB242.6 million, or 95.7%, as compared to RMB253.5 million for the six months ended June 30, 2012. As aforementioned in industry section, the Group had made a remarkable breakthrough in developing new expressway business in the new areas such as Hubei, Shanxi and Yunnan provinces. The Yunnan Dali Expressway project had contributed significant amount of revenue growth in the first half this year. In addition, the acquisition of STONE in 2012 brought a brand new TS revenue stream in Urban Traffic sector. Given the continued growth of government investment demand in expressway and the civilization trend in China, the Group believes the revenue from TS segment will continue to grow in the coming years. The TS segment as a whole accounted for 49.7% of the Group's revenue in the six months ended June 30, 2013, which is higher than prior period.

(ii) SS

Revenue from the SS in the six months ended June 30, 2013 was RMB468.1 million, representing an increase of RMB0.3 million, or 0.1%, as compared with RMB467.8 million for the six months ended June 30, 2012. The increase was composed by the decrement in Railway sector for RMB66.7 million, the decrement in energy sector for RMB5.4 million, and was offset by the increment in Expressway sector for RMB62.5 million, and the increment in Urban Traffic sector for RMB10.0 million. Please refer to the aforesaid industry sector section for the detailed discussion and analysis by separate industry categories. The SS segment as a whole accounted for 46.9% of the Group's revenue in the six months ended June 30, 2013, which is lower than prior period.

(iii) VAOS

Revenue from the VAOS in the six months ended June 30, 2013 was RMB34.0 million, representing an increase of RMB17.1 million, or 101.2%, as compared to RMB16.9 million for the six month ended June 30, 2012. Firstly, there was a brand new Urban Traffic sector in VAOS segment due to the successful acquisition of STONE in 2012. Secondly, Railway sectors had significant increments under the management's effort in developing recurring business with existing installed base. Such remarkable business growth reflects the Group's business transformations from a single project-based model to stable recurring pattern. The VAOS segments as a whole accounted for 3.4% of the Group's revenue in the six months ended June 30, 2013, representing the increase of this sector is faster than the Group's overall increase.

Management Discussion and Analysis

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COST OF SALES

Cost of sales was incurred on a project-by-project basis for individual legal entities and was subsequently aggregated at sector or segment and corporate level. The amount of cost of sales was determined based on the equipment and other direct relevant costs incurred for completion of each of the relevant projects. The cost of sales constituted 74.2% of the Group's revenue in the six months ended June 30, 2013, which represented a slight increase of 2.4% as compared to the corresponding period in 2012, and was mainly due to the acquisition of STONE which brought to the Group the TS projects with higher revenue and usually lower gross profit margin than SS projects.

By Industry Sectors

	Six months ended June 30,	
	2013 RMB'000	2012 RMB'000
Cost of Sales by industry sectors		
Expressway	424,777	282,225
Railway	155,877	187,585
Urban Traffic	159,158	56,345
Energy	6,737	6,662
Elimination	(22,313)	(10,057)
Total	724,236	522,760
% of Revenue	74.2%	71.8%

(i) Expressway

The Expressway sectors increased by RMB142.6 million to RMB424.8 million in the six months ended June 30, 2013 as compared to RMB282.2 million for the six month ended June 30, 2012.

(ii) Railway

The Railway sectors decreased by RMB31.7 million to RMB155.9 million in the six months ended June 30, 2013 as compared to RMB187.6 million for the six month ended June 30, 2012.

(iii) Urban traffic

The Urban Traffic sectors increased by RMB102.9 million to RMB159.2 million in the six months ended June 30, 2013 as compared to RMB56.3 million for the six month ended June 30, 2012.

(iv) Energy

The energy sectors remained as RMB6.7 million in the six months ended June 30, 2013 as compared to corresponding period in 2012.

Management Discussion and Analysis

Business and Financial Review

COST OF SALES (continued) **By business models**

	Six months ended June 30,	
	2013 RMB'000	2012 RMB'000
Cost of Sales by Segments		
TS	396,611	215,955
SS	336,491	307,322
VAOS	13,447	9,540
Elimination	(22,313)	(10,057)
Total	724,236	522,760
% of Revenue	74.2%	71.8%

(i) TS

The cost of sales incurred for TS constituted 53.1% of the Group's cost of sales in the six months ended June 30, 2013, which was higher than that in the prior years, and was mainly due to the strategic development in new regions of Expressway sector. Please refer to Expressway sector of sales and gross profit sections for the detailed discussion and analysis.

(ii) SS

The cost of sales incurred for SS constituted 45.1% of the Group's cost of sales in the six months ended June 30, 2013, which is lower than that in the prior years because of the higher portion from TS segment.

(iii) VAOS

The cost of sales incurred for VAOS constituted 1.8% of the Group's cost of sales in the six months ended June 30, 2013, which is higher than that in the prior years, reflecting the continued rising contribution of VAOS to the Group's business.

GROSS PROFIT

Overall gross profit of the Group significantly increased from RMB205.3 million for the six month ended June 30, 2012 to RMB251.7 million in the six months ended June 30, 2013, primarily due to the continuous increasing demand of intelligent transportation networks in China. Gross profit margin has decreased from 28.2% for the six month ended June 30, 2012 to 25.8% in the six months ended June 30, 2013, mainly due to the acquisition of STONE which brought to the Group the TS projects with higher revenue and usually lower gross profit margin than SS projects. The following table sets out the gross profit breakdown analysis by industry sectors:

Management Discussion and Analysis

Business and Financial Review

GROSS PROFIT (continued) By industry sectors

	Six months ended		
	June 30, 2013 RMB'000	December 31, 2012 RMB'000	June 30, 2012 RMB'000
Gross profit by industry sectors			
Expressway	148,650	141,276	90,224
Margin %	25.9%	18.0%	24.2%
Railway	57,532	78,370	84,054
Margin %	27.0%	23.0%	30.9%
Urban traffic	45,279	86,685	25,352
Margin %	22.1%	27.7%	31.0%
Energy	208	5,078	5,691
Margin %	3.0%	35.8%	46.1%
Total	251,669	311,409	205,321
Margin %	25.8%	22.0%	28.2%

(i) Expressway

The Expressway sectors increased by 1.7% to 25.9% in the six months ended June 30, 2013 as compared to 24.2% for the six month ended June 30, 2012. The increase fully reflected the success of the Group's expansion strategy in new regions such as Yunnan and Hubei. The Group believes the Expressway business will continued to bring revenue and profit growth in the coming future.

(ii) Railway

The Railway sector gross profit margin slightly decreased by 3.9% to 27.0% in the six months ended June 30, 2013 as compared to 30.9% for the six months ended June 30, 2012. The overall gross profit margin of this industry sector remained stable at around 30% after a serial of negative impact in 2011. The Group had worked extremely hard to diversify its revenue composition and maintain a healthy growth model under such tough economic difficulties. The implementation of passenger transportation railways, such as Hangchang (Hangzhou–Changsha) railway, are expected to commence in the second half of this year under the incentive construction plan from central government. The Group believes the gross profit margin of this sector will continue to be in a sustainable level in the coming future.

(iii) Urban traffic

The Urban Traffic sector gross profit margin decreased by 8.9% from 31.0% for the six month ended June 30, 2012 to 22.1% in the six months ended June 30, 2013. The main reason for this change is that the acquisition of STONE in June of 2012 brought to the Group the TS projects, which are usually below the average gross profit margin level of SS projects in the Urban Traffic sector. This is the first full fiscal year that the Group covers all the segments include TS, SS and VAOS for the Urban Traffic sector. The gross profit margin in this industry sector will be close to the overall average gross profit margin level of the Group when the revenue portion increases. With the unremitting effort in developing new market opportunities, the Group believes the Urban Traffic sector will contribute sustainable profit in the coming years.

Management Discussion and Analysis

Business and Financial Review

GROSS PROFIT (continued)

By industry sectors (continued)

(iv) Energy

The gross profit margin for the energy sector decreased by 43.1% from 46.1% in the six month ended June 30, 2012 to 3.0% for the six months ended June 30, 2013. As the industry sector is in mature stage, the Group had disposed the sector and had directed more attention to the transportation sectors. The small amount of revenue and profit was attributable to the backlog remained in prior years.

By business models

	Six months ended		
	June 30, 2013 RMB'000	December 31, 2012 RMB'000	June 30, 2012 RMB'000
Gross profit by Segments			
TS	99,537	71,725	37,521
Margin %	20.1%	10.3%	14.8%
SS	131,563	224,451	160,480
Margin %	28.1%	31.4%	34.3%
VAOS	20,569	15,233	7,320
Margin %	60.5%	38.8%	43.4%
Total	251,669	311,409	205,321
Margin %	25.8%	22.0%	28.2%

(i) TS

Gross profit margin for TS increased by 5.3% to 20.1% in the six months ended June 30, 2013 as compared to 14.8% for the six month ended June 30, 2012. As stated in the revenue section, the Group had made remarkable breakthrough in Expressway sector for some new regions such as Hubei, Shanxi and Yunnan. The Group believes TS segment will produce sustainable project profits in the coming years under such the policy guidance of advantage in China's expressway industry.

(ii) SS

Gross profit margin for SS decreased by 6.2% to 28.1% in the six months ended June 30, 2013, as compared to 34.3% for the six month ended June 30, 2012. The decrease is mainly due to the impact of National Expressway Communication System Networking Project, which involves a very significant contract price but has a lower profit margin than normal SS projects. This project contributed approximately RMB88.2 million revenue and RMB23.3 million gross profit in the first half of this year. The Group believes the SS segment will continuously contribute the higher gross profit margin projects in the coming future.

(iii) VAOS

Gross profit margin for VAOS increased from 43.4% for the six month ended June 30, 2012 to 60.5% in the six months ended June 30, 2013. The gross profit margin for VAOS is varied from project to project and normally is within a range from 40% to 70%. With trend of the year-on-year increase revenue and the highest gross profit margin within business segments, the Group believes VAOS will continue to bring higher quality of profit in the coming years.

Management Discussion and Analysis

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OTHER INCOME AND GAINS

Other income and gains mainly comprised rental income from investment properties, government grants and other non-operating incomes. The decrease in such income and gains represented the decrease of government grants in the first half this year, which are extraordinary items in the Group's normal operation.

SELLING, GENERAL AND ADMINISTRATION EXPENSES

In the six months ended June 30, 2013, selling, general and administration expenses (“**SG&A**”) as a percentage of sales decreased by 4.2% to 18.7% as compared to 22.9% for the six months ended June 30, 2012, which was mainly due to the combined effect of revenue increase and strict expenses control policy applied by the Group.

The staff costs remained as a large component of the Group's SG&A while the travelling, entertainment and business expansion expenses (“**T&E expenses**”) and office supplies expenses are highly correlated with the headcount numbers. Therefore the total amount of the aforesaid expenses (headcount related cost) contributed the largest portion of the Group's SG&A. The headcount related cost increased from RMB100.7 million in the six months ended June 30, 2012 to RMB111.6 million in the six months ended June 30, 2013, representing a 10.8% increase and accounted for 61.2% of total SG&A in year ended June 30, 2013. This fluctuation was mainly due to general headcount increase for the business expansions in new sector and new products. As mentioned in the revenue section, the Group has put more and more efforts in developing the new business opportunities through the following ways: (a) hired talent people (b) adjusted salary rate in order to retain royal employees (c) spent valuable money in business expansion. Management believed the expenditure in human resource will bring corresponding profits in the coming future.

The rental expenses increased from RMB10.0 million for the six months ended June 30, 2012 to RMB13.0 million in the six months ended June 30, 2013 due to the higher rental cost of the Group's new centralized office in Beijing. Rental expenses accounted for 7.1% of the total SG&A in the six months ended June 30, 2013, a increase of 1.1% as compared to the corresponding period in 2012.

Research & Developments expenses increases form RMB10.6 million for the six months ended June 30, 2012 to RMB12.2 million for the six months ended June 30, 2013. The major growth was due to increase of expenditure in R&D for the new sectors such as urban traffic industry and other possible new industries.

Non-cash expenses

Equity-settled share option expenses refer to the share options expenses related to the Company's pre-IPO share incentive scheme adopted on December 28, 2008 (“**Pre-IPO Share Incentive Scheme**”) and the share option scheme under which share options were granted on January 18, 2012 (“**Share Option Scheme**”). For the six months ended June 30, 2013, equity-settled share option expenses was RMB11.3 million, which was less than that for the six months ended June 30, 2012, as the share options granted under the Share Option Scheme in 2012 had a more significant impact in the first year than in 2013 according to the preset vesting schedule.

Amortization expenses of intangible assets arising from acquisitions mainly represented the amortization arising from the acquisition of CTH and STONE. Such expenses was RMB10.2 million for the six months ended June 30, 2013, which was much higher than that for the six months ended June 30, 2012 due to the aforesaid acquisitions were took place in August of 2011 and June of 2012 respectively which made the amortization fully reflected in 2013.

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FINANCE INCOME AND FINANCE COST

Finance income comprised of mainly interest income and finance cost comprised of mainly interest expenses for interest-bearing bank loan. The net financial expense represented the total finance cost minus finance revenue. The Group's net financial expense was RMB18.8 million in the six months ended June 30, 2013, which represented an increase of RMB14.3 million as compared to the six months ended June 30, 2012. The increase was mainly due to the interest arising from the Bonds in amount of RMB210 million with interest rate at 10% issued in November 2012 and increase of the interest-bearing loan balance.

SHARE OF PROFITS/(LOSSES) OF JOINT VENTURES/ASSOCIATES

Share of Profits of investment entities in the six months ended June 30, 2013 was approximately RMB5.7 million, which represented an increase of RMB9.6 million from that of the six months ended June 30, 2012. The investment income was mainly from share of profit of Guangzhou Communication Information Co., Ltd. ("**Guangzhou Communication**"), which was co-founded with Guangzhou Communication Group in operation of urban traffic business. The Group believes this kind of income will increase when the business model is successfully replicated to other cities.

INCOME TAX EXPENSES

The total income tax expense in the six months ended June 30, 2013 was RMB18.5 million, which was higher than the total income tax expense of RMB13.6 million for the six months ended June 30, 2012. Considering the non-cash expenses in amount of RMB21.4 million as mentioned in the SG&A section above which was non-taxable, the taxable profit before tax was RMB82.3 million. Therefore, the effective tax rate for the six months ended June 30, 2013 was 22.5%, which represented a slight increase of 2.0% as compared to the corresponding period in 2012.

PROFIT FOR THE YEAR

Before deducting the non-cash expenses with amount of RMB21.4 million, which are non-taxable items, the pro forma net profit for the six months ended June 30, 2013 was RMB63.8 million, compared to RMB52.9 million for the six months ended June 30, 2012, or a 20.6% increase. This is mainly due to the fast growth demand in China's ITS industry and the Group's positive business expansions.

TRADE RECEIVABLES TURNOVER DAYS

The trade receivables turnover days in the six months ended June 30, 2013 was 122 days (in the six months ended June 30, 2012: 161 days).

NET CONSTRUCTION TURNOVER DAYS

The net amount due from contract customer turnover days in the six months ended June 30, 2013 was 118 days (in the six months ended June 30, 2012: 136 days).

TRADE PAYABLES TURNOVER DAYS

The trade payables turnover days in the six months ended June 30, 2013 was 150 days (in the six months ended June 30, 2012: 165 days).

INVENTORY TURNOVER DAYS

The inventories of the Group mainly comprised of raw materials, work-in-progress, finished goods and general merchandise for surveillances SS. The inventory turnover days in the six months ended June 30, 2013 was 8 days (in the six months ended June 30, 2012: 7 days).

Management Discussion and Analysis

Business and Financial Review



LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings, the proceeds from the Global Offering, and the proceeds from bond issued. As at June 30, 2013, the Group's current ratio (current assets divided by current liabilities) was 1.9 (as at December 31, 2012: 1.7). The Group's financial position remains healthy.

As at June 30, 2013, the Group was in a negative net cash position of RMB384.0 million (as at December 31, 2012: negative net cash of RMB48.0 million) which included cash and cash equivalent of RMB281.8 million (as at December 31, 2012: RMB584.8 million) and short-term borrowings of RMB399.2 million (as at December 31, 2012: RMB431.6 million) as well as long-term borrowings of RMB266.6 million (as at December 31, 2012: RMB201.2 million). As at June 30, 2013, the Group's gearing ratio was 8.9%, which has increased from -3.7% as at December 31, 2012, due to the newly issued long-term borrowings. 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, 2013, the Group had no material contingent liability.

CHARGES ON GROUP ASSETS

As at June 30, 2013, except for the secured deposits of approximately RMB16.0 million, the Group pledged its buildings having net book values of approximately RMB98.0 million (As at December 31, 2012: RMB154.0 million) to banks to secure banking facilities granted to the Group. Save as disclosed above, as at June 30, 2013, the Group has no other asset charged to financial institution.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANY

In January 2013, Beijing Aproud Technology Co., Ltd. ("**Aproud Technology**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party (the "**Hexin Purchaser**") and Beijing Hexin Risheng Technology Co., Ltd. ("**Hexin Risheng**"), a wholly-owned subsidiary of Aproud Technology. Pursuant to the equity transfer agreement, Aproud Technology transferred 100% of the equity interest in Hexin Risheng to the Hexin Purchaser at a total consideration of RMB34,476,211, which was determined by reference to the net asset value as recorded in Hexin Risheng's accounts as at October 31, 2012. Prior to the disposal, Hexin Risheng had been engaged in providing specialized ITS solutions in urban rapid transit and energy sectors. The Hexin Purchaser agreed that Hexin Risheng's business in rapid transit sector will be taken over by other subsidiaries of the Group, and the Hexin Purchaser will only continue to operate energy sector business. The disposal of Hexin Risheng is consistent with the Company's strategy to exit its businesses in the energy sector which is non-core to the Group's overall business strategy. As each of the relevant percentage ratios in respect of this transaction is below 5% and the transaction did not involve any securities for which listing would be sought, the transaction did not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Management Discussion and Analysis

Business and Financial Review

USE OF PROCEEDS

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

The use of the net proceeds from the global offering as at June 30, 2013 was as follows:

Use for	Percentage of net proceeds	Amount of net proceeds (in HK\$ million)	Amount utilised (in HK\$ million)	Amount remaining (in HK\$ million)
Acquisitions or Investments	45%	319.7	319.7	–
Project-related working capital needs	35%	248.7	248.7	–
Research and development	10%	71.1	51.3	19.8
General corporate purposes	10%	71.1	71.1	–
Total	100%	710.6	690.8	19.8

Directors' Report



The board of directors (individually, a “**Director**”, or collectively, the “**Board**”) of the Company presents its report together with the unaudited interim condensed consolidated results of the Company and its subsidiaries for the six months ended June 30, 2013, with comparative figures.

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend (the “**Interim Dividend**”) of HK\$0.5 cents per share of the Company for the six months ended June 30, 2013, totaling approximately HK\$8.2 million to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on September 13, 2013 (the “**Record Date**”). Shareholders will be given an option to elect to receive shares of the Company credited as fully paid in lieu of cash in respect of all or part of the Interim Dividend (the “**Scrip Dividend Scheme**”). Dividend warrants and/or share certificates in respect of the Interim Dividend are expected to be dispatched on October 23, 2013.

The Scrip Dividend Scheme is conditional upon the Stock Exchange granting the listing of and permission to deal in the new shares of the Company to be allotted under the Scrip Dividend Scheme. A circular setting out full details of the Scrip Dividend Scheme together with a form of election will be sent to the shareholders of the Company in due course.

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to the Interim Dividend from September 11, 2013 to September 13, 2013, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the Interim Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on September 10, 2013 for registration.

REVIEWED BY AUDIT COMMITTEE AND EXTERNAL AUDITORS

The audit committee of the Company 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, 2013 together with the management of the Company and external auditor, Ernst & Young.

In addition, Ernst & Young, has performed an independent review of the unaudited interim condensed consolidated financial information for the six months ended June 30, 2013 in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

Directors' Report

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

As at June 30, 2013, 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 Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Name of Director	Nature of interest	Number of securities ⁽¹¹⁾	Approximate percentage of shareholdings as at June 30, 2013 ⁽¹¹⁾
Mr. Liao Jie ⁽¹⁾⁽²⁾	Beneficial owner/Interest of a controlled corporation	113,235,297(L)	6.88%(L)
Mr. Jiang Hailin ⁽¹⁾⁽³⁾	Beneficial owner/Beneficiary of the Fino Trust	886,558,032(L)	53.87%(L)
Mr. Wang Jing ⁽¹⁾⁽⁴⁾	Beneficial owner/Beneficiary of the Tesco Trust	890,508,032(L)	54.11%(L)
Mr. Lu Xiao ⁽¹⁾⁽⁵⁾	Beneficiary owner/Interest of a controlled corporation	109,599,999(L)	6.66%(L)
Mr. Pan Jianguo ⁽¹⁾⁽⁶⁾	Beneficial owner/Beneficiary of the Ampio Trust	152,961,292(L)	9.30%(L)
Mr. Lv Xilin ⁽¹⁾⁽⁷⁾	Beneficial owner/Beneficiary of the Fino Trust	892,877,861(L)	54.26%(L)
Mr. Choi Onward ⁽⁸⁾	Beneficial owner	98,824(L)	0.01%(L)
Mr. Zhou Chunsheng ⁽¹⁰⁾	Beneficial owner	98,824(L)	0.01%(L)
Mr. Sun Lu ⁽⁹⁾	Beneficial owner	98,824(L)	0.01%(L)

Notes:

(1) To facilitate the management and operation of the Company and as a result of previous restructuring exercises of the Group, China ITS Co., Ltd. ("Holdco"), Pride Spirit Company Limited, Sea Best Investments Limited, Joy Bright Success Limited ("Joy Bright"), Gouver Investments Limited ("Gouver"), Kang Yang Holdings Limited, Huaxin Investments Limited, Rockyjing Investment Limited, Key Trade Holdings Limited, Speedy Fast Investments Limited ("Speedy Fast"), Best Partners Development Limited ("Best Partners"), Joyful Business Holdings Limited, Mr. Liao Jie, Mr. Lu Xiao, Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Jiang Hailin, Mr. Wang Jing, Mr. Liang Shiping, Ms. Wu Chunhong, Mr. Zhao Lisen, Mr. Yuan Chuang, Mr. Zhang Qian, Mr. Guan Xiong, Mr. Zheng Hui, Mr. Lv Xilin, Ms. Wang Li, Mr. Dang Kulun, Mr. Pan Jianguo and Mr. Jing Yang, entered into shareholders voting agreements (the "Shareholders Voting Agreements"), pursuant to which each of the parties (other than Holdco) to the Shareholder Voting Agreements has authorized Holdco to exercise their voting rights in the Company on their behalves.

Holdco is entitled to exercise or control the exercise of the voting rights of a total of 884,702,184 Shares, representing the aggregate number of Shares held by all of the parties to the Shareholder Voting Agreements.

(2) 40,735,874 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Liao Jie on January 18, 2012 under the Share Option Scheme. Mr. Liao Jie is also deemed to be interested in the 72,499,423 Shares held by Joyful Business Holdings Limited, which is wholly-owned by Mr. Liao Jie.

Directors' Report

- (3) 1,855,848 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Jiang Hailin on January 18, 2012 under the Share Option Scheme.

Mr. Jiang Hailin was also interested in all the Shares in which Fino Trust was interested as a beneficiary of Fino Trust. As the beneficial owner of Fino Investments Limited, Fino Trust is deemed to be interested in all the Shares in which Fino Investments Limited is interested. Mr. Jiang Hailin beneficially and directly owns 18,702,440 Shares, which are part of the 884,702,184 Shares in which Fino Trust is deemed to be interested.

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

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

- (5) 4,262,105 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Lu Xiao on December 31, 2008 under the Pre-IPO Share Incentive Scheme. 6,959,432 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Lu Xiao on January 18, 2012 under the Share Option Scheme.

The remaining 98,378,462 of these Shares are held by Speedy Fast, which is wholly-owned by Mr. Lu Xiao.

- (6) 4,175,659 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Pan Jianguo on January 18, 2012 under the Share Option Scheme.

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

- (7) 1,773,000 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Lv Xilin on December 31, 2008 under the Pre-IPO Share Incentive Scheme. 6,402,677 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Lv Xilin on January 18, 2012 under the Share Option Scheme.

Mr. Lv Xilin was also interested in all the Shares in which Fino Trust was interested as a beneficiary of Fino Trust. As the beneficial owner of Fino Investments Limited, Fino Trust is deemed to be interested in all the Share in which Fino Investments Limited is interested. Mr. Lv Xilin beneficially and directly owns 22,217,727 Shares, which are part of the 884,702,184 Shares in which Fino Trust is deemed to be interested.

- (8) These Shares are underlying Shares subject to the exercise of share options granted to Mr. Zhou Chunsheng January 18, 2012 under the Share Option Scheme.

- (9) These Shares are underlying Shares subject to the exercise of share options granted to Mr. Choi Onward on January 18, 2012 under the Share Option Scheme.

- (10) These Shares are underlying Shares subject to the exercise of share options granted to Mr. Sun Lu on January 18, 2012 under the Share Option Scheme.

- (11) (L) denotes long positions.

Directors' Report



DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as otherwise disclosed in this interim report, at no time during the six months ended June 30, 2013, 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 (the "**Prospectus**") and in the section headed "Report of the Directors" in the 2012 Annual Report of the Company dated March 28, 2013.

1. Pre-IPO Share Incentive Scheme

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

Options to subscribe for an aggregate of 116,653,105 Shares have been conditionally granted by China ITS Co., Ltd. under the Pre-IPO Share Incentive Scheme.

As of June 30, 2013, a total of 59,676,915 Shares which were held by China ITS Co., Ltd. may be transferred to the relevant grantees upon exercise of all options which had been granted under the Pre-IPO Share Incentive Scheme. Upon exercise of such options, China ITS Co., Ltd. transfers the relevant number of shares of the Company 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.

Directors' Report

Movement of the options granted under the Pre-IPO Share Incentive Scheme during the six months ended June 30, 2013 is as follows:

Grantee	Grant date	Vesting start date	Expiry date	Outstanding as at January 1, 2013	Exercised during the six months ended June 30, 2013	Lapsed or cancelled during the six months ended June 30, 2013	Outstanding as at June 30, 2013	Exercise price per share (RMB)
Mr. Wang Jing (Executive Director, Substantial Shareholder)	31/12/2008	31/12/2008	31/12/2013	0	-	-	0	0.6
	31/12/2008	31/12/2010	31/12/2015	0	-	-	0	2
	31/12/2008	30/06/2011	30/06/2016	0	-	-	0	2
	31/12/2008	31/12/2011	31/12/2016	34,250	-	-	34,250	3
	31/12/2008	30/06/2012	30/06/2017	1,305,250	-	-	1,305,250	3
	31/12/2008	31/12/2012	31/12/2017	1,305,250	-	-	1,305,250	4
	31/12/2008	30/06/2013	30/06/2018	1,305,250	-	-	1,305,250	4
Sub-total				3,950,000	-	-	3,950,000	
Mr. Lu Xiao (Executive Director, Substantial Shareholder)	31/12/2008	31/12/2008	31/12/2013	1,445,253	400,000	-	1,045,253	0.6
	31/12/2008	31/12/2010	31/12/2015	536,142	-	-	536,142	2
	31/12/2008	30/06/2011	30/06/2016	536,142	-	-	536,142	2
	31/12/2008	31/12/2011	31/12/2016	536,142	-	-	536,142	3
	31/12/2008	30/06/2012	30/06/2017	536,142	-	-	536,142	3
	31/12/2008	31/12/2012	31/12/2017	536,142	-	-	536,142	4
	31/12/2008	30/06/2013	30/06/2018	536,142	-	-	536,142	4
Sub-total				4,662,105	400,000	-	4,262,105	
Mr. Lv Xilin (Executive Director, Substantial Shareholder)	31/12/2008	31/12/2008	31/12/2013	549,630	-	-	549,630	0.6
	31/12/2008	31/12/2010	31/12/2015	203,895	-	-	203,895	2
	31/12/2008	30/06/2011	30/06/2016	203,895	-	-	203,895	2
	31/12/2008	31/12/2011	31/12/2016	203,895	-	-	203,895	3
	31/12/2008	30/06/2012	30/06/2017	203,895	-	-	203,895	3
	31/12/2008	31/12/2012	31/12/2017	203,895	-	-	203,895	4
	31/12/2008	30/06/2013	30/06/2018	203,895	-	-	203,895	4
Sub-total				1,773,000	-	-	1,773,000	
Others	31/12/2008	31/12/2008	31/12/2013	42,216,070	6,746,470	7,835,110	27,634,490	0.6
	31/12/2008	31/12/2010	31/12/2015	2,936,353	396,500	1,317,315	1,222,538	2
	31/12/2008	30/06/2011	30/06/2016	7,701,832	246,500	1,317,315	6,138,017	2
	31/12/2008	31/12/2011	31/12/2016	4,919,530	435,050	2,217,315	2,267,165	3
	31/12/2008	30/06/2012	30/06/2017	6,429,710	176,800	2,407,495	3,845,415	3
	31/12/2008	31/12/2012	31/12/2017	6,009,710	-	3,307,495	2,702,215	4
	31/12/2008	30/06/2013	30/06/2018	6,429,710	-	547,740	5,881,970	4
Sub-total				76,642,915	8,001,320	18,949,785	49,691,810	
TOTAL:				87,028,020	8,401,320	18,949,785	59,676,915	

Note:

(1) The weighted average closing price of the Company's share immediately before the exercise dates of the share options was HK\$1.82.

Directors' Report

2. Share Option Scheme

The Company conditionally adopted the Share Option Scheme on June 18, 2010 and the Share Option Scheme became effective as at the date of listing of the Company on July 15, 2010 (the "**Listing Date**"). The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group.

The Board may, at its absolute discretion, offer an option to eligible participant to subscribe for the shares at an exercise price and subject to the other terms of the Share Option Scheme.

The total number of shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The Share Option Scheme will remain in force for a period of 10 years from the Listing Date and ending on the tenth anniversary of the Listing Date. Under the Share Option Scheme, each option has an exercise period not exceeding 10 years from the date of grant.

As at the Listing Date, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company ("**Share Option Scheme Limit**") shall not in aggregate exceed 155,029,633 Shares 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.

On January 18, 2012, the Board resolved to grant share options under the Share Option Scheme to 191 grantees, which includes certain Directors, chief executive, substantial shareholders and employees of the Company to subscribe for an aggregate of 155,000,000 Shares. For further details of the abovementioned grant of share options, please refer to the announcement of the Company on January 18, 2012.

Following the grant of share options on January 18, 2012, the remaining mandate not utilized under the above Share Option Scheme Limit is 29,633 Shares. On February 29, 2012, shareholders of the Company approved the refreshment of the Share Option Scheme Limit for the purpose of future grants of share options to the eligible participants under the Share Option Scheme. Under the refreshed Share Option Scheme Limit, the total number of Shares which may be issued upon exercise of options which may be granted under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 10% of the total number of Shares of the Company in issue at the date of passing the relevant resolutions on refreshment of the Share Option Scheme Limit, i.e. 161,281,776 Shares. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or exercised options and those options granted on January 18, 2012) will not be counted for the purpose of calculating the 10% refreshed Share Option Scheme Limit.

Directors' Report

Movement of the options granted under the Share Option Scheme during the six months ended June 30, 2013 is as follows:

Grantee	Grant date ⁽¹⁾	Vesting start date	Expiry date	Outstanding	Exercised	Lapsed or	Outstanding	Exercise
				as at January 1, 2013	during the six months ended June 30, 2013	cancelled during the six months ended June 30, 2013	as at June 30, 2013	price per share (HK\$)
Mr. Liao Jie ⁽³⁾ (Executive Director, Chairman, Substantial Shareholder)	18/01/2012	19 April 2012	Note ⁽²⁾	1,694,612	-	-	1,694,612	1.05
	18/01/2012	19 July 2012	Note ⁽²⁾	1,694,612	-	-	1,694,612	1.05
	18/01/2012	19 October 2012	Note ⁽²⁾	1,694,612	-	-	1,694,612	1.05
	18/01/2012	19 January 2013	Note ⁽²⁾	1,694,612	-	-	1,694,612	1.05
	18/01/2012	19 April 2013	Note ⁽²⁾	3,393,298	-	-	3,393,298	1.05
	18/01/2012	19 July 2013	Note ⁽²⁾	3,393,298	-	-	3,393,298	1.05
	18/01/2012	19 October 2013	Note ⁽²⁾	3,393,298	-	-	3,393,298	1.05
	18/01/2012	19 January 2014	Note ⁽²⁾	3,393,298	-	-	3,393,298	1.05
	18/01/2012	19 April 2014	Note ⁽²⁾	5,091,984	-	-	5,091,984	1.05
	18/01/2012	19 July 2014	Note ⁽²⁾	5,091,984	-	-	5,091,984	1.05
	18/01/2012	19 October 2014	Note ⁽²⁾	5,091,984	-	-	5,091,984	1.05
	18/01/2012	19 January 2015	Note ⁽²⁾	5,108,282	-	-	5,108,282	1.05
	Sub-total				40,735,874	-	-	40,735,874
Mr. Jiang Hailin (Executive Director, Chief Executive Officer, Substantial Shareholder)	18/01/2012	19 April 2012	Note ⁽²⁾	77,203	-	-	77,203	1.05
	18/01/2012	19 July 2012	Note ⁽²⁾	77,203	-	-	77,203	1.05
	18/01/2012	19 October 2012	Note ⁽²⁾	77,203	-	-	77,203	1.05
	18/01/2012	19 January 2013	Note ⁽²⁾	77,203	-	-	77,203	1.05
	18/01/2012	19 April 2013	Note ⁽²⁾	154,592	-	-	154,592	1.05
	18/01/2012	19 July 2013	Note ⁽²⁾	154,592	-	-	154,592	1.05
	18/01/2012	19 October 2013	Note ⁽²⁾	154,592	-	-	154,592	1.05
	18/01/2012	19 January 2014	Note ⁽²⁾	154,592	-	-	154,592	1.05
	18/01/2012	19 April 2014	Note ⁽²⁾	231,981	-	-	231,981	1.05
	18/01/2012	19 July 2014	Note ⁽²⁾	231,981	-	-	231,981	1.05
	18/01/2012	19 October 2014	Note ⁽²⁾	231,981	-	-	231,981	1.05
	18/01/2012	19 January 2015	Note ⁽²⁾	232,725	-	-	232,725	1.05
	Sub-total				1,855,848	-	-	1,855,848

Directors' Report



Grantee	Grant date ⁽¹⁾	Vesting start date	Expiry date	Outstanding as at January 1, 2013	Exercised during the six months ended June 30, 2013	Lapsed or cancelled during the six months ended June 30, 2013	Outstanding as at June 30, 2013	Exercise price per share (HK\$)
Mr. Wang Jing (Executive Director, Substantial Shareholder)	18/01/2012	19 April 2012	Note ⁽²⁾	77,203	-	-	77,203	1.05
	18/01/2012	19 July 2012	Note ⁽²⁾	77,203	-	-	77,203	1.05
	18/01/2012	19 October 2012	Note ⁽²⁾	77,203	-	-	77,203	1.05
	18/01/2012	19 January 2013	Note ⁽²⁾	77,203	-	-	77,203	1.05
	18/01/2012	19 April 2013	Note ⁽²⁾	154,592	-	-	154,592	1.05
	18/01/2012	19 July 2013	Note ⁽²⁾	154,592	-	-	154,592	1.05
	18/01/2012	19 October 2013	Note ⁽²⁾	154,592	-	-	154,592	1.05
	18/01/2012	19 January 2014	Note ⁽²⁾	154,592	-	-	154,592	1.05
	18/01/2012	19 April 2014	Note ⁽²⁾	231,981	-	-	231,981	1.05
	18/01/2012	19 July 2014	Note ⁽²⁾	231,981	-	-	231,981	1.05
	18/01/2012	19 October 2014	Note ⁽²⁾	231,981	-	-	231,981	1.05
	18/01/2012	19 January 2015	Note ⁽²⁾	232,725	-	-	232,725	1.05
Sub-total				1,855,848	-	-	1,855,848	
Mr. Lu Xiao (Executive Director, Substantial Shareholder)	18/01/2012	19 April 2012	Note ⁽²⁾	289,512	-	-	289,512	1.05
	18/01/2012	19 July 2012	Note ⁽²⁾	289,512	-	-	289,512	1.05
	18/01/2012	19 October 2012	Note ⁽²⁾	289,512	-	-	289,512	1.05
	18/01/2012	19 January 2013	Note ⁽²⁾	289,512	-	-	289,512	1.05
	18/01/2012	19 April 2013	Note ⁽²⁾	579,721	-	-	579,721	1.05
	18/01/2012	19 July 2013	Note ⁽²⁾	579,721	-	-	579,721	1.05
	18/01/2012	19 October 2013	Note ⁽²⁾	579,721	-	-	579,721	1.05
	18/01/2012	19 January 2014	Note ⁽²⁾	579,721	-	-	579,721	1.05
	18/01/2012	19 April 2014	Note ⁽²⁾	869,929	-	-	869,929	1.05
	18/01/2012	19 July 2014	Note ⁽²⁾	869,929	-	-	869,929	1.05
	18/01/2012	19 October 2014	Note ⁽²⁾	869,929	-	-	869,929	1.05
	18/01/2012	19 January 2015	Note ⁽²⁾	872,713	-	-	872,713	1.05
Sub-total				6,959,432	-	-	6,959,432	

Directors' Report



Grantee	Grant date ⁽¹⁾	Vesting start date	Expiry date	Outstanding as at January 1, 2013	Exercised during the six months ended June 30, 2013	Lapsed or cancelled during the six months ended June 30, 2013	Outstanding as at June 30, 2013	Exercise price per share (HK\$)
Mr. Pan Jianguo (Executive Director, Substantial Shareholder)	18/01/2012	19 April 2012	Note ⁽²⁾	173,707	-	-	173,707	1.05
	18/01/2012	19 July 2012	Note ⁽²⁾	173,707	-	-	173,707	1.05
	18/01/2012	19 October 2012	Note ⁽²⁾	173,707	-	-	173,707	1.05
	18/01/2012	19 January 2013	Note ⁽²⁾	173,707	-	-	173,707	1.05
	18/01/2012	19 April 2013	Note ⁽²⁾	347,832	-	-	347,832	1.05
	18/01/2012	19 July 2013	Note ⁽²⁾	347,832	-	-	347,832	1.05
	18/01/2012	19 October 2013	Note ⁽²⁾	347,832	-	-	347,832	1.05
	18/01/2012	19 January 2014	Note ⁽²⁾	347,832	-	-	347,832	1.05
	18/01/2012	19 April 2014	Note ⁽²⁾	521,957	-	-	521,957	1.05
	18/01/2012	19 July 2014	Note ⁽²⁾	521,957	-	-	521,957	1.05
	18/01/2012	19 October 2014	Note ⁽²⁾	521,957	-	-	521,957	1.05
	18/01/2012	19 January 2015	Note ⁽²⁾	523,632	-	-	523,632	1.05
Sub-total				4,175,659	-	-	4,175,659	
Mr. Lv Xilin (Executive Director, Substantial Shareholder)	18/01/2012	19 April 2012	Note ⁽²⁾	266,351	-	-	266,351	1.05
	18/01/2012	19 July 2012	Note ⁽²⁾	266,351	-	-	266,351	1.05
	18/01/2012	19 October 2012	Note ⁽²⁾	266,351	-	-	266,351	1.05
	18/01/2012	19 January 2013	Note ⁽²⁾	266,351	-	-	266,351	1.05
	18/01/2012	19 April 2013	Note ⁽²⁾	533,343	-	-	533,343	1.05
	18/01/2012	19 July 2013	Note ⁽²⁾	533,343	-	-	533,343	1.05
	18/01/2012	19 October 2013	Note ⁽²⁾	533,343	-	-	533,343	1.05
	18/01/2012	19 January 2014	Note ⁽²⁾	533,343	-	-	533,343	1.05
	18/01/2012	19 April 2014	Note ⁽²⁾	800,335	-	-	800,335	1.05
	18/01/2012	19 July 2014	Note ⁽²⁾	800,335	-	-	800,335	1.05
	18/01/2012	19 October 2014	Note ⁽²⁾	800,335	-	-	800,335	1.05
	18/01/2012	19 January 2015	Note ⁽²⁾	802,896	-	-	802,896	1.05
Sub-total				6,402,677	-	-	6,402,677	

Directors' Report



Grantee	Grant date ⁽¹⁾	Vesting start date	Expiry date	Outstanding as at January 1, 2013	Exercised during the six months ended June 30, 2013	Lapsed or cancelled during the six months ended June 30, 2013	Outstanding as at June 30, 2013	Exercise price per share (HK\$)
Mr. Choi Onward (Independent Non-Executive Director)	18/01/2012	19 April 2012	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 July 2012	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 October 2012	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 January 2013	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 April 2013	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 July 2013	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 October 2013	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 January 2014	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 April 2014	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 July 2014	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 October 2014	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 January 2015	Note ⁽²⁾	8,272	-	-	8,272	1.05
Sub-total				98,824	-	-	98,824	
Mr. Zhou Chunsheng (Independent Non-Executive Director)	18/01/2012	19 April 2012	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 July 2012	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 October 2012	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 January 2013	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 April 2013	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 July 2013	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 October 2013	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 January 2014	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 April 2014	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 July 2014	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 October 2014	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 January 2015	Note ⁽²⁾	8,272	-	-	8,272	1.05
Sub-total				98,824	-	-	98,824	

Directors' Report



Grantee	Grant date ⁽¹⁾	Vesting start date	Expiry date	Outstanding	Exercised	Lapsed or	Outstanding	Exercise
				as at January 1, 2013	during the six months ended June 30, 2013	cancelled during the six months ended June 30, 2013	as at June 30, 2013	price per share (HK\$)
Mr. Sun Lu (Independent Non-Executive Director)	18/01/2012	19 April 2012	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 July 2012	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 October 2012	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 January 2013	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 April 2013	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 July 2013	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 October 2013	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 January 2014	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 April 2014	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 July 2014	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 October 2014	Note ⁽²⁾	8,232	-	-	8,232	1.05
	18/01/2012	19 January 2015	Note ⁽²⁾	8,272	-	-	8,272	1.05
	Sub-total				98,824	-	-	98,824
Others	18/01/2012	19 April 2012	Note ⁽²⁾	5,589,429	-	-	5,589,429	1.05
	18/01/2012	19 July 2012	Note ⁽²⁾	5,589,429	-	-	5,589,429	1.05
	18/01/2012	19 October 2012	Note ⁽²⁾	5,589,429	-	-	5,589,429	1.05
	18/01/2012	19 January 2013	Note ⁽²⁾	5,589,429	-	-	5,589,429	1.05
	18/01/2012	19 April 2013	Note ⁽²⁾	7,723,426	-	-	7,723,426	1.05
	18/01/2012	19 July 2013	Note ⁽²⁾	7,723,426	-	-	7,723,426	1.05
	18/01/2012	19 October 2013	Note ⁽²⁾	7,723,426	-	-	7,723,426	1.05
	18/01/2012	19 January 2014	Note ⁽²⁾	7,723,426	-	-	7,723,426	1.05
	18/01/2012	19 April 2014	Note ⁽²⁾	9,857,424	-	-	9,857,424	1.05
	18/01/2012	19 July 2014	Note ⁽²⁾	9,857,424	-	-	9,857,424	1.05
	18/01/2012	19 October 2014	Note ⁽²⁾	9,857,424	-	-	9,857,424	1.05
	18/01/2012	19 January 2015	Note ⁽²⁾	9,894,498	-	-	9,894,498	1.05
	Sub-total				92,718,190	-	-	92,718,190
TOTAL:				155,000,000	-	-	155,000,000	

Notes:

- (1) The closing price of the Company's shares immediately before the grant date (i.e. January 18, 2012) of share options was HK\$1.05
- (2) Expiry date of these share options shall be the earlier of: (i) the date on which the share option lapses in accordance with the Share Option Scheme or (ii) the date falling ten (10) years from the date of acceptance by the grantee.
- (3) The total number of Shares to be issued upon exercise of the share options granted to Mr. Liao Jie would exceed 1% of the Shares in issue in the 12-month period up to and including the date of the grant. Such further grant of share options to Mr. Liao Jie was approved by shareholders of the Company in an extraordinary general meeting on February 29, 2012.

Directors' Report

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

As at June 30, 2013, 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 and short positions in the Shares and underlying shares of the Company

Name	Capacity	Long position/ Short position	Number of Shares	Percentage to Company's issued share capital
China ITS Co., Ltd ⁽¹⁾	Beneficiary owner	Long position	887,959,584	53.96%
Best Partners ⁽²⁾	Interest of controlled corporation	Long position	887,959,584	53.96%
Fino ⁽³⁾	Interest of controlled corporation	Long position	887,959,584	53.96%
Tesco ⁽⁴⁾	Interest of controlled corporation	Long position	887,959,584	53.96%
Credit Suisse Trust Limited ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Trustee	Long position	887,959,584	53.96%
Ampio International Limited ⁽⁵⁾	Interest of controlled corporation	Long position	148,785,633	9.04%
Huaxin Investments Limited ⁽⁶⁾	Beneficial owner	Long position	99,278,087	6.03%
Binks Investments Limited ⁽⁶⁾	Interest of controlled corporation	Long position	99,278,087	6.03%
Speedy Fast Investments ⁽⁷⁾	Beneficial owner	Long position	98,378,462	5.98%
Gouver ⁽⁸⁾	Interest of controlled corporation	Long position	95,900,234	5.83%
Joy Bright ⁽⁸⁾	Beneficial owner	Long position	95,900,234	5.83%

Notes:

- (1) Holdco is wholly-owned by Best Partners. Six of our Directors Mr. Jiang Hailin, Mr. Liao Jie, Mr. Wang Jing, Mr. Lv Xilin, Mr. Lu Xiao and Mr. Pan Jianguo are also directors of Holdco.
- (2) The issued share capital of Best Partners is held as to 83% by Fino Investments Limited ("**Fino**") and as to 17% by Tesco Investments Limited ("**Tesco**"). By virtue of the Shareholder Voting Agreements, Best Partners Development Limited is deemed to be controlled by Fino Investments Limited and Tesco Investments Limited. Four of our Directors Mr. Jiang Hailin, Mr. Liao Jie, Mr. Wang Jing and Mr. Lv Xilin are also directors of Best Partners.
- (3) Fino Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Fino Trust, namely Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Liang Shiping, Mr. Jiang Hailin, Ms. Wu Chunhong, Mr. Yuan Chuang, Mr. Lv Xilin and Mr. Zhao Lisen. The Fino Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (4) Tesco Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Tesco Trust, namely Mr. Wang Jing, Mr. Zhang Qian, Mr. Guan Xiong, Mr. Zheng Hui and Mr. Wang Li. The Tesco Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.

Directors' Report

- (5) Ampio International Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Ampio Trust, namely Mr. Pan Jianguo and Mr. Jing Yang. The Ampio Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.

Each of Rockyjing Investment Limited and Gouver, the sole shareholder of Joy Bright, is wholly-owned by Ampio International Limited. Accordingly, Ampio International Limited is deemed to be interested in the 52,885,399 Shares and 95,900,234 Shares in which Rockyjing Investment Limited and Joy Bright are interested, respectively.

- (6) Huaxin Investments Limited is wholly-owned by Binks Investments Limited. Binks Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Binks Trust, namely Mr. Dang Kulun, Mr. Shi Li, Mr. Dang Hankun, Mr. Dang Hanwen, Mr. Dang Zhen and New Song Cristian Life Centre. The Binks Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (7) Speedy Fast is wholly owned by Mr. Lu Xiao. Our Director, Mr. Lu Xiao, is also the director of Speedy Fast.
- (8) Joy Bright is wholly-owned by Gouver and accordingly Gouver is deemed to be interested in all the Shares in which Joy Bright is interested. Our Director, Mr. Pan Jianguo, is also the director of Gouver Investments Limited and Joy Bright Success Limited.

Save as disclosed in the paragraphs headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" above, no Director or proposed director is a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

EMPLOYMENT AND EMOLUMENT POLICIES

As at June 30, 2013, the Group had 993 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

In May 2013, the Company purchased and cancelled part of the Bonds in the principal amount of RMB20,000,000, representing approximately 9.5238% of the outstanding Bonds in the principal amount of RMB210,000,000 immediately prior to the cancellation. Please refer to the sub-section headed "Purchase and cancellation of Bonds" in Management Discussion and Analysis section in this announcement for further details. Other than such purchase and cancellation of the Bonds, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the reporting period.

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions contained in the code of corporate governance practices (the "CG Code") set out in Appendix 14 of Listing Rules. The Company has complied with the code provisions in the CG Code throughout the six months ended June 30, 2013.

Directors' Report



DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The audit committee of the Company was established on June 18, 2010 with effect from the listing of the Company. The current terms of reference of the audit committee have been adopted on March 28, 2012 in compliance with the CG Code. The primary duties of the audit committee are, among other things, to review and supervise our financial reporting process and internal control systems.

The audit committee comprises three independent non-executive Directors, being Mr. Choi Onward, Mr. Zhou Chunsheng and Mr. Sun Lu. The audit committee is chaired by Mr. Choi Onward.

REMUNERATION COMMITTEE

The Company has established a remuneration committee on June 18, 2010 with effect from the listing of the Company. The current terms of reference of the remuneration committee have been adopted on March 28, 2012 in compliance with the CG Code.

The primary duties of the remuneration committee 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 remuneration committee comprises three independent non-executive Directors, being Mr. Sun Lu, Mr. Zhou Chunsheng and Mr. Choi Onward. The remuneration committee is chaired by Mr. Sun Lu.

NOMINATION COMMITTEE

The Company established a nomination committee on June 18, 2010 with effect from the listing of the Company. The current terms of reference of the nomination committee have been adopted on March 28, 2012 in compliance with the CG Code.

The primary duty of the nomination committee is to make recommendations to the Board regarding candidates to fill vacancies on the board of directors.

The nomination committee comprises three independent non-executive Directors, being 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, 2013, there were no changes to information related to Directors of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

USE OF PROCEEDS FROM LISTING

Details of the use of proceeds of the Company for the six months ended June 30, 2013 are set out with the same subtitle in the section headed "Management Discussion and Analysis" in this interim report.

Directors' Report



EVENTS AFTER THE REPORTING PERIOD

Please refer to note 33 to the interim condensed consolidated financial statements on page 72 for events of the Company after June 30, 2013.

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

Beijing, August 27, 2013

Report on Review of Interim Condensed Consolidated Financial Statements



Ernst & Young
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

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

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements of China ITS (Holdings) Co., Ltd. (the “**Company**”) and its subsidiaries (collectively the “**Group**”), which comprises the interim condensed consolidated statement of financial position as at June 30, 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

August 27, 2013

Interim Condensed Consolidated Statement of Income

For the six-month period ended June 30, 2013

For the six-month
period ended June 30,

	Notes	2013 RMB'000 Unaudited	2012 RMB'000 Unaudited
REVENUE	4	975,905	728,081
Cost of revenue	5	(724,236)	(522,760)
Gross profit		251,669	205,321
Other income and gains	4	4,967	9,434
Selling, general and administrative expenses		(182,411)	(166,648)
Other expenses		(269)	(100)
OPERATING PROFIT		73,956	48,007
Finance income	5	7,320	6,060
Finance costs	5	(26,106)	(10,578)
Share of profits/(losses) of joint ventures		2,377	(4,774)
Share of profits of associates		3,291	802
Gain on disposal of a subsidiary	26	63	–
PROFIT BEFORE TAX	5	60,901	39,517
Income tax expense	6	(18,489)	(13,571)
PROFIT FOR THE PERIOD		42,412	25,946
Attributable to:			
Owners of the parent		43,356	26,702
Non-controlling interests		(944)	(756)
		42,412	25,946
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic — for profit for the period	7	RMB0.03	RMB0.02
Diluted — for profit for the period	7	RMB0.03	RMB0.02

Interim Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended June 30, 2013



	For the six-month period ended June 30,	
	2013 RMB'000 Unaudited	2012 RMB'000 Unaudited
PROFIT FOR THE PERIOD	42,412	25,946
Exchange differences on translation of foreign operations	(2,747)	618
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(2,747)	618
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	39,665	26,564
Attributable to:		
Owners of the parent	40,609	27,320
Non-controlling interests	(944)	(756)
	39,665	26,564

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2013



	Notes	June 30, 2013 RMB'000 Unaudited	December 31, 2012 RMB'000 Audited
NON-CURRENT ASSETS			
Property and equipment	9	54,785	55,915
Investment properties	10	98,000	154,000
Prepaid land premium		13,925	14,149
Goodwill		406,135	406,135
Other intangible assets	11	68,541	78,717
Investments in joint ventures	12	44,163	33,350
Investments in associates	13	94,742	94,043
Available-for-sale investment		25,307	25,307
Deferred tax assets		15,939	12,202
Prepayments for acquisition of equity interests in other entity	14	111,710	111,710
Other long-term assets		20,038	19,944
Total non-current assets		953,285	1,005,472
CURRENT ASSETS			
Inventories	15	42,932	37,853
Construction contracts	16	1,347,908	1,255,393
Trade and bills receivables	17	862,878	903,794
Prepayments, deposits and other receivables	18	1,298,866	1,146,390
Due from related parties	27	110,561	74,656
Deferred cost		20,364	8,071
Held-to-maturity investment		68,189	69,405
Pledged deposits	19	69,746	80,636
Cash and cash equivalents	19	281,837	584,783
Other financial assets		3,445	3,445
Total current assets		4,106,726	4,164,426
CURRENT LIABILITIES			
Trade and bills payables	20	967,830	923,666
Other payables and accruals	21	334,551	327,558
Construction contracts	16	461,470	679,378
Interest-bearing bank borrowings	22	399,246	431,577
Due to related parties	27	19,827	13,847
Income tax payable		3,059	42,072
Deferred income		–	1,344
Total current liabilities		2,185,983	2,419,442
NET CURRENT ASSETS		1,920,743	1,744,984
TOTAL ASSETS LESS CURRENT LIABILITIES		2,874,028	2,750,456

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2013

	Notes	June 30, 2013 RMB'000 Unaudited	December 31, 2012 RMB'000 Audited
NON-CURRENT LIABILITIES			
Guaranteed bonds	23	183,589	201,194
Interest-bearing bank borrowings	22	83,000	–
Long-term payable		2,995	8,537
Deferred tax liabilities		55,066	43,319
Total non-current liabilities		324,650	253,050
NET ASSETS			
EQUITY			
Equity attributable to owners of the parent			
Issued capital	24	289	289
Reserves		2,514,274	2,462,400
		2,514,563	2,462,689
Non-controlling interests		34,815	34,717
TOTAL EQUITY		2,549,378	2,497,406

Liao Jie
Director

Jiang Hailin
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six-month period ended June 30, 2013



	Attributable to owners of the parent									
	Issued capital	Share premium	Statutory reserve	Capital reserve	Asset revaluation reserve	Foreign	Retained earnings	Total	Non-controlling interests	Total equity
						currency translation reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2012	283	1,041,533	86,537	569,618	7,782	(14,833)	574,892	2,265,812	6,888	2,272,700
Profit for the period	-	-	-	-	-	-	26,702	26,702	(756)	25,946
Other comprehensive income	-	-	-	-	-	618	-	618	-	618
Total comprehensive income	-	-	-	-	-	618	26,702	27,320	(756)	26,564
Share-based payment transactions	-	-	-	21,972	-	-	-	21,972	-	21,972
Shares to be issued as a consideration for acquisition of subsidiaries	-	-	-	30,999	-	-	-	30,999	-	30,999
Non-controlling interest arising on business combinations	-	-	-	-	-	-	-	-	26,585	26,585
As at June 30, 2012 (Unaudited)	283	1,041,533	86,537	622,589	7,782	(14,215)	601,594	2,346,103	32,717	2,378,820
As at January 1, 2013	289	1,070,539	115,412	605,160	7,782	(14,420)	677,927	2,462,689	34,717	2,497,406
Profit for the period	-	-	-	-	-	-	43,356	43,356	(944)	42,412
Other comprehensive income	-	-	-	-	-	(2,747)	-	(2,747)	-	(2,747)
Total comprehensive income	-	-	-	-	-	(2,747)	43,356	40,609	(944)	39,665
Share-based payment transactions	-	-	-	11,265	-	-	-	11,265	-	11,265
Others	-	-	-	-	-	-	-	-	1,042	1,042
As at June 30, 2013 (Unaudited)	289	1,070,539*	115,412*	616,425*	7,782*	(17,167)*	721,283*	2,514,563	34,815	2,549,378

* These reserve accounts comprise the consolidated reserves of RMB2,514,274,000 (December 31, 2012: RMB2,462,400,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2013



	Notes	For the six-month period ended June 30,	
		2013 RMB'000 Unaudited	2012 RMB'000 Unaudited
CASH FLOWS USED IN OPERATING ACTIVITIES			
Profit before tax		60,901	39,517
Adjustments for:			
Depreciation and amortisation	5	19,895	14,321
Net (gain)/loss on disposal of items of property and equipment	5	149	(45)
Gain on disposal of a subsidiary	26	(63)	–
Equity-settled share option expenses		11,265	21,972
Share of (profits)/losses of joint ventures		(600)	4,774
Share of (profits)/losses of associates		(3,222)	2,337
Finance income	5	(7,320)	(6,060)
Finance costs	5	26,106	10,578
Impairment of inventories	15	1,387	–
		108,498	87,394
Changes in assets and liabilities:			
Increase in inventories		(6,466)	(3,966)
Increase in construction contracts		(375,530)	(313,988)
(Increase)/decrease in trade and bills receivables		(5,441)	78,406
(Increase)/decrease in prepayments, deposits and other receivables		(140,935)	22,600
(Increase)/decrease in amounts due from related parties		(35,905)	7,843
Increase in deferred cost		(12,293)	–
Decrease in pledged deposits		14,143	703
Increase/(decrease) in trade and bills payables		91,964	(151,467)
Increase/(decrease) in other payables and accruals		46,390	(32,523)
Increase/(decrease) in amounts due to related parties		5,980	(317)
Decrease in deferred income		(1,344)	(4,200)
Cash used in operations		(310,939)	(309,515)
Interest received		2,129	827
Income tax paid		(48,655)	(21,700)
Net cash flows used in operating activities		(357,465)	(330,388)

Interim Condensed Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2013

For the six-month period ended June 30,

	Notes	2013 RMB'000 Unaudited	2012 RMB'000 Unaudited
Net cash flows used in operating activities		(357,465)	(330,388)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		6,148	–
Proceeds from disposal of items of property and equipment		2,459	1,083
Purchases of items of property and equipment	9	(11,594)	(4,638)
Dividends received		2,250	–
Investment in a joint venture		(5,500)	–
Investment in an associate		(4,440)	–
Acquisition of subsidiaries		(7,090)	22,519
Disposal of a subsidiary	26	7,431	–
Disposal of an investment property	10	56,000	–
Net cash flows from investing activities		45,664	18,964
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(22,921)	(10,578)
Repurchase of guaranteed bonds		(20,000)	–
Proceeds from interest-bearing bank borrowings		228,243	200,691
Repayment of interest-bearing bank borrowings		(171,624)	(172,390)
Net cash flows from financing activities		13,698	17,723
Net decrease in cash and cash equivalents		(298,103)	(293,701)
Effect of foreign exchange rate changes, net		(1,590)	233
Cash and cash equivalents at beginning of period		584,783	435,881
CASH AND CASH EQUIVALENTS AT END OF PERIOD		285,090	142,413
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	19	281,837	142,413
Pledged deposits with original maturity of less than three months		3,253	–
Cash and cash equivalents as stated in the statement of cash flows		285,090	142,413

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 20, 2008. The principal executive office of the Company is located at Unit 1801A, 18/F, West Tower, World Finance Centre, No.1 East 3rd Ring Road Middle, Chaoyang District, Beijing 100020, the People's Republic of China (the "PRC").

The 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 business are summarised as follows:

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

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

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of presentation

The unaudited interim condensed consolidated financial statements for the six months ended June 30, 2013 have been prepared in accordance with IAS34 *Interim Financial Reporting* and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2012. The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2012, except for the adoption of new standards and interpretations as of January 1, 2013, noted below:

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IAS 19 (Revised 2011) *Employee Benefits*, IFRS 13 *Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements*. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments thereof, adopted by the Group (continued)

Several other new standards and amendments are applied for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments thereof, adopted by the Group (continued)

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The transition to IAS 19R did not have an impact on the Group, since the defined benefit plan obligations were not applicable to the Group.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 had no significant impact on the consolidation of investments held by the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments thereof, adopted by the Group (continued) IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 32.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after January 1, 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. 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) Turnkey solutions segment engages in the integration of information technology with its physical transportation infrastructure;
- (b) 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) Value-added operation and services segment involves operation outsourcing and value-added services, via intelligent transportation system platforms, servicing transportation operations and participants.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax from continuing operations except that finance income, finance costs, share of profits/(losses) of joint ventures and associates, gain on disposal of a subsidiary as well as head office and corporate expenses are excluded from such measurement.

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 mainland China. All of the Group's non-current assets are located in the mainland China.

Revenue of approximately RMB133,000,000 for the six-month period ended June 30, 2013 was derived from a single customer (six-month period ended June 30, 2012: RMB81,700,000).

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



3. OPERATING SEGMENT INFORMATION (continued)

Six-month period ended June 30, 2013	Turnkey solutions RMB'000	Specialised solutions RMB'000	Value-added operation and services RMB'000	Consolidated RMB'000
Segment revenue				
Sales to external customers	496,148	445,741	34,016	975,905
Intersegment sales	–	22,313	–	22,313
	496,148	468,054	34,016	998,218
<i>Reconciliation:</i>				
Elimination of intersegment sales				(22,313)
Revenue				975,905
Segment results				
	54,190	9,897	15,809	79,896
<i>Reconciliation:</i>				
Finance income				7,320
Finance costs				(26,106)
Share of profits of joint ventures				2,377
Share of profits of associates				3,291
Gain on disposal of a subsidiary				63
Corporate and other unallocated expenses				(5,940)
Profit before tax				60,901

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



3. OPERATING SEGMENT INFORMATION (continued)

Six-month period ended June 30, 2012	Turnkey solutions RMB'000	Specialised solutions RMB'000	Value-added operation and services RMB'000	Consolidated RMB'000
Segment revenue				
Sales to external customers	253,476	457,745	16,860	728,081
Intersegment sales	–	10,057	–	10,057
	253,476	467,802	16,860	738,138
<i>Reconciliation:</i>				
Elimination of intersegment sales				(10,057)
Revenue				728,081
Segment results				
	17,917	41,899	3,303	63,119
<i>Reconciliation:</i>				
Finance income				6,060
Finance costs				(10,578)
Share of losses of joint ventures				(4,774)
Share of profits of associates				802
Corporate and other unallocated expenses				(15,112)
Profit before tax				39,517

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



4. REVENUE

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

Revenue for sales of products, represents net 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-month period ended June 30,	
	2013 RMB'000	2012 RMB'000
Revenue		
Implementation of projects	896,656	646,146
Sale of products	79,249	81,935
	975,905	728,081
Other income and gains		
Gross rental income	3,245	4,380
Government grants	1,202	4,460
Exchange gains	427	549
Others	93	45
	4,967	9,434

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



5. PROFIT BEFORE TAX

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

	For the six-month period ended June 30,	
	2013 RMB'000	2012 RMB'000
Cost of services rendered for implementation of projects	670,423	466,222
Cost of inventories sold	53,813	56,538
	724,236	522,760
Depreciation (note 9)	9,495	9,371
Amortisation of other intangible assets* (note 11)	10,176	4,950
Amortisation of prepaid land premium	224	–
	19,895	14,321
Minimum lease payments under operating leases	13,118	10,051
Auditors' remuneration	1,250	1,040
Wages and salaries	40,507	39,621
Pension scheme contributions (defined contribution scheme)	4,958	4,659
Social insurance costs and staff welfare	9,233	8,722
Equity-settled share option expenses	11,265	21,972
Directors' and senior executives' remuneration (excluding equity-settled share option expenses)	2,302	2,159
	68,265	77,133
Foreign exchange differences, net	(427)	(549)
Net loss/(gain) on disposal of items of property and equipment (note 9)	149	(45)
Finance income	(7,320)	(6,060)
Finance costs	26,106	10,578

* The amortisation of other intangible assets for the period are included in "Selling, general and administrative expenses" in the consolidated statement of income.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



6. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The determination of current and deferred income taxes was based on the enacted tax rates.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Under the relevant PRC income tax law, except for certain preferential treatment available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (six-month period ended June 30, 2012: 25%) on their respective taxable income. During the current period, 11 entities (six-month period ended June 30, 2012: 12) of the Group entitled to 15% preferential corporate income tax rate as High and New Technology Enterprises.

No provision for Hong Kong profits tax has been made for the six-month periods ended June 30, 2013 and 2012, as the Group had no assessable profits arising in Hong Kong for each of the periods.

The major components of income tax expense in the interim condensed consolidated statement of income are:

	For the six-month period ended June 30,	
	2013 RMB'000	2012 RMB'000
Current income tax:		
Current income tax charge in the PRC	7,980	4,265
Deferred income tax:		
Relating to origination and reversal of temporary differences	10,509	9,306
Income tax expense reported in the interim condensed consolidated statement of income	18,489	13,571

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts are based on the profit attributable to ordinary equity holders of the parent for the six-month period ended June 30, 2013, and the weighted average number of ordinary shares of 1,645,608,261 during the six-month period ended June 30, 2013 (2012: 1,612,999,929).

	For the six-month period ended June 30,	
	2013 RMB'000	2012 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	43,356	26,702

	Number of shares For the six-month period ended June 30,	
	2013	2012
Shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	1,645,608,261	1,612,999,929
Effect of dilution — weighted average number of ordinary shares Potential ordinary shares under the share options scheme	46,525,183	8,407,751
	1,692,133,444	1,621,407,680

8. DIVIDENDS PROPOSED

On August 27, 2013, the Company proposed an interim dividend of HK\$0.5 cent per share of the Company, totaling approximately HK\$8.2 million, for the six months ended June 30, 2013 to shareholders of the Company whose names appear on the register of members of the Company on September 13, 2013. Shareholders will be given an option to elect to receive shares of the Company credited as fully paid in lieu of cash in respect of all or part of the interim dividend. Dividend warrants and/or share certificates in respect of the interim dividend are expected to be dispatched on October 23, 2013. The proposed interim dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and the compliance with the Listing Rules and the granting of the listing of and permission to deal in the shares to be allotted pursuant to the dividend scheme by The Stock Exchange of Hong Kong Limited.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



9. PROPERTY AND EQUIPMENT

During the six-month period ended June 30, 2013, the Group purchased equipment with a cost of RMB11,594,000 (six-month period ended June 30, 2012: RMB4,638,000).

The depreciation charged during the six-month period ended June 30, 2013 was RMB9,495,000 (six-month period ended June 30, 2012: RMB9,371,000).

Property and equipment with a net book value of RMB2,608,000 was disposed of by the Group during the six-month period ended June 30, 2013 (six-month period ended June 30, 2012: RMB1,038,000), resulting in a net loss on disposal of RMB149,000 (six-month period ended June 30, 2012: net gain on disposal of RMB45,000).

10. INVESTMENT PROPERTIES

In January 2013, the Group disposed of an investment property located in Dongzhimen Wai Avenue, Chaoyang District, Beijing, the PRC at a cash consideration of RMB56,000,000.

11. OTHER INTANGIBLE ASSETS

	Technical know-how RMB'000	Customer relationships RMB'000	Contract backlog RMB'000	Total RMB'000
Cost at January 1, 2013 net of accumulated amortisation	24,859	51,813	2,045	78,717
Amortisation provided during the period	(3,205)	(5,558)	(1,413)	(10,176)
At June 30, 2013	21,654	46,255	632	68,541
At June 30, 2013				
Cost	31,875	61,099	4,272	97,246
Accumulated amortisation	(10,221)	(14,844)	(3,640)	(28,705)
Net carrying amount	21,654	46,255	632	68,541

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



12. INVESTMENTS IN JOINT VENTURES

	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Share of net assets	44,163	33,350

Particulars of the joint ventures are as follows:

Name of joint ventures	Place of registration	Ownership interest	Voting power	Profit sharing	Principle activities
Wuhan Chenguang Transportation Technology Development Co., Ltd. (" Wuhan Chenguang ")	PRC	51%	60%	51%	Intelligent traffic system specialised solutions
Chengdu Zhida Weilute Technology Co., Ltd. (" Chengdu Weilute ")	PRC	51%	60%	51%	Intelligent traffic system specialised solutions
Shandong Yigou Software Technology Co., Ltd. (" Shandong Yigou ")	PRC	52.8%	60%	52.8%	Intelligent traffic system specialised solutions
Wuxi Runbang Technology Co., Ltd. (" Wuxi Runbang ")	PRC	50%	50%	50%	Intelligent traffic system specialised solutions
Nanjing Communication Information Co., Ltd. (" NCI ")	PRC	50%	50%	50%	Intelligent traffic system specialised solutions
GTECH-CIC Joint Venture (" GTECH-CIC ")	HK	60%	60%	60%	Intelligent traffic system specialised solutions

The Group's share of the joint ventures' assets and liabilities are as follows:

	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Current assets	104,261	89,477
Non-current assets	9,919	9,376
Current liabilities	(68,397)	(65,414)
Non-current liabilities	(1,620)	(89)
Net assets	44,163	33,350

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



12. INVESTMENTS IN JOINT VENTURES (continued)

The Group's share of the joint ventures' profits/(losses) are as follows:

	For the six-month period ended June 30,	
	2013 RMB'000	2012 RMB'000
Revenue and other income	19,096	6,157
Costs and expenses	(16,548)	(10,825)
Income tax	(171)	(106)
Profit/(loss) after tax	2,377	(4,774)

13. INVESTMENTS IN ASSOCIATES

	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Share of net assets	94,742	94,043

The Group's receivables due from associates are disclosed in note 27 to the financial statements.

Particulars of the associates are as follows:

Name of associates	Place of registration	Particular of paid-up capital held	Percentage of ownership interest	Principal activities
Guangzhou Communication Information Co., Ltd. ("GCI")	PRC	RMB50,000,000	45%	Intelligent traffic system
Xi'an Communication Information Co., Ltd. ("XCI")	PRC	RMB20,000,000	50%	Intelligent traffic system
Beijing Zhineng Shixun Information Technology Co., Ltd. ("Zhineng Shixun")	PRC	RMB3,000,000	24.98%	Intelligent traffic system
Wuhan Guanggu communication Technology Co., Ltd. ("Wuhan Communication")	PRC	RMB30,000,000	25%	Intelligent traffic system

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



14. PREPAYMENTS FOR ACQUISITION OF EQUITY INTERESTS IN OTHER ENTITY

In 2012, the Group entered into an agreement in relation to an acquisition of the equity interest in a company which is specialised in the provision of technology services in the civil aviation industry. As at June 30, 2013, RMB111,710,000 prepayments for acquisition was made by the Group (December 31, 2012: RMB111,710,000).

15. INVENTORIES

	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Raw materials	2,418	1,643
Work in progress	–	716
Finished goods	41,901	35,494
	44,319	37,853
Impairment	(1,387)	–
	42,932	37,853

16. CONSTRUCTION CONTRACTS

	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Gross amount due from contract customers	1,347,908	1,255,393
Gross amount due to contract customers	(461,470)	(679,378)
	886,438	576,015
Contract costs incurred plus recognised profits less recognised losses to date	5,478,312	4,725,123
Less: progress billings	(4,591,874)	(4,149,108)
	886,438	576,015

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



17. TRADE AND BILLS RECEIVABLES

	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Trade receivables	848,957	869,933
Impairment	(256)	(1,690)
Bills receivables	848,701 14,177	868,243 35,551
	862,878	903,794

Trade and bills receivables, which are non-interest-bearing, are recognised and carried at the 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 does not hold any collateral or other credit enhancements over its trade and bills receivables balances.

The Group did not pledge any of its trade receivables to be received from certain of its projects (December 31, 2012: RMB9,900,000) for the banking facility granted to the Group.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Prepayments to suppliers for purchases of goods		798,430	760,255
Loans to other companies	(a)	170,816	121,742
Contract deposits		97,936	87,588
Tender deposits		86,324	83,498
Dividends receivable		33,990	–
Advances to staff	(b)	30,944	23,798
Proceeds receivable for disposal of a subsidiary		24,476	–
Compensation due from an strategic investor	(c)	20,579	20,579
Interest receivable		9,786	10,743
Others		27,301	39,903
		1,300,582	1,148,106
Impairment		(1,716)	(1,716)
		1,298,866	1,146,390

- (a) Balance represents unsecured loans to other third party companies which were due within one year. Among which a balance of RMB153,656,000 was interest-free, a balance of RMB6,160,000 bore interest at 8.0% per annum and a balance of RMB11,000,000 bore interest at 6.9% per annum.
- (b) Included in advances to staff, an amount of RMB2,979,000 (December 31, 2012: RMB2,855,000) was advanced to certain directors/key management for the Group's daily business purpose, which is unsecured and interest-free.
- (c) The receivable due from Beijing Global Holding Limited, a strategic investor. In 2012, the Group re-organised the expressway sector, of which the strategic investor had agreed to subscribe 49% share (please refer to the Company's announcement dated January 14, 2013 for further details). The strategic investor agreed to bear up to RMB28,700,000 of all costs, fees, expenses, taxes, levies, rates, duties and any other forms of taxes incurred by the Group in connection with or incidental to the reorganisation.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



19. PLEDGED DEPOSITS, CASH AND CASH EQUIVALENTS

	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Cash and bank balances	281,837	584,783
Pledged deposits	69,746	80,636
	351,583	665,419
Less: Pledged deposits for		
— Letter of guarantee for projects	(25,033)	(54,815)
— Bills payables	(14,768)	(25,821)
— Interest-bearing bank borrowings	(15,932)	—
— Tenders	(14,013)	—
	(69,746)	(80,636)
Cash and cash equivalents	281,837	584,783

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

The cash and cash equivalents and pledged deposits of the Group denominated in RMB amounted to RMB319,063,000 (December 31, 2012: RMB631,400,000) as at June 30, 2013. The balance denominated in RMB includes RMB318,033,000 (December 31, 2012: RMB559,200,000) located in the mainland China and RMB1,030,000 (December 31, 2012: RMB72,200,000) located in overseas. The RMB is not freely convertible into other currencies in the mainland China, however, under the 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.

20. TRADE AND BILLS PAYABLES

	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Trade payables	933,254	836,418
Bills payables	34,576	87,248
	967,830	923,666

The Group's trade payables are non-interest-bearing. Bills payables were secured by pledged deposits of the Group of RMB14,768,000 (December 31, 2012: RMB25,821,000) as at June 30, 2013.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



21. OTHER PAYABLES AND ACCRUALS

	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Other taxes payable	139,950	180,548
Advances from customers	97,375	33,568
Business advance deposits	37,921	52,474
Staff costs and welfare accruals	16,522	19,984
Research and development funds	14,192	15,494
Interest payable	2,733	3,494
Payables related to the acquisition of Stone Subgroup	1,600	1,600
Others	24,258	20,396
	334,551	327,558

The above balances are non-interest-bearing and have no fixed terms of repayment.

22. INTEREST-BEARING BANK BORROWINGS

	Notes	Contractual interest rate %	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Current				
Bank loans — secured and repayable within one year	(i)	3.39–7.45	130,592	224,140
Bank loans — guaranteed and repayable within one year	(ii)	6.16–7.80	245,594	158,974
Bank loans — unsecured and repayable within one year		8.20	20,050	20,000
Bills receivables discounted		–	3,010	28,463
			399,246	431,577
Non-current				
Bank loans — guaranteed and repayable within three years	(ii)	6.64	83,000	–

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



22. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

- (i) Bank loans of RMB114,660,000 as at June 30, 2013 (December 31, 2012: RMB219,640,000) were secured by investment properties of RMB98,000,000 (December 31, 2012: RMB154,000,000).

Bank loans of RMB15,932,000 as at June 30, 2013 (December 31, 2012: Nil) were secured by pledged deposits of RMB15,932,000 (December 31, 2012: Nil).

Bank loans of RMB4,500,000 as at December 31, 2012 were secured by trade receivables, which was released as at June 30, 2013.

- (ii) Bank loans of RMB239,880,000 (including current portion: RMB156,880,000, non-current portion: RMB83,000,000) as at June 30, 2013 were guaranteed by certain subsidiaries of the Company (December 31, 2012: RMB72,900,000).

Bank loans of RMB88,714,000 as at June 30, 2013 were guaranteed by the Company (December 31, 2012: RMB46,074,000).

Bank loans of RMB20,000,000 as at December 31, 2012 were guaranteed by Mr. Guan Jizhen, a non-controlling shareholder of a non-wholly owned subsidiary of the Company. And bank loans of RMB20,000,000 as at December 31, 2012 were guaranteed by 中國投資擔保有限公司. No such guarantees as at June 30, 2013.

As at June 30, 2013, the Group had unutilised available bank borrowing facilities amounting to RMB585,500,000 (December 31, 2012: RMB222,300,000).

The Group's bank loans are all denominated in RMB. Bank loans of RMB137,572,000 bore fixed interest rates and bank loans of RMB341,664,000 bore floating interest rates based on the benchmark interest rates announced by the People's Bank of China. The carrying amounts of the Group's current borrowings approximate to their fair values.

23. GUARANTEED BONDS

The Company issued RMB210 million of guaranteed bonds in November 2012 with an interest rate per annum of 10%, due 2015. In current period, RMB20 million of principal was repurchased.

24. ISSUED CAPITAL

Shares

	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Authorised:		
1,900,000,000 ordinary shares of HK\$0.0002 each	335	335
Issued and fully paid:		
1,645,608,261 ordinary shares of HK\$0.0002 each	289	289

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



25. SHARE OPTION SCHEME

Pre-IPO Share Incentive Scheme

On December 28, 2008, China ITS Co., Ltd. launched a share option scheme. Pursuant to the scheme, China ITS Co., Ltd. granted 116,653,105 options to the eligible employees of the Group and directors of the Company, of which 58,170,393 share options were vested on the grant date and the remaining 58,482,712 share options would be vested over six equal semi-annual installments 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-month period ended June 30, 2013 is as follows:

	For the six-month period ended June 30,	
	2013	2012
	RMB'000	RMB'000
Equity-settled share option expenses	129	1,754

The following table illustrates the number and weighted average exercise price (WAEP) of the share options for the six-month period ended June 30, 2013:

	Number '000	WAEP RMB per share
Outstanding as at January 1, 2013	87,028	1.80
Cancelled in the current period	(18,950)	1.55
Exercised in the current period	(8,401)	0.88
Outstanding as at June 30, 2013	59,677	1.86
Exercisable as at June 30, 2013	59,677	1.86

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 Binomial Model, taking into account the terms and conditions upon which the options were granted.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



25. SHARE OPTION SCHEME (continued) Post-IPO Share Options Scheme

On January 18, 2012, the Board resolved to grant share options under the share option scheme adopted by the Company on June 18, 2010 to 191 grantees, which includes certain directors, chief executive, substantial shareholders and employees of the Company to subscribe for an aggregate of 155,000,000 ordinary shares. The total 155,000,000 ordinary shares would be vested over twelve quarterly installments starting from three months past from the grant date provided these grantees remain in service at the respective vesting dates. The expiration dates for the share options are (i) when the Company cancels any outstanding share options in whole or in part in certain events or (ii) the date falling ten years from the date of acceptance by the 191 grantees. Exercise prices are HK\$1.05 per share. There are no cash settlement alternatives.

The share option expense recognised during the six-month period ended June 30, 2013 is as follows:

	For the six-month period ended June 30,	
	2013 RMB'000	2012 RMB'000
Equity-settled share option expenses	11,136	20,218

There was no movement for the outstanding numbers of share options during the six-month period ended June 30, 2013. The following table illustrates the numbers and WAEP of the share options as at June 30, 2013.

	Number '000	WAEP RMB per share
Outstanding as at June 30, 2013	155,000	1.05
Exercisable as at June 30, 2013	45,682	1.05

The fair value of the share options at the grant date was estimated by an independent firm of professional valuers, American Appraisal China Limited, using the Binomial Model, taking into account the terms and conditions upon which the share options were granted.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



26. DISPOSAL OF A SUBSIDIARY

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

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

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



27. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following major transactions with related parties during the six months period ended June 30, 2013:

	Notes	For the six-month period ended June 30,	
		2013 RMB'000	2012 RMB'000
Sales to related parties:			
GCI	(a)	16,475	—
XCI	(a)	9,890	—
NCI	(b)	9,359	—
Total		35,724	—
Purchases from related parties:			
NCI	(b)	6,129	—

Notes:

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



27. RELATED PARTY TRANSACTIONS (continued)

	Notes	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Due from related parties:			
<i>Trade related</i>			
GCI	(a)	58,084	41,703
XCI	(a)	19,141	8,376
NCI	(b)	9,733	92
Chengdu Weilute	(b)	7,088	7,557
Shandong Yigou	(b)	414	194
Wuhan Chenguang	(b)	–	1,985
		94,460	59,907
<i>Non-trade related</i>			
Wuhan Chenguang	(b)	7,423	654
XCI	(a)	3,939	5,473
Chengdu Weilute	(b)	1,778	2,955
RAY Holdings Ltd.	(c)	1,694	1,694
Bailian Youli (Beijing) Investment Co., Ltd.	(d)	986	986
Beijing Bailian Youli Information Technology Co., Ltd.	(e)	231	231
Zhineng Shixun	(a)	46	–
Bailian Heli Investment Co., Ltd.	(e)	4	4
Mr. Pan Jianguo	(f)	–	1,253
Mr. Jiang Hailin	(f)	–	945
Mr. Liao Jie	(f)	–	493
Shandong Yigou	(b)	–	61
		16,101	14,749
		110,561	74,656

Notes:

- (a) The entity is an associate of the Group.
- (b) The entity is a joint venture of the Group.
- (c) RAY Holdings Ltd. is 59% owned by a director of the Group.
- (d) BailianYouli (Beijing) Investment Co., Ltd. is controlled by certain directors of the Group.
- (e) The entity is owned by Bailian Youli (Beijing) Investment Co., Ltd..
- (f) The person is an executive director of the Group.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



27. RELATED PARTY TRANSACTIONS (continued)

	Notes	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Due to related parties:			
<i>Trade related</i>			
NCI	(a)	4,079	–
Shandong Yigou	(a)	2,035	1,435
Chengdu Weilute	(a)	1,267	1,228
GCI	(b)	–	5,000
		7,381	7,663
<i>Non-trade related</i>			
Shandong Yigou	(a)	5,496	926
Chengdu Weilute	(a)	4,950	4,912
Wuhan Communication	(b)	2,000	–
Wuhan Chenguang	(a)	–	339
Mr. Lu Xiao	(c)	–	7
		12,446	6,184
		19,827	13,847

Notes:

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

The above balances as at June 30, 2013 and December 31, 2012 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.

Compensation of key management personnel of the Group

	For the six-month period ended June 30,	
	2013 RMB'000	2012 RMB'000
Equity-settled share option expense	5,949	9,620
Salaries, bonuses, allowances and benefits in kind	2,234	2,097
Pension plan contributions	68	62
Total compensation paid to key management personnel	8,251	11,779

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



28. PLEDGE OF ASSETS

Details of pledged assets are included in notes 17, 19 and 22 to the financial statements.

29. 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 six months to five years. Future minimum lease payments under these leases are as follows:

	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Within one year	20,369	18,956
In the second to fifth years, inclusive	29,576	25,823
	49,945	44,779

Group as lessor

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

	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Within one year	6,922	5,903
In the second to fifth years, inclusive	5,290	6,810
	12,212	12,713

30. CAPITAL COMMITMENTS

As at June 30, 2013, neither the Group nor the Company had any significant capital commitments (2012: Nil).

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



31. 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:

Financial assets

June 30, 2013

	Financial assets at fair value through profit or loss RMB'000	Held-to-maturity investment RMB'000	Loans and receivables RMB'000	Available-for-sale investment RMB'000	Total RMB'000
Available-for-sale investment	-	-	-	25,307	25,307
Financial assets included in other long-term assets	-	-	20,000	-	20,000
Trade and bills receivables	-	-	862,878	-	862,878
Financial assets included in prepayments, deposits and other receivables	-	-	458,995	-	458,995
Due from related parties	-	-	110,561	-	110,561
Held-to-maturity investment	-	68,189	-	-	68,189
Pledged deposits	-	-	69,746	-	69,746
Cash and cash equivalents	-	-	281,837	-	281,837
Other financial assets	3,445	-	-	-	3,445
	3,445	68,189	1,804,017	25,307	1,900,958

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



31. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

December 31, 2012

	Financial assets at fair value through profit or loss RMB'000	Held-to-maturity investment RMB'000	Loans and receivables RMB'000	Available-for-sale investment RMB'000	Total RMB'000
Available-for-sale investment	–	–	–	25,307	25,307
Financial assets included in other long-term assets	–	–	19,944	–	19,944
Trade and bills receivables	–	–	903,794	–	903,794
Financial assets included in prepayments, deposits and other receivables	–	–	362,337	–	362,337
Due from related parties	–	–	74,656	–	74,656
Held-to-maturity investment	–	69,405	–	–	69,405
Pledged deposits	–	–	80,636	–	80,636
Cash and cash equivalents	–	–	584,783	–	584,783
Other financial assets	3,445	–	–	–	3,445
	3,445	69,405	2,026,150	25,307	2,124,307

Financial liabilities

	June 30, 2013 Financial liabilities at amortised cost RMB'000	December 31, 2012 Financial liabilities at amortised cost RMB'000
Trade and bills payables	967,830	923,666
Financial liabilities included in other payables and accruals	38,970	66,040
Interest-bearing bank borrowings — current	399,246	431,577
Due to related parties	19,827	13,847
Guaranteed bonds	183,589	201,194
Interest-bearing bank borrowings — non-current	83,000	–
Long-term payable	2,951	8,537
	1,695,413	1,644,861

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



32. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Financial assets				
Available-for-sale investment	25,307	25,307	25,307	25,307
Financial assets included in other long-term assets	20,000	19,944	20,000	19,944
Trade and bills receivables	862,878	903,794	862,878	903,794
Financial assets included in prepayments, deposits and other receivables	458,995	362,337	458,995	362,337
Due from related parties	110,561	74,656	110,561	74,656
Held-to-maturity investment	68,189	69,405	68,189	69,405
Pledged deposits	69,746	80,636	69,746	80,636
Cash and cash equivalents	281,837	584,783	281,837	584,783
Other financial assets	3,445	3,445	3,445	3,445
	1,900,958	2,124,307	1,900,958	2,124,307
Financial liabilities				
Trade and bills payables	967,830	923,666	967,830	923,666
Financial liabilities included in other payables and accruals	38,970	66,040	38,970	66,040
Interest-bearing bank borrowings – current	399,246	431,577	399,246	431,577
Due to related parties	19,827	13,847	19,827	13,847
Guaranteed bonds	183,589	201,194	183,589	201,194
Interest-bearing bank borrowings – non-current	83,000	–	83,000	–
Long-term payable	2,951	8,537	2,951	8,537
	1,695,413	1,644,861	1,695,413	1,644,861

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2013



32. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

The following methods and assumptions were used to estimate the fair values:

The fair values of trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties, held-to-maturity investment, pledged deposits, cash and cash equivalents and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of financial assets included in other long-term assets, guaranteed bonds and long-term payable have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at June 30, 2013, the Group held the following financial instruments measured at fair value (December 31, 2012: RMB28,752,000).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investment	–	–	25,307	25,307
Other financial assets	–	–	3,445	3,445
	–	–	28,752	28,752

33. EVENT AFTER THE REPORTING PERIOD

On August 27, 2013, the Company proposed an interim dividend of HK\$0.5 cent per share of the Company, totaling approximately HK\$8.2 million, for the six months ended June 30, 2013 to shareholders of the Company whose names appear on the register of members of the Company on September 13, 2013. Shareholders will be given an option to elect to receive shares of the Company credited as fully paid in lieu of cash in respect of all or part of the interim dividend. Dividend warrants and/or share certificates in respect of the interim dividend are expected to be dispatched on October 23, 2013.

34. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on August 27, 2013.