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 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liao Jie *(chairman of the Board)*
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 *(committee chairman)* *(FCCA, HKICPA)*
Mr. Zhou Chunsheng
Mr. Sun Lu

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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
China Guangfa Bank Co., Ltd.
Beijing Branch

Corporate Information

KEY SUBSIDIARIES

"Aproud Technology"	Beijing Aproud Technology Co., Ltd. (北京亞邦偉業技術有限公司)
"Bailian Zhida"	Beijing Bailian Zhida Technology Development Co., Ltd. (北京百聯智達科技發展有限公司)
"Beijing Aproud Information"	Beijing Aproud Information Engineering Co., Ltd. (北京亞邦偉業信息工程有限公司)
"Beijing Aproud Transportation"	Beijing Aproud Transportation Technology Co., Ltd. (北京亞邦偉業交通技術有限公司)
"Beijing Huading Hengye"	Beijing Huading Hengye Technology Co., Ltd. (北京華鼎恒業技術有限公司)
"Beijing Huading Jiaye"	Beijing Huading Jiaye Technology Co., Ltd. (北京華鼎嘉業技術有限公司)
"Beijing Jingwei Zhitong"	Beijing Jingwei Zhitong Technology Co., Ltd. (北京經緯智通科技有限公司)
"Beijing Lihe Datong"	Beijing Lihe Datong Technology Co., Ltd. (北京利和達通科技有限公司)
"Beijing Newcom"	Beijing Newcom Technology Co., Ltd. (北京航天智通科技有限公司)
"Beijing Newcom Traffic"	Beijing Newcom Traffic Technology Co., Ltd. (北京航天智通交通科技有限公司)
"Beijing STONE"	Beijing STONE Intelligent Transportation System Integration Co., Ltd. (北京四通智能交通系統集成有限公司)
"Beijing Wuzhouzhitong"	Beijing Wuzhouzhitong Traffic Technology Co., Ltd. (北京五洲智通交通科技有限公司)
"Beijing Xiyou"	Beijing Xiyou Communication Technology Co., Ltd. (北京西郵通信技術有限公司)
"Beijing Zhongzhi Real Estate"	Beijing Zhongzhi Real Estate Co., Ltd. (北京中智置業有限公司)
"Guangzhou Taizheng"	Guangzhou Taizheng Technology Co., Ltd. (廣州泰正科技有限公司)

Corporate Information

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

Corporate Information

JOINT VENTURES

"Chengdu Zhida Weilute"	Chengdu Zhida Weilute Technology Co., Ltd. (成都智達威路特科技有限公司)
"GTECH-CIC"	GTECH-CIC Joint Venture (英國通用-中國智能交通聯營公司)
"Nanjing Communication"	Nanjing Communication Information Co., Ltd. (南京智能交通信息有限公司)
"Shandong Yigou"	Shandong Yigou Software Technology Co., Ltd. (山東易構軟件技術有限公司)
"Wuhan Chenguang"	Wuhan Chenguang Transportation Technology Development Co., Ltd. (武漢辰光交通科技發展有限公司)
"Wuxi Zhitong Runbang"	Wuxi Zhitong Runbang Technology Co., Ltd. (無錫智通潤邦信息科技有限公司)

Financial Highlights

- The amount of new contract signed and order secured for the year ended December 31, 2013 reached the Group's all-time record of approximately RMB2,683.4 million, compared to approximately RMB2,617.4 million for the year ended December 31, 2012, or an approximately 2.5% increase.

- The amount of backlog as at December 31, 2013 reached the Group's all-time record of approximately RMB2,210.7 million, compared to approximately RMB2,019.6 million as at December 31, 2012, or an approximately 9.5% increase.

- Revenue for the year ended December 31, 2013 reached the Group's all-time record of approximately RMB2,390.3 million, compared to approximately RMB2,146.0 million for the year ended December 31, 2012, or an approximately 11.4% increase.

- Gross profit for the year ended December 31, 2013 was approximately RMB559.0 million, compared to approximately RMB516.7 million for the year ended December 31, 2012, or an approximately 8.2% increase.

- Gross profit margin slightly decreased as compared with prior year at approximately 23.4%.

- The non-cash expenses[1] for the year ended December 31, 2013 was approximately RMB37.8 million, compared to approximately RMB51.0 million for the year ended December 31, 2012, or an approximately 25.9% decrease.

- Before deducting the non-cash expenses, the adjusted profit attributable to owners of the parent[2] for the year-ended December 31, 2013 was approximately RMB187.1 million, compared to approximately RMB182.9 million for the year-ended December 31, 2012, or an approximately 2.3% increase.

- Profit attributable to owners of the parent for the year-ended December 31, 2013 was RMB149.3 million, compared to approximately RMB131.9 million for the year-ended December 31, 2012, or an approximately 13.2% increase.

- Earnings per share[3] was RMB0.09 per share.

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

Notes:

(1) Non-cash expenses include equity-settled share option expenses and amortisation of intangible assets arising from acquisitions.

(2) Adjusted 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 year-ended December 31, 2013.

Financial Summary

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

1. BACKLOG INFORMATION

	Year ended December 31				
RMB'000	**2013**	2012	2011	2010	2009
New contracts signed and orders secured	**2,683,369**	2,617,413	1,900,051	2,371,933	1,686,347

	As at December 31				
RMB'000	**2013**	2012	2011	2010	2009
Backlog	**2,210,722**	2,019,628	1,593,531	1,309,194	917,486

2. FINANCIAL PERFORMANCE

	Year ended December 31				
RMB'000	**2013**	2012	2011	2010	2009
Revenue	**2,390,268**	2,146,000	1,585,206	1,862,184	1,405,447
Gross profit	**558,986**	516,730	392,392	587,942	401,061
Profit attributable to owners of parent	**149,254**	131,910	112,919	294,009	214,672

3. FINANCIAL POSITION

	As at December 31				
RMB'000	**2013**	2012	2011	2010	2009
Total assets	**5,796,466**	5,169,898	3,941,739	3,733,896	2,017,415
Net assets	**2,669,643**	2,497,406	2,272,700	2,111,407	953,159
Net cash position(1)	**(242,792)**	(47,988)	135,491	659,326	7,023

Notes:

(1) Net cash position refers to cash and cash equivalents *minus* interest-bearing bank borrowings, guaranteed bonds and convertible bonds.

(2) Details of the above financial information are set out in Management Discussion and Analysis section on page 13 to page 24.

Financial Summary

4. FINANCIAL RATIOS

	For the year ended/As at December 31				
	2013	2012	2011	2010	2009
Sales cycle ratios:					
Trade receivables turnover days (days)(1)	**154**	142	185	122	86
Net construction contract turnover days (days)(2)	**87**	72	63	64	120
Combined trade receivables and net construction contract turnover days (days)	**241**	214	248	186	206
Other ratios:					
Trade payables turnover days (days)(3)	**196**	179	194	156	164
Current ratio (times)(4)	**1.8**	1.7	1.9	2.1	1.6
Gearing ratio (%)(5)	**2.8%**	-3.7%	-12.4%	-39.6%	-18.5%
Return on assets (%)(6)	**2.6%**	2.6%	2.9%	7.9%	10.6%
Return on equity (%)(7)	**5.6%**	5.3%	5.0%	13.9%	22.5%

Notes:

(1) Trade receivables turnover days refers to average trade receivables *divided* by revenue multiples 365 days.

(2) Net construction contract turnover days refers to average net construction contract *divided* by revenue multiples 365 days.

(3) Trade payables turnover days refers to average trade payables *divided* by cost of sales multiples 365 days.

(4) Current ratio refers to current assets *divided* by current liabilities.

(5) Gearing ratio refers to adjusted cash (interest-bearing bank borrowings plus guaranteed bonds, convertible bonds minus pledged deposits, short term deposit and cash and bank balances plus due to related parties) *divided* by total equity.

(6) Return on assets refers to profit attributable to owners of parent *divided* by total assets as at balance sheet date.

(7) Return on equity refers to profit attributable to owners of parent *divided* by total equity as at balance sheet date.

(8) Details of the above financial information are set out in Management Discussion and Analysis section on page 13 to page 24.

Chairman's Statement

BUSINESS OVERVIEW

In 2013, the Group have completed over 2,000 projects across three major ITS segments (expressway, railway and urban traffic). The revenue of the Group was RMB2,390.3 million, representing an increase of 11.4% as compared to RMB2,146.0 million in 2012, new contracts signed and order secured in 2013 amounted to RMB2,683.4 million, representing an increase of 2.5% as compared to 2012. Backlog as at the end of 2013 was RMB2,210.7 million, representing an increase of 9.5% as compared to 2012.

Expressway

In 2013, the Group has entered several western regions in the People's Republic of China (the "**PRC**") and made a success in Yunnan and Xinjiang. In Yunnan, the Group has entered into a contract with Dali Expressway Construction Headquarters*（雲南大麗高速公路建設指揮部）, which is responsible for the management of the construction of the Yunnan Dali Expressway, with a contract price of approximately RMB510.6 million. In Xinjiang, the Group had engaged business with Xinjiang Communications Construction (Group) Co., Ltd.*（新疆交通建設(集團)有限責任公司）and strengthens and further expands its market share in Xinjiang and other western province in the PRC and even extends to mid-Asian countries. We also completed over 1,100 projects in this segment such as Hubei Yi-Ba (Yichang — Badong) Expressway Project and the National Expressway Trunk Communication Network Project.

Railway

Since 2011 the railway segment have been recovering healthily. In 2013, the Group's Railway segment's project implementation accelerated and revenue increased. We continue to cover 18 local bureaus to upgrade existing railway services and explore more opportunities in high-speed railway. We completed over 750 projects in this segment such as Express Rail Link (Guangzhou-Shenzhen-Hong Kong) High-Speed Railway Project, Hangzhou-Changsha High-Speed Railway Project and the Lanzhou-Urumqi High-Speed Railway Project. The board of directors (individually the "**Director**", or collectively the "**Board**") of the Company believes it will bring more opportunities in this segment.

Urban traffic

In the second half year of 2013, the urban traffic segment faced liquidity issues arising from circumstances of local government. However, due to M&A synergies (sharing of clients base, business model cross-selling), we still recorded revenue in this segment of RMB515.0 million, representing a substantial increase from RMB394.6 million for the year ended December 31, 2012. We also made a breakthrough of subway construction. We completed over 220 projects in this segment such as Guangzhou Huadu District Electronic Police System Project, Siping City Network and Digital Urban Management Project, etc. The Group believes there will be more opportunities in the urban traffic segment 2014.

2013 was a year of urban progress. The Group expected a fast growth of Urban Rapid Transit infrastructure and a huge ITS demand in urban rapid transit industry. In 2013, the Group secured a master contractor agreement with Chongqing Urban Railway Transportation (Group) Co., Ltd.* (重慶市軌道交通(集團)有限公司) to provide an ITS turnkey solution for the Second Phase Construction Project for the 6th Line of the Chongqing Rapid Transit* (重慶市軌道交通六號線二期工程), with a contract value of approximately RMB220 million.

Mid/back-end

In 2013, the management team of the Group (the "**Management**") followed the principle of "front end decentralization and mid/back end centralization" and restructure mid/back end in order to reduce expenses. The Group made a significant progress on cutting down selling, general and administration expenses (the "**SG&A**") as a percentage of sales decreased by 1.1% to 15.6% as compared to 16.7% for the year ended December 31, 2012.

Chairman's Statement

MANAGEMENT REVIEW

In August 2013, the Group's wholly owned subsidiary has entered into a cooperation agreement with a company listed on the Shenzhen Stock Exchange, Dahua Technology Co., Ltd ("**Dahua**") (Stock code:002236.SZ) for three years responsible for sales and marketing of video surveillance products. Dahua is a market leader in surveillance hardware design and manufacturing in the PRC. By engaging Dahua as a strategic business partner, the Board believes that the Group will benefit from stable quality customized hardware product supply on surveillance product. The Group will continue searching for a suitable hardware supplier in other area other than communication and surveillance and keep the leadership in ITS market.

In May 2013, January and February 2014, the Company has purchased and cancelled parts of the 10.0% guaranteed bonds due 2015 with an original principal amount of RMB210,000,000 (the "**RMB Bonds**") in the aggregate principal amount of RMB61,000,000, representing approximately 29.05% of the original principal amount of the RMB Bonds of RMB210,000,000. The Company considers that the purchase of the purchased RMB Bonds will 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. The Company will continue seeking for opportunities to purchase of the outstanding RMB Bonds in 2014.

In November 2013, the Board has paid an interim scrip dividend of HK0.5 cents per share of the Company for the six months ended June 30, 2013, totalling approximately HK$8.2 million to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company at the close of business on September 13, 2013.

The Board has resolved to declare a scrip dividend of HK1.2 cents per share of the Company for the year ended December 31, 2013, totalling approximately HK$19.0 million to the Shareholders whose names appear on the register of members of the Company at the close of business on May 28, 2014. For detailed information of dividend, please refer to the RESULTS AND DIVIDEND on page 44 of this report.

In December 2013, the Company has issued HK$200 million convertible bonds in the principal amount of HK$200 million (the "**CB**"), which were subscribed by an indirect wholly-owned subsidiary of China Merchants Group (招商局集團) as to HK$198 million, and by a company owned by the employees of China Merchants Group and/or its affiliated companies as to HK$2 million. China Merchant Group is a state-owned enterprise of the PRC directly controlled by State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會).

In conjunction with the investment pursuant to the CB issue, the Company is exploring strategic cooperation with China Merchant Group and/or its affiliates, which include operators of expressway and design institutions related to the transportation segment. The Company expects to enter into formal strategic cooperation agreements with China Merchant Group and/or its affiliates in this respect when the parties reach consensus regarding the terms of the strategic cooperation. In light of the development of a strategic cooperation relationship with China Merchant Group, the Company considers that introducing China Merchant Group as an investor in the Group by means of the CB issue will further strengthen the relationship and basis of cooperation between the Group and China Merchant Group. The proposed use of proceeds from the CB is to expand and strengthen the business and to improve cash flow of the Group.

Chairman's Statement

Looking forward, we believe ITS industry, taking advantage of the implementation of new urbanization strategy, will remain at a fast development stage. As a market leader of ITS industry of China, the Group will continue to be a standard maker and to maintain the leading position in the industry. The Group will consolidate mature segments and expand new business such as urban rapid transit and civil aviation segments, and the Board believes that this strategy can help the Group to achieve healthy development in the future.

I would like to take this opportunity to express my deep gratitude to the Directors, the management team and entire staff for their work over the last year. I would also like to thank our customers, suppliers and business partners for their continued support and confidence in the Group. I am fully confident to say that we are well-prepared to continue creating great future for our Shareholders in the coming year.

LIAO JIE
Chairman

Beijing, March 25, 2014

Management Discussion and Analysis

REVENUE

By Industry Segments

The Group's revenue for the year ended December 31, 2013 increased by 11.4% to RMB2,390.3 million as compared to RMB2,146.0 million for the year ended December 31, 2012 due to the continuous increasing demand of intelligent transportation networks in China. The Group beat its record high in every key transportation industry segment and was composed of a 1.8% increase in expressway segment, a 22.1% increase in railway segment, a 30.5% increase in urban traffic segment, and a 8.2% increase in energy segment. The following table sets out the revenue breakdown by Industry segments:

	Year ended December 31	
	2013	2012
	RMB'000	RMB'000
Revenue by industry segments		
Expressway	**1,178,675**	1,158,428
Railway	**747,183**	611,766
Urban traffic	**514,960**	394,595
Energy	**28,707**	26,527
Elimination	**(79,257)**	(45,316)
Total	**2,390,268**	2,146,000

(i) Expressway

Revenue from the expressway segment in the year ended December 31, 2013 was RMB1,178.7 million, representing an increase of RMB20.3 million as compared to RMB1,158.4 million for the year ended December 31, 2012. As we continued to shift focus to the western regions of the PRC, the revenue from the expressway segment reached on all-time high. From the market aspect, local expressway bureaus all over mainland China such as northeast, center and south regions restarted the projects in 2013 which had been postponed in 2012. From the Group's aspect, Management had made significant progress in developing new regions such as Henan, Shanxi and Yunnan. In the meantime, a subsidiary of the Group 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 2013. RHY Technology 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 segment for the nature, amount and region aspects. This project had contributed significant revenue and profit to the Group in this year. The Group believes the expressway segment will have the continued growth in the coming years under the ongoing contribution from government's infrastructure construction. The new contract and order secured amount in the year ended December 31, 2013 was RMB1,487.6 million and the backlog amount as at December 31, 2013 was RMB1,196.2 million for the expressway segment.

(ii) Railway

Revenue from the railway segment in the year ended December 31, 2013 was RMB747.2 million, representing an increase of RMB135.4 million as compared to RMB611.8 million for the year ended December 31, 2012. There was obvious resumption in the railway segment business in 2013 after the slowdown of construction in 2012. In the early of 2013, central government had emphasized the "12th Five-Year Plan" construction scale will be remained, which indicated that the postponed investment in railway construction in 2012 will be resumed and completed in the coming years. From the Group's aspect, the railway segment had made remarkable achievement in developing and selling new solutions such as video conference solution and platform screen doors solution in order to diversify the business risk of traditional communication solutions. Besides, the Group also made significant progress in the construction of Guangzhou-Shenzhen-HK High-Speed Railway with HK MTR. Under the trend of continued contribution in railway construction in China, the Group believes it will bring more and more business opportunities in this segment especially in the post-construction operation period. The new contract and order secured amount in the year ended December 31, 2013 was RMB638.6 million and the backlog amount as at December 31, 2013 was RMB566.9 million for railway segment.

(iii) Urban Traffic

Revenue from the urban traffic segment in the year ended December 31, 2013 was RMB515.0 million, representing a massive increase of RMB120.4 million as compared to RMB394.6 million for the year ended December 31, 2012. The increase was a result of positive business expansion carrying out by the management team. Through two acquisitions of China Traffic Holding Limited ("**CTH**") in August 2011 and Beijing STONE in June 2012, the Group completed the comprehensive business coverage for the urban traffic segment with established and matured business model across TS, SS and VAOS within the ever growing urban traffic segment. After the acquisition, the Group will have 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. The Group believes there will be continued growth in the industry segment under the significant trend of urbanization in recent China. The new contract and order secured amount in the year ended December 31, 2013 was RMB528.2 million and the backlog amount as at December 31, 2013 was RMB447.4 million for urban traffic segment.

(iv) Energy

Revenue from the energy segment in the year ended December 31, 2013 was RMB28.7 million, representing an increase of RMB2.2 million as compared to RMB26.5 million for the year ended December 31, 2012. As the energy segment is in a mature stage and is no longer a key focus of the Group, the Group has disposed its energy segment business in 2013. The new contract and order secured amount in the year ended December 31, 2013 was RMB29.0 million and the backlog amount as at December 31, 2013 was RMB0.2 million for the energy segment.

BUSINESS PATTERN AND MAJOR PROJECTS

The Group's business is correlated with the central government's macroeconomic policies on infrastructure investment and has unique seasonal character. Most of the construction projects are in the bidding stage and their implementations start 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 figure at year end. The business pattern remained unchanged in 2013 for the backlog amount was approximately RMB2,210.7 million and RMB2,680.5 million as at December 31, 2013 and June 30, 2013, respectively.

During this year, the Group had implemented more than 2,200 projects in various sizes, covering most of the region in Mainland China. The following table sets out the major projects generating revenue in each industry segment:

Industry segment	Project name
Expressway:	Yunnan Da-Li (Dali — Lijiang) Expressway Project National Expressway Trunk Communication Network Project Hubei Yi-Ba (Yichang — Badong) Expressway Project
Railway:	Express Rail Link (Guangzhou — Shenzhen — Hong Kong) High-Speed Railway Project Hang-Chang (Zhengjiang Hangzhou — Hunan Changsha) High-Speed Railway Project Lan-Xin (Gansu Lanzhou — Xinjiang Urumqi) High-Speed Railway Project
Urban traffic:	Guangzhou Huadu District Electronic Police System Project Siping City Network and Digital Urban Management Project Chongqing Subway Line 6 Project

By Business sectors

The revenue in every business sector of the Group for the year ended December 31, 2013 reached an all-time high, which are improved by a 12.8% increase in the TS' business, a 8.8% increase in the SS' business, and a 92.3% increase in the VAOS business. The following table sets out the revenue breakdown by business sectors:

	Year ended December 31	
	2013	2012
	RMB'000	RMB'000
Revenue by Sectors		
TS	**1,075,148**	953,226
SS	**1,286,546**	1,182,019
VAOS	**107,831**	56,071
Elimination	**(79,257)**	(45,316)
Total	**2,390,268**	2,146,000

(i) Turnkey Solutions ("TS")

Revenue from the TS business for the year ended December 31, 2013 was RMB1,075.1 million, representing an increase of RMB121.9 million, or increase 12.8%, as compared to RMB953.2 million for the year ended December 31, 2012. In 2013, the Group was benefited directly from massive central government's investment in transportation, which originally should be completed earlier due to postponement in 2012. From the Group's aspect, as aforementioned, management had made a remarkable breakthrough in developing new expressway business in the new areas such as Henan, Shanxi and Yunnan provinces. In addition, the acquisition of STONE in 2012 brought a brand new TS model in urban traffic industry segment. Given the continued growth of government investment demand in expressway and the civilization trend in China, the Group believes the revenue from TS sector will continue to grow in the coming years. The TS as a whole accounted for 45.0% of the Group's revenue in the year ended December 31, 2013, which is similar with 44.4% as recorded for the year ended December 31, 2012.

(ii) Specialised Solutions ("SS")

Revenue from the SS business in the year ended December 31, 2013 was RMB1,286.5 million, representing an increase of RMB104.5 million, or 8.8%, as compared with RMB1,182.0 million for the year ended December 31, 2012. This is because the implementation of big projects such as Express Rail Link brought significant contribution on the revenue growth. Please refer to the aforesaid industry segment section for the detailed discussion and analysis. The SS sector as a whole accounted for 50.5% of the Group's revenue in the year ended December 31, 2013, which is lower than 53.0% as recorded for the year ended December 31, 2012.

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

Revenue from the VAOS business in the year ended December 31, 2013 was RMB107.8 million, representing an increase of RMB51.8 million, or 92.3%, as compared to RMB56.1 million for the year ended December 31, 2012. Firstly, we have developed brand new urban traffic business in VAOS sector due to the successful integration of STONE in 2012. Secondly, both expressway and railway industry segments had varying increments under the management's effort in developing recurring business with existing customers. Such remarkable business growth reflects the Group's business transformations from a single project-based model to stable recurring pattern. The VAOS sector as a whole accounted for 4.5% of the Group's revenue in the year ended December 31, 2013, which is much higher than the 2.6% as recorded for the year ended December 31, 2012.

COST OF SALES

Cost of sales was incurred on a project-by-project basis for individual legal entities and was subsequently aggregated at sector or segment and corporate level. The cost of sales was based on the equipment and other direct relevant costs incurred for completion of each of the relevant projects. The cost of sales constituted 76.6% of the Group's revenue in the year ended December 31, 2013, which is maintained at a level similar to that of the year ended 31 December 2012, and was mainly due to the mutual business model and strict cost control policy applied by the Group.

By Industry Segments

	Year ended December 31	
	2013	2012
	RMB'000	RMB'000
Cost of Sales by Segments		
Expressway	**928,915**	926,928
Railway	**557,235**	449,342
Urban traffic	**398,176**	282,558
Energy	**26,213**	15,758
Elimination	**(79,257)**	(45,316)
Total	**1,831,282**	1,629,270
% of Revenue	***76.6%***	*75.9%*

(i) Expressway

The expressway segment increased by RMB2.0 million to RMB928.9 million in the year ended December 31, 2013 as compared to RMB926.9 million for the year ended December 31, 2012.

(ii) Railway

The railway segment increased by RMB107.9 million to RMB557.2 million in the year ended December 31, 2013 as compared to RMB449.3 million for the year ended December 31, 2012.

(iii) Urban traffic

The urban traffic segment increased by RMB115.6 million to RMB398.2 million in the year ended December 31, 2013 as compared to RMB282.6 million for the year ended December 31, 2012.

(iv) Energy

The energy segment increased by RMB10.4 million to RMB26.2 million in the year ended December 31, 2013 as compared to RMB15.8 million for the year ended December 31, 2012.

By Business Sectors

	Year ended December 31	
	2013	2012
	RMB'000	RMB'000
Cost of Sales by Sectors		
TS	**923,482**	843,981
SS	**915,895**	797,087
VAOS	**71,162**	33,518
Elimination	**(79,257)**	(45,316)
Total	**1,831,282**	1,629,270
% of Revenue	***76.6%***	*75.9%*

(i) TS

The cost of sales incurred for TS constituted 46.1% of the Group's cost of sales in the year ended December 31, 2013, which was lower than that in the prior years, and was mainly due to the strategic development in new regions of expressway industry segment.

(ii) SS

The cost of sales incurred for SS constituted 50.0% of the Group's cost of sales in the year ended December 31, 2013, which is higher than that in the prior years because of the higher portion from projects with high contract prices in expressway and railway segment.

(iii) VAOS

The cost of sales incurred for VAOS constituted 3.9% of the Group's cost of sales in the year ended December 31, 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 increased from RMB516.7 million for the year ended December 31, 2012 to RMB559.0 million in the year ended December 31, 2013, and was mainly due to the continuous increasing demand of intelligent transportation networks in China. Gross profit margin has decreased from 24.1% for the year ended December 31, 2012 to 23.4% in the year ended December 31, 2013.

By industry segments

	Year ended December 31	
	2013	2012
	RMB'000	RMB'000
Gross profit by industry segments		
Expressway	**249,760**	231,500
Margin %	***21.2%***	*20.0%*
Railway	**189,948**	162,424
Margin %	***25.4%***	*26.6%*
Urban traffic	**116,784**	112,037
Margin %	***22.7%***	*28.4%*
Energy	**2,494**	10,769
Margin %	***8.7%***	*40.6%*
Total	**558,986**	516,730
Margin %	***23.4%***	*24.1%*

(i) Expressway

The expressway segment increased by 1.2% to 21.2% in the year ended December 31, 2013 as compared to 20.0% for the year ended December 31, 2012. The increase was mainly because of the implementation of large successful projects such as Yunnan Dali project.

(ii) Railway

The railway segment gross profit margin decreased by 1.2% to 25.4% in the year ended December 31, 2013 as compared to 26.6% for the year ended December 31, 2012. Although the Group has experienced such big events in prior years in this industry segment, management still tried every best to find the new breakthrough and diversify the business risk. To some extent, the recovery of gross profit margin proves that the Group can sustain a wealthy growth model and overcome any economic difficulties. Under the impact of incentive policy in railway construction announced by the central government, the Group believes the gross profit margin will remain in a competitive level in the coming years.

(iii) Urban traffic

The urban traffic segment margin slightly decreased by 5.7% from 28.4% for the year ended December 31, 2012 to 22.7% in the year ended December 31, 2013. The main reason for this change is that the acquisition of STONE brought to the Group the TS projects, which are usually below the average gross profit margin level, in the urban traffic industry segment. The gross profit margin in this industry segment will be close to the overall average gross profit margin level of the Group when the revenue from this segment as a portion of the Group's total revenue increases. With the unremitting effort in developing new market opportunities, the Group believes the urban traffic segment will contribute sustainable profit in the coming years.

(iv) Energy

The margin for the energy segment decreased by 31.9% from 40.6% in the year ended December 31, 2012 to 8.7% for the year ended December 31, 2013.

By Business sectors

	Year ended December 31	
	2013	2012
	RMB'000	RMB'000
Gross profit by Sectors		
TS	**151,666**	109,246
Margin	***14.1%***	*11.5%*
SS	**370,651**	384,931
Margin	***28.8%***	*32.6%*
VAOS	**36,669**	22,553
Margin	***34.0%***	*40.2%*
Total	**558,986**	516,730
Margin	***23.4%***	*24.1%*

(i) TS

Gross profit margin for TS increased by 2.6% to 14.1% in the year ended December 31, 2013 as compared to 11.5% for the year ended December 31, 2012. As stated in the revenue section, the Group had made remarkable progress in the successful projects such as Yunnan Dali Expressway which brought high gross profit margin contribution in this year. The Group believes TS sector will produce sustainable project profits in the coming years under the favourable government policy and guidance in China's expressway industry.

(ii) SS

Gross profit margin for SS decreased by 3.8% to 28.8% in the year ended December 31, 2013, as compared to 32.6% for the year ended December 31, 2012. The decrease represented the fast expansion in this sector with large projects which is in lower gross profit margins.

(iii) VAOS

Gross profit margin for VAOS decreased from 40.2% for the year ended December 31, 2012 to 34.0% in the year ended December 31, 2013. The gross profit margin for VAOS is varied from project to project and normally is within a range from 30% to 60%. With trend of the year-on-year increase revenue and the highest gross profit margin within business sector, the Group believes VAOS will continue to bring higher quality of profit in the coming years.

OTHER INCOME AND GAINS

Other income and gains mainly comprised (a) rental income from investment properties, (b) fair value changes of investment properties and financial assets, and (c) government grants and other non-operating incomes. Both the rental income and fair value changes in investment properties are related to the real estate price in Beijing and was in line with the market growth trend. The fair value changes of financial assets are related to the fair value changes of one of the subsidiaries of the Group. The reimbursement of expenses and taxes incurred for the reorganization did not incurred in this year, which was in amount to RMB20.9 million in 2012.

SELLING, GENERAL AND ADMINISTRATION EXPENSES

In the year ended December 31, 2013, selling, general and administration expenses ("**SG&A**") as a percentage of sales decreased by 1.1% to 15.6% as compared to 16.7% for the year ended December 31, 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 RMB211.4 million in year ended December 31, 2012 to RMB218.1 million in year ended December 31, 2013, representing a 3.2% increase and contributed 58.4% of total SG&A in year ended December 31, 2013. This fluctuation was mainly due to general headcount increase for the business expansions in new industry 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 loyal employees. Management believed the expenditure in human resource will bring corresponding profits in the coming future.

The rental expenses increased from RMB25.9 million for the year ended December 31, 2012 to RMB27.3 million in the year ended December 31, 2013 due to the increase of rental cost of the Group's centralized office in Beijing. Rental expenses accounted for 7.3% of the total SG&A in the year ended December 31, 2013, which remained the same as compared to the corresponding period in 2012.

Research & Developments expenses increases from RMB26.5 million for the year ended December 31, 2012 to RMB37.1 million for the year ended December 31, 2013. The major growth was due to increase of expenditure in R&D for the new segments such as urban traffic and other possible new segments.

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 adopted by the Company on June 18, 2010 (the "**Share Option Scheme**") under which share options were granted on January 18, 2012. For year ended December 31, 2013, equity-settled share option expenses was RMB18.9 million, which was much lower than that in amount of RMB35.5 million for year ended December 31, 2012, due to the diminishing scale of option expenses over the years.

Amortization expenses of intangible assets arising from acquisitions mainly represented the amortization arising from the acquisition of CTH and STONE. Such expenses was RMB19.0 million for year ended December 31, 2013, which was higher than that in amount of RMB15.5 million for year ended December 31, 2012 due to the fact that the aforesaid acquisitions took place in August of 2011 and June of 2012, respectively, which gave rise to amortization effect for a full fiscal year in 2013.

FINANCE REVENUE AND FINANCE COST

Finance revenue comprised of mainly interest income and finance cost comprised of mainly interest expenses for interest-bearing bank loan. The net financial expenses represented the total finance cost minus finance revenue. This financial expense was RMB43.0 million in the year ended December 31, 2013, which represented an increase of RMB26.4 million as compared to that in amount of RMB16.6 million for the year ended December 31, 2012. The increase was mainly due to the interest arising from the RMB bond in amount of RMB210 million with interest rate at 10% issued in November 2012.

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

Share of Profits of investment entities in the year ended December 31, 2013 was approximately RMB23.2 million, which represented an increase from that in amount of RMB9.7 million for the year ended December 31, 2012. The investment income was mainly from share of profit of several associates in both the expressway and the urban traffic segments.

INCOME TAX EXPENSES

The total income tax expense in the year ended December 31, 2012 was RMB58.9 million, which was included the taxes in amount of RMB20.9 million arising from reorganization incurred in late of 2012. After removing the effect of such taxes, the adjusted income tax expenses was RMB38.0 million for the year ended December 31, 2012. The total income tax expense in the year ended December 31, 2013 was RMB45.7 million, which was higher than the adjusted income tax expenses for the year ended December 31, 2012, and was due to the increase of profit before taxation. Considering the non-cash expenses in amount of RMB37.8 million stated in SG&A section which was non-taxable, the taxable profit before tax was RMB236.3 million. Therefore, the effective tax rate for the year ended December 31, 2013 was 19.3%, which represented the combined effect of preferential income tax rate at 15% and the deferred tax rate at 25% for most of the subsidiaries in the Group qualified for preferential tax treatments as High and New Technology Enterprise in 2013, which are subject to renewal in 2014.

Management Discussion and Analysis

PROFIT FOR THE YEAR

Before deducting the non-cash expenses with amount of RMB37.8 million, which are non-taxable items, the adjusted profit attributable to the owners of parent for the year-ended December 31, 2013 was RMB187.1 million, compared to RMB182.9 million for the year-ended December 31, 2012, or a 2.3% increase.

TRADE RECEIVABLES TURNOVER DAYS

The trade receivables turnover days in the year ended December 31, 2013 was 154 days (in the year ended December 31, 2012: 142 days).

NET CONSTRUCTION TURNOVER DAYS

The net amount due from contract customer turnover days in the year ended December 31, 2013 was 87 days (in the year ended December 31, 2012: 72 days).

TRADE PAYABLES TURNOVER DAYS

The trade payables turnover days in the year ended December 31, 2013 was 196 days (in the year ended December 31, 2012: 179 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 year ended December 31, 2013 was 6 days (in the year ended December 31, 2012: 8 days).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings, the proceeds from the Global Offering, and the proceeds from bond issued. As at December 31, 2013, the Group's current ratio (current assets divided by current liabilities) was 1.8 (as at December 31, 2012: 1.7). The Group's financial position remains healthy.

As at December 31, 2013, the Group was in a net negative cash of RMB242.8 million (as at December 31, 2012: net negative cash of RMB48.0 million) which included cash and cash equivalent of RMB695.7 million (as at December 31, 2012: RMB584.8 million) and interest-bearing bank borrowings of RMB607.6 million (as at December 31, 2012: RMB431.6 million) as well as guaranteed bonds of RMB184.9 million (as at December 31, 2012: RMB201.2 million), and convertible bonds of RMB146.0 million (as at December 31, 2012: nil). As at December 31, 2013, the Group's gearing ratio was 2.8%, which has increased from -3.7% as at December 31, 2012, due to the increase of debt financing in such as convertible bond. 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 December 31, 2013, the Group had no material contingent liability.

CHARGES ON GROUP ASSETS

As at December 31, 2013, except for the secured deposits (current portion) of approximately RMB80.6 million (as at December 31, 2012: RMB80.6 million), and the secured deposits (non-current portion) of approximately RMB4.5 million (as at December 31, 2012: nil), the Group pledged its buildings having net book values of approximately RMB39.5 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 December 31, 2013, the Group had no other asset charged to financial institution.

USE OF PROCEEDS

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

The use of the net proceeds from the global offering as at December 31, 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	56.9	14.2
General corporate purposes	10%	71.1	71.1	–
Total	100%	710.6	696.4	14.2

EVENTS AFTER THE REPORTING PERIOD

In January and February 2014, the Company has purchased and cancelled parts of the RMB Bonds, in the aggregate principal amount of RMB41,000,000. As a result of these cancellations, the aggregate principal amount of RMB Bonds which have been cancelled amounted to RMB61,000,000, representing approximately 29.05% of the original principal amount of the RMB Bonds. The outstanding principal amount of the RMB Bonds as at the date of this announcement is RMB149,000,000. Please refer to the announcements of the Company dated 10 January 2014 and 20 February 2014 for further details.

On March 25, 2014, the Board has recommended the payment of a dividend of HK1.2 cents per Share for the year ended December 31, 2013. The final dividend will be paid in the form of a scrip dividend with Shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements.

Director and Senior Management

BOARD OF DIRECTORS

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

Name	Age	Title
Mr. Liao Jie	47	Chairman and executive Director
Mr. Jiang Hailin	45	Executive Director
Mr. Wang Jing	55	Executive Director
Mr. Lu Xiao	43	Executive Director
Mr. Pan Jianguo	42	Executive Director
Mr. Lv Xilin	41	Executive Director
Mr. Zhou Chunsheng	47	Independent non-executive Director
Mr. Choi Onward	43	Independent non-executive Director
Mr. Sun Lu	40	Independent non-executive Director

Executive Directors

Mr. LIAO Jie (廖杰), 47, is the chairman of the Board (the "**Chairman**") and an executive Director, responsible for formulating strategy of the Company. He was appointed as the executive Director and the chief executive officer of the Group (the "**Chief Executive Officer**") on August 24, 2011 and was responsible for the overall business operations and mergers and acquisitions of the Company. On July 9, 2012, Mr. Liao has been elected as the Chairman and retired from his position as the Chief Executive Officer. Mr. Liao is also one of the controlling shareholders of the Company (the "**Controlling Shareholder**"), and serves as a director of China ITS Co., Ltd. ("**Holdco**", one of the Controlling Shareholders) and Best Partners Development Limited ("**Best Partners**", one of the Controlling Shareholders), and sole director of Joyful Business Holdings Limited ("**Joyful Business**", one of the Controlling Shareholders) responsible for corporate finance and fund raising activities. Mr. Liao became a director of RHY Technology in May 2002, responsible for strategic planning and operational management in the Expressway segment. He subsequently joined the board of directors of two other PRC companies in the Group, Wuhan Chenguang in April 2005 and Bailian Zhida in April 2007, respectively. He retired from the three above-mentioned directorships when he started serving as a senior advisor of the Board on business strategy and operational direction of the Group in January 2008.

Prior to joining the Company, Mr. Liao served as a senior engineer of Nortel Canada in 1995. From 1996, he spent a total of four years in North America running an international IT supply chain business before returning to the PRC in 1999. In 1999, Mr. Liao and his family founded Beijing Bailian Youli Information Technology Co., Ltd. (the former investment holding company prior to the establishment of Bailian Youli (Beijing) Investment Co., Ltd.), which invested and co-founded Visual China Holding Limited, CSDN Group Limited and the Group.

Mr. Liao holds a master's degree in applied science from the University of Toronto, and a bachelor degree in industrial automation from the Huazhong University of Science and Technology. Mr. Liao has a long established understanding of the businesses of the Group and deep industry expertise, as a result of which he can help the Group to reshape its business model, achieve operational excellence and diversify our business mix across different transport industry segments.

Director and Senior Management

Mr. JIANG Hailin (姜海林), 45, is an executive Director and the Chief Executive Officer, responsible for overall business operation of the Company. Mr. Jiang was appointed as the Director on February 20, 2008, and was then elected as the Chairman. On July 9, 2012, Mr. Jiang has been re-appointed as the Chief Executive Officer and therefore resigned from his position as the Chairman. He is also one of the Controlling Shareholders, a director of Holdco and Best Partners and sole director of Sea Best Investments Limited ("**Sea Best**", one of the Controlling Shareholders). Since he joined our Group in May 2002, Mr. Jiang has held various positions within our Group, including serving as a director of RHY Technology since May 2002, a director and chairman of the board of directors of Haotian Jiajie since March 2007, a director and vice chairman of the board of directors of Aproud Technology from August 2002 to February 2010 and again since May 2010, a director of Bailian Zhida since April 2007 and the executive director of Jiangsu Zhongzhi Transportation since December 2011.

Prior to joining our Group, Mr. Jiang was employed by China Ocean Shipping Co., Ltd., a PRC incorporated company listed on the Shanghai Stock Exchange (stock code: 600428) where he was responsible for the development of ground transportation logistics network, in particular, the development of the cargo movement monitoring systems for ground transportation in the China ITS industry. He has established his business relationship and network in the transport industry since 2000.

Mr. Jiang received a bachelor's degree in computing from Nankai University in July 1990 and an EMBA degree from Tsinghua University in July 2006. Mr. Jiang possesses a total of approximately 20 years of experience in general management and over 12 years of experience in the China ITS industry.

Mr. WANG Jing (王靖), 55, is an executive Director and senior vice president of the Company. Mr. Wang is responsible for business development of the Company. Mr. Wang was appointed as Director on February 21, 2008. Mr. Wang is also one of the Controlling Shareholders, and a director of Holdco and Best Partners. Since he founded RHY Technology in January 2001, Mr. Wang has held various positions within our Group. In addition, he served as chairman of the board of directors of RHY Technology from January 2001 to May 2002 at which point he stepped down as chairman, but remained on the board of directors as vice chairman, and quit the board of directors of RHY Technology in November 2012. Mr. Wang has also served as a director and chairman of the board of directors of RAY Holdings Ltd. since January 2000.

Prior to joining our Group, Mr. Wang served as president of Huaneng Basic Industries Investment Company Limited, a Hong Kong incorporated company engaged in infrastructure investment, and acted as the president of Huasheng International Transportation Services Co., Ltd, a PRC incorporated company engaged in the logistics business, from June 1993 to October 1996.

Mr. Wang received a bachelor's degree in military medicine from the First Military Medical University (now known as Southern Medical University) in July 1984. Mr. Wang possesses a total of approximately 13 years of experiences in the China ITS industry.

Director and Senior Management

Mr. LU Xiao (陸驍), 43, is an executive Director, senior vice president of the Company and president of our SS business unit focusing on the railway segment. Mr. Lu is responsible for the overall management of the railway SS business. Mr. Lu was appointed as Director on July 1, 2009. Mr. Lu is also one of our Controlling Shareholders, a director of Holdco and sole director of Speedy Fast Investments Limited ("**Speedy Fast**", one of the Controlling Shareholders). Since he joined our Group in June 2007, Mr. Lu had been the senior vice president of the railway SS business until March 2009. He served as a director and chairman of the board of directors of Zhixun Tiancheng from February 2010 to December 2011.

Prior to joining our Group, Mr. Lu served as the general manager of Hangzhou Hope Information Technology Co., Ltd., the general manager of Beijing Malijie Technologies Co., Ltd., a PRC incorporated company engaged in the development of network communication equipment and research and development of electronic products, the chief controller of the marketing department at Huawei Technologies Co., Ltd. ("**Huawei**") and a communication engineer of Beijing National Railway Research and Design Institute of Signal and Communication.

Mr. Lu received a bachelor's degree in communications engineering from the Southwest Jiaotong University in 1993. Mr. Lu possesses a total of approximately 21 years of experience in railway segment.

Mr. PAN Jianguo (潘建國), 42, is an executive Director and senior vice president of the Company, responsible for the overall operations platform including general administration and human resources management of the Company. Mr. Pan was appointed as Director from February 2008 to June 2009 and was reappointed as Director on February 9, 2010. Mr. Pan is also one of the Controlling Shareholders, and sole director of Gouver Investments Limited ("**Gouver**", one of the Controlling Shareholders) and Joy Bright Success Limited ("**Joy Bright**", one of the Controlling Shareholders). Since he joined our Group in January 2006 upon the acquisition of Aproud Technology, Mr. Pan has held various positions within our Group including serving as our vice president responsible for budget planning and control of the Group as well as overall management of VAOS business from March 2007 to March 2009, and as vice president responsible for sales and marketing of our SS prior to March 2007. In addition, Mr. Pan was a co-founder of Aproud Technology and has served as a director of Aproud Technology since February 2001 and a director of RHY Technology since October 2007. Mr. Pan has also served as a director of Bailian Zhida since April 2007, Zhixun Tiancheng since June 2007, Guangdong Xincheng since September 2011, as executive director of Beijing Xiyou since July 2011 and as executive director of Beijing Zhongzhi Zhiye since September 2013.

Prior to joining our Group, Mr. Pan served as a manager of the transportation department of the Specialised network division at Huawei where he was responsible for process control, supervision and budget formulation for ITS projects relating to communication technology for expressways.

Mr. Pan received a bachelor's degree in communication engineering from the Xi'an Mining Institute of the Xi'an University of Science and Technology in July 1995, and an EMBA degree from Tsinghua University in July 2009. Mr. Pan possesses a total of approximately 16 years of experience in the China ITS segment.

Director and Senior Management

Mr. LV Xilin (呂西林), 41, is an executive Director, senior vice president of the Company, general manager of marketing and strategic cooperation and general manager of fund and planning management, responsible for overseas business development, public relations management and internal financing management of the Group. Mr. Lv was appointed as Director from October 2006 to June 2009 and reappointed as Director on August 24 2011. Mr. Lv is also one of our Controlling Shareholders, a director of Best Partners and sole director of Key Trade Holdings Limited (the "**Key Trade**", one of the Controlling Shareholders). Since he joined our Group in July 2003, Mr. Lv has held various positions within our Group. From August 2006 to March 2009, he served as Group president of TS and responsible for the overall management of TS business. From April 2009 to November 2012, he served as president of TS and VAOS business units focusing on the expressway segment, responsible for the overall management of the expressway TS and VAOS sectors. He has served as a director of RHY Technology since June 2004, and chairman of the board of directors of RHY Technology since August 2010, and a director and chairman of the board of directors of Xinjiang RHY since October 2005. Mr. Lv has also served as a director of Wuhan Chenguang since February 2007, Haotian Jiajie since August 2007, Shandong Yigou since December 2011, Guangdong Xincheng since September 2011, an executive director of Jiangsu Yijie since March 2010 and as a director and chairman of the board of directors of Beijing Aproud Transportation since November 2012.

Prior to joining our Group, Mr. Lv served as a senior project manager in China Harbor Engineering Company (Group), the predecessor of China Communications Construction Company Ltd., a company listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (SEHK: 1800), and was responsible for the management of large scale ITS projects.

Mr. Lv received a bachelor's degree in industrial trade from the Harbin University of Science and Technology in July 1994. He received a master's degree in project management from the University of Sydney in November 2004 and an EMBA degree from the Tsinghua University in January 2011. He was recognized as a Project Management Professional by the Project Management Institute in the United States in January 2003. Mr. Lv received the National Communications Industry Young Expert Award in June 2003 from the Ministry of Transport in recognition of his contribution to the transport industry. Mr. Lv possesses a total of approximately 20 years of experience in ITS project management.

Independent non-Executive Directors

Mr. ZHOU Chunsheng (周春生), 47, is an independent non-executive Director, chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the audit committee of the Company (the "**Audit Committee**") and remuneration committee of the Company (the "**Remuneration Committee**"). Mr. Zhou was appointed as Director on September 4, 2008. He is currently a professor of the Cheung Kong Graduate School of Business. He has also served as a director of Guanghua Tiancheng Investments Co., Ltd., an independent non-executive director of China Southern Fund Management Co., Ltd., an independent non-executive director of Hua Chuang Securities Brokerage Co., Ltd., an independent non-executive director of Industrial Securities Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601377), an independent non-executive director of Jun Zheng Energy and Chemical Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601216), an independent non-executive director of Guangdong Zhaoqing Star Lake Bioscience Co., Inc., a company listed on the Shanghai Stock Exchange (stock code: 600866), an independent nonexecutive director of Zhonghong Stocks Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000979), an independent non-executive director of Heilongjiang Interchina Water Treatment Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600187), an independent non-executive director of Essence Futures Co., Ltd., an independent non-executive director of CITIC Newedge Futures Co., Ltd. and an independent non-executive director of Chang' an International Trust Co., Ltd.. Mr. Zhou had previously served as an independent non-executive director of Beijing BSS Corrosion Protection Industry Co., Ltd., and then resigned at the termination of his service in December 2013.

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

Mr. CHOI Onward (蔡安活), 43, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. Mr. Choi was appointed as Director on September 4, 2008. Mr. Choi currently serves as the acting chief financial officer of NetEase, Inc., a PRC incorporated internet technology company listed on NASDAQ (NASDAQ: NTES), and an independent non-executive director and the chairman of the audit committee of Beijing Jingkelong Company Limited, a company listed on the Stock Exchange of Hong Kong Limited (SEHK: 814).

Mr. Choi has served as the financial controller and corporate finance director of NetEase, Inc.. Mr. Choi worked at Ernst & Young in Beijing as a senior manager of the assurance and advisory business services department. Mr. Choi received a bachelor's degree in accountancy with honors from the Hong Kong Polytechnic University in November 1993. Mr. Choi is a member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the CPA Australia, a fellow member of the Hong Kong Institute of Certified Public Accountants and a registered practicing Certified Public Accountant in Hong Kong. He possesses extensive experience in financial consultancy and management, accounting and auditing.

Mr. SUN Lu (孫璐), 40, is an independent non-executive Director, chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Sun was appointed as Director on June 18, 2010. He is also the general manager and a director of CITIC Guoan Information Industry Co., Ltd. ("**CITIC Guoan**"), a PRC incorporated company listed on the Shenzhen Stock Exchange (stock code: 000839).

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

Director and Senior Management

SENIOR MANAGEMENT

The table below sets forth information regarding the senior management of the Company (including Directors who also hold executive positions):

Name	Age	Position
Mr. Jiang Hailin	45	Chief Executive Officer
Mr. Wang Jing	55	Senior vice president of the Company
Mr. Lu Xiao	43	Senior vice president of the Company, president of SS railway
Mr. Pan Jianguo	42	Senior vice president of the Company
Mr. Lv Xilin	41	Senior vice president of the Company, general manager of marketing and strategic cooperation department, general manager of fund and planning management department
Mr. Leung Ming Shu	38	Chief financial officer, company secretary, general manager of capital and investment department
Mr. Guan Jizhen	48	Chief technology officer, general manager of research and development department
Mr. Mou Yi	47	Vice president of the Company, general manager of financial management department
Mr. Zhang Yi	40	Vice president of the Company, general manager of new business development

For information on Mr. Jiang Hailin, Mr. Wang Jing, Mr. Lu Xiao, Mr. Pan Jianguo and Mr. Lv Xilin, see "Directors and Senior Management — Board of Directors" above.

Director and Senior Management

Mr. LEUNG Ming Shu (梁銘樞), 38, is the chief financial officer, company secretary and general manager of capital and investment department of the Company, responsible for overall financial, corporate finance and acquisitions and mergers management of the Company. Mr. Leung served as Director from August 2008 to June 2009. Since he joined our Group in January 2008, Mr. Leung has held his current position within the Group. Mr. Leung also serves as an independent non-executive director, chairman of the audit committee and the remuneration committee and member of the nomination committee and the corporate governance committee of Comtec Solar Systems Group Limited (SEHK: 0712), and as an independent non-executive director, member of audit committee, nomination committee, remuneration committee and corporate governance committee of Cabbeen Fashion Limited (SEHK: 2030).

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

Mr. Leung graduated with a first class honors bachelor’s degree in accountancy from the City University of Hong Kong in June 1998, as well as a master’s degree in accountancy from the Chinese University of Hong Kong in September 2001. He is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and a Fellow Member of the Hong Kong Institute of Certified Public Accountants (FCPA). Mr. Leung possesses a total of approximately 15 years of experience in corporate financial management, including over 10 years with technology companies.

Director and Senior Management

Mr. Guan Jizhen (關積珍), 48, is the chief technology officer and general manager of research and development department of the Company, responsible for overall research and development of the Company. Mr. Guan joined our Group in July 2012 after the acquisition of Beijing STONE by the Group and has held his current position since November 2012. In addition, Mr. Guan has served as the deputy general manager of Beijing STONE since February 1999 responsible for product research and development and engineering, a director and general manager of Beijing STONE since December 2004 responsible for general operation, and the chairman of the board of directors of Beijing STONE since June 2006. Mr. Guan also served as the chairman of the board of directors of Beijing Lihe Datong since August 2011 and Beijing Jingwei Zhitong since September 2011 and a director of Newcom Traffic since November 2011.

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

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

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

Director and Senior Management

Mr. Mou Yi (牟軼), 47, is the vice president of the Company and general manager of financial management, responsible for the internal financial management of the Company. Mr. Mou has served as Director from October 2008 to June 2009. He joined our Group in October 2004. He started as vice president of RHY Technology and was then promoted to vice president of our TS business unit, responsible for the internal and daily operations, such as financial control, human resources and other administrative functions of the TS business unit until October 2009 when he assumed his current role. Mr. Mou has served as a director and chairman of its board of directors of Wuhan Chenguang since April 2005, a director of Xinjiang RHY since October 2005, and as a director of Shandong Yigou since December 2011. He resigned from his position of directors of the abovementioned three companies in November 2012. Mr. Mou has also served as a director of Chengdu Zhida Weilute since May 2010, Zhixun Tiancheng since November 2011, Beijing Newcom Traffic since January 2012. Mr. Mou served as a supervisor of Xinjiang Delida from May 2011 to November 2012.

Prior to joining our Group, Mr. Mou served as vice president of Lang Chao Mobile Communication Products Co., Ltd. which is the predecessor of Inspur International Limited (SEHK: 0596), where he was responsible for the overall operational management of the company. Mr. Mou also served as vice president of Shanghai Zarva Software Application and Service Co., Ltd. where he was responsible for domestic sales and the management of branch offices in the PRC. Mr. Mou served as a manager of Legend Computer Group Co. (Qingdao branch) which is the predecessor of Lenovo Group Limited (SEHK: 0992), where he was responsible for the sales and software development. Prior to that, he served as a manager of Jinan Tuopu Software Research Centre where he was also responsible for the sales and development of software.

Mr. Mou received a bachelor's degree in science and a bachelor's degree in economics from the Tianjin Nankai University in July 1990. Mr. Mou was qualified as an accountant in December 1992, and senior economist in November 2008. Mr. Mou possesses extensive experience in operational management and internal financial management.

Mr. Zhang Yi (張屹), 40, is a vice president of the Company and the general manager of new business development, responsible for business development in new industry segments. Mr. Zhang joined our Group in July 2007. He started as the new product development department supervisor and was then promoted to a director and general manager of Zhixun Tiancheng responsible for the overall operation management in the railway segment. He served as the vice president of the Company in November 2011 responsible for developing, coordinating and maintaining the relationship with the Group's strategic partners. He has held his current position since 2012. Mr. Zhang has also served as executive director of Jiangsu Zhixun Tiancheng since November 2009.

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

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

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company had adopted the code provisions contained in the code of corporate governance practices (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has complied with the code provisions contained in the CG Code for the year ended December, 31 2013.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company for the year ended December 31, 2013.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as the standards for the Directors' dealings in the securities of the Company. 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 year ended December 31, 2013.

THE BOARD

Board Responsibilities

The Board is collectively responsible for the overall management and implementing business plans of the Company, including establishing and monitoring the Company's strategic directions and development, financial goals, and assumes the responsibilities of corporate governance of the Company. The senior management is responsible for supervising and executing the plans of the Group and the Directors review those arrangements on a periodic basis.

The Board may from time to time delegate all or any of its powers that it may think fit to a Director or member of senior management of the Company. To maximise the effectiveness of the Board and to encourage active participation and contribution from the Directors, the Board is supported by three committees, which are the Audit Committee, the Remuneration Committee, and the Nomination Committee. The terms of reference of each of the committees are reviewed and amended (if necessary) from time to time, including the committees' structure, duties and memberships.

Board Members

The Board, as at the date of this report, consists of nine Directors, including six executive Directors, and three independent non-executive Directors. The composition of the Board is set out on page 45 in the paragraph headed "Report of the Directors — Directors" of this annual report.

Details of the Directors' biographical information are contained in the section headed "Director and Senior Management" of this annual report.

There is no financial, business, family or other material/relevant relationships among the Directors.

Independent Non-executive Directors

Three members of the Board are independent non-executive Directors, which meets the minimum requirement under the Listing Rules. Mr. Choi Onward, an independent non-executive Director, has appropriate financial management expertise in compliance with Rule 3.10 of the Listing Rules.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has received an annual confirmation from each of the independent non-executive Directors on their respective independence pursuant to Rule 3.13 of the Listing Rules and considers that each of them to be independent.

Terms

Save as disclosed in this annual report, all of the executive Directors were appointed for a term of three years, which may be terminated according to the articles of association of the Company (the "**Articles**") and any applicable laws. In accordance with the Articles, at each annual general meeting one-third of the Directors for the time being is required to retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Board Meetings

During the year ended December 31, 2013, there were four Board meetings held, at which the Directors approved, among other things, the audited consolidated results of the Group for the year ended December 31, 2012 and the unaudited consolidated results of the Group for the six months ended June 30, 2013.

Notices for regular Board meetings are given to each member of the Board at least 14 days prior to the meeting, whereby the Directors are given opportunities to include matters to be discussed in the agenda of the Board/ committee meetings. The agenda and the relevant board papers are then circulated to the Directors 3 days before a scheduled Board meeting and apart from ensuring that the directors have received adequate, complete and reliable information in a timely manner to enable them to make informed decisions during the Board meeting, the chairman will also properly brief the directors present at the Board meeting on issues arising during the Board meeting.

Where the agenda of the Board meetings is in relation to a material matter in which a substantial Shareholder or a Director is deemed to have a conflict of interest, independent non-executive Directors who, and whose associates have no material interest in the transaction, would be invited to attend such Board meetings. Where Board meetings relate to financial and other information, the senior management would provide such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

After the meetings have been held, drafts of the Board minutes and Board committee meeting minutes are circulated to the Directors and the relevant Board committee members respectively for their review before finalization, and the final version of these minutes are kept by the company secretary of the Company (the "**Company Secretary**") and are available for inspection by the Board and auditor of the Company.

Every Director is entitled to have access to Board papers and relevant materials and have unrestricted access to advice and services of the Company Secretary, and is able to seek independent professional advice as and when required at the Company's expense.

Attendance Record

Code Provision A1.1 of the Corporate Governance Code stipulates that the Board should meet regularly and meetings should be held at least four times a year at approximately quarterly intervals. During the year ended December 31, 2013, the Board convened a total of four Board meetings and there were two meetings for the Audit Committee, one meeting for the Remuneration Committee and one meeting for the Nomination Committee based on the need of the operation and business development of the Company. Details of attendance are as follows:

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	General meetings
Executive Directors					
Mr. Liao Jie *(Chairman)*	4/4	n/a	n/a	n/a	1/1
Mr. Jiang Hailin *(Chief Executive Officer)*	4/4	n/a	n/a	n/a	0/1
Mr. Wang Jing	4/4	n/a	n/a	n/a	1/1
Mr. Lu Xiao	4/4	n/a	n/a	n/a	0/1
Mr. Pan Jianguo	4/4	n/a	n/a	n/a	0/1
Mr. Lv Xilin	4/4	n/a	n/a	n/a	0/1
Independent Non-executive Directors					
Mr. Zhou Chunsheng	4/4	2/2	1/1	1/1	1/1
Mr. Choi Onward *(FCCA, HKICPA)*	4/4	2/2	1/1	1/1	1/1
Mr. Sun Lu	4/4	2/2	1/1	1/1	1/1

The Chairman and the Chief Executive Officer

The Code Provision A2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Throughout the year ended December 31, 2013, Mr. Liao Jie has been the Chairman and Mr. Jiang Hailin has been the Chief Executive Officer. Accordingly, the Company complied with Code Provision A2.1 at all times during the year ended December 31, 2013.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three independent non-executive Directors, being Mr. Choi Onward, Mr. Zhou Chunsheng and Mr. Sun Lu, with Mr. Choi Onward being the chairman of the Audit Committee. The members of the Audit Committee confirm that they are not a former partner or affiliated to the Company's existing auditing firm nor do they have any financial interest in the Company's existing auditing firm.

The primary functions of the Audit Committee are to:

(a) be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and regulations. The audit committee should discuss with the auditor, the nature and scope of the audit and reporting obligations before the audit commences;

(c) develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

(d) monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the committee should focus particularly, on any changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from audit, the ongoing concern assumptions and any qualifications, compliance with accounting standards and compliance with the Listing Rules and other legal requirements to financial reporting;

(e) to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) to review the Company's financial controls, internal control and risk management systems;

(g) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources;

(h) qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

(i) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(j) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(k) to review the Company's financial and accounting policies and practices;

(l) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(n) to report to the Board on the matters set out in the Code Provisions; and

(o) to consider other topics, as defined by the Board.

To ensure that the Audit Committee is given the opportunity to discharge its functions effectively, the Audit Committee will be provided with sufficient resources including access to professional advice if considered necessary and members of the Audit Committee must liaise with the Board and senior management and the Audit committee must meet, at least once a year, with the Company's auditors.

During the year, the Audit Committee convened two meetings and drafts and final versions of the minutes of the Audit Committee have been sent to all members of the audit committee for their comment and records, respectively. All resolutions passed at the meetings were duly recorded and retained by a duly appointed secretary of the meeting or the Company Secretary.

A summary of the work performed by the Audit Committee during the year ended December 31, 2013 is set out as follows:

- reviewed the Company's interim report and annual report;
- reviewed accounting policies adopted by the Group and issues related to accounting practice;
- supervised internal auditing of the Group;
- assisted the Board to evaluate on the effectiveness of financial reporting procedure and internal control system;
- advised on material events and draw the attention of management on related risks;
- reviewed the external auditor's independence and approved the engagement of external auditor;
- recommended the Board on the re-appointment of external auditor; and
- noted the amendments to the standards and the development of corporate governance.

Remuneration Committee

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

The primary functions of the Remuneration Committee are to:

(a) evaluate and make recommendations to the Board on the policy and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such policies;

(b) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

(c) conduct reviews and approve performance-based remuneration by reference to corporate goals and objectives resolved by directors from time to time;

(d) review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(e) review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

(f) ensure that no director or any of his or her associates is involved in deciding his own remuneration and advise shareholders on how to vote with respect to service contracts of directors that require shareholders' approval under rule 13.68 of the Listing Rules.

To ensure that the Remuneration Committee is given the opportunity to discharge its functions effectively, the Remuneration Committee will be given opportunities to consult the Chairman and/or Chief Executive Officer about its proposals relating to the remuneration of other executive Directors and be provided with sufficient resources including access to professional advice if considered necessary.

During the year, the Remuneration Committee convened one meeting and the draft and final version of the minutes of the Remuneration Committee have been sent to all members of the Remuneration Committee for their comment and records, respectively. All resolutions passed at the meetings were duly recorded and retained by a duly appointed secretary of the meeting or the Company Secretary.

A summary of the work performed by the Remuneration Committee during the year ended December 31, 2013 is set out as follows:

- reviewed the Directors' fees; and

- reviewed and made recommendations to the Board on the remuneration structure/package of executive Directors and senior management.

Nomination Committee

The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Zhou Chunsheng, Mr. Choi Onward and Mr. Sun Lu. Mr. Zhou Chunsheng is the chairman of the Nomination Committee.

The primary functions of the Nomination Committee are to:

(a) review the structure, size and composition of the Board regularly and make recommendations to the Board regarding any proposed changes; and

(b) identify, select or make recommendations to the Board on the selection of individuals nominated for directorships to fill vacancies in the Board.

During the year, the Nomination Committee convened one meeting and draft and final version of the minutes of the Nomination Committee have been sent to all members of the Nomination Committee for their comment and records, respectively. All resolutions passed at the meetings were duly recorded and retained by a duly appointed secretary of the meeting or the Company Secretary.

A summary of the work performed by the Nomination Committee during the year ended December 31, 2013 is set out as follows:

- reviewed and recommended the re-appointment of the retiring Directors for Shareholders' approval;

- discussed and reviewed the Board composition of the Company as well as other related matters; and

- recommended on the selection of individuals nominated for directorships.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CONTINUOUS PROFESSIONAL DEVELOPMENT

According to the CG Code A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of the directors.

All Directors have participated in appropriate continuous professional development and refreshed their knowledge and skills during the year. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development for the year ended December 31, 2013:

Name of Director	Attend training sessions organized by professional firms	Attend training sessions required by the relevant professional bodies of which they are members	Read articles and journals on the economy, general business and regulatory matters
Executive Directors			
Mr. Liao Jie	√	√	√
Mr. Jiang Hailin	√	√	√
Mr. Wang Jing	√	√	√
Mr. Lu Xiao	√	√	√
Mr. Pan Jianguo	√	√	√
Mr. Lv Xilin	√	√	√
Independent Non-executive Directors			
Mr. Zhou Chunsheng	√	√	√
Mr. Choi Onward	√	√	√
Mr. Sun Lu	√	√	√

Note: Insert √ in the above boxes as applicable.

ACCOUNTABILITY AND AUDIT

Auditor's Remuneration

The remuneration paid to the Company's auditor, Ernst & Young, during the year ended December 31, 2013 in relation to audit service is RMB1.7 million and non-audit service is RMB0.8 million.

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company and for ensuring that the financial statements are balanced and clear and prepared in accordance with applicable statutory requirements and accounting standards.

Auditor's Statement

The statement of the Company's auditor, Ernst & Young, on its reporting responsibilities in respect of the consolidated financial statements of the Group for the year ended December 31, 2013 is set out on pages 61 and 62.

Internal Control and Risk Management

The Board acknowledges that it is responsible for maintaining a sound system of internal controls to safeguard the Shareholders' interest and reviewing the effectiveness of the system of internal control of the Group.

In reviewing the effectiveness of the system of internal control of the Group, the Board will also consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and the training programmes and budget allocated.

The Group's internal control system has been designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably reduced, proper accounting records and financial information are maintained, and, where appropriate, relevant legislation, regulation and best practices are complied with.

The Board has delegated to the Audit Committee responsibility for reviewing the effectiveness of the Group's internal control system and the Audit Committee will report its findings to the Board for discussion. The Audit Committee works with the Group's internal audit department (the "**Internal Audit Department**") to carry out internal audit works based on an internal audit plan which is reviewed and approved by the Audit Committee. The Internal Audit Department, reports its findings and recommendations for any corrective action required to the Audit Committee. The Audit Committee reviews the reports submitted by the Internal Audit Department and the issues on the internal control system of the Group are then discussed and evaluated by the Board every year.

The Internal Audit Department conducted an examination on various material control aspects during the year including financial, operational and compliance controls with the aim of mitigating the overall business and operational risk of the Group. Internal control reports were submitted to the Audit Committee for review and the findings and recommendations were discussed at the committee meetings. The significant findings have been remediated by the management of the Company.

COMPANY SECRETARY

Mr. Leung Ming Shu, the Company Secretary, is a full-time employee of the Group. During the year ended 31 December, 2013, Mr. Leung has complied with Rule 3.29 of the Listing Rules in relation to taking of relevant professional training.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board adopted a board diversity policy (the "**Board Diversity Policy**") on 27 August 2013. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

SHAREHOLDER RIGHTS

Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended December 31, 2013.

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Article 58 of the Articles of Associations of the Company, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for proposing a person for Election as a Director

Pursuant to the Article 85 of the Articles of Associations of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice (as defined therein) signed by a Member (as defined therein) (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Communications with Shareholders and Investors

The Board values the importance of communications with the Shareholders. The general meetings of the Company provide a forum for communication between the Board and the Shareholders and at such general meetings, the chairman will ensure that an explanation is provided of the detailed procedures for conducting a poll and ensure that resolutions are proposed separately. The Chairman as well as chairman of the Remuneration Committee, the Nomination Committee and the Audit Committee and, in their absence, other members of the respective committees will also be available to answer questions at Shareholders' meetings.

The 2013 annual general meeting of the Company (the "**AGM**") will be held on May 19, 2014. The notice of AGM will be sent to Shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.its.cn, where extensive information and updates on the Company's financial information, corporate governance practices and other information are posted and available for public access.

Report of the Directors

The Board presents its report together with the audited consolidated results of the Group for the year ended December 31, 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the principal subsidiaries of the Company are to provide intelligent transportation systems and transportation infrastructure technology solutions and services to expressway, railway (including rapid transit), and urban traffic segments in China. The Group also used to conduct business in the energy segment prior to its disposal of Hexin Risheng in January 2013. Details of the activities of the subsidiaries of the Company are set out in note 19 to the consolidated financial statements on page 124.

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended December 31, 2013 are set out on page 63 of this annual report.

On August 27, 2013, the Board resolved to pay an interim dividend of HK0.5 cents per Share for the six months ended June 30, 2013 by way of allotment of new Shares with an option to elect to receive cash of HK0.5 cents per Share in lieu of allotment of new Shares to the Shareholders whose names appeared on the register of members of the Company on September 13, 2013. A total amount of HK$6,332,970.68 was paid by the Company in cash and a total of 904,811 new Shares were allotted and issued by the Company to the relevant Shareholders as payment for the interim dividend. Details of the interim dividend payment are set out in the announcements of the Company dated August 27, 2013, September 16, 2013, September 25, 2013 and October 29, 2013 and the circular of the Company dated October 4, 2013.

The Board has recommended the payment of a dividend of HK1.2 cents per Share for the year ended December 31, 2013 (the "**Final Dividend**"), totaling approximately HK$19.8 million to the Shareholders whose names appear on the register of members of the Company on May 28, 2014 (the "**Record Date for Dividend**"). The Final Dividend will be paid in the form of a scrip dividend with Shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (the "**Scrip Dividend Scheme**"). The Scrip Dividend Scheme will be subject to (i) Shareholders' approval of the Final Dividend at the Company's forthcoming annual general meeting (the "**AGM**"); and (ii) the Stock Exchange granting listing of and permission to deal in the new shares to be allotted thereunder. The Final Dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme are expected to be sent on or about August 4, 2014. On the condition that the Final Dividend is approved by the Shareholders at the AGM, a circular containing details of the Scrip Dividend Scheme and the relevant election form will be despatched to the Shareholders of the Company as soon as practicable after the Record Date for Dividend.

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to the Final Dividend from May 26, 2014 to May 28, 2014, both days inclusive, during which period no transfer of shares of the Company will be effected. In order for any person to be entitled to the Final Dividend as a shareholder, 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 May 23, 2014 for registration.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements on page 116.

SHARE CAPITAL

Details of the movement in the Company's share capital during the year ended December 31, 2013 are set out in note 39 to the consolidated financial statements on page 147.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group for the year ended December 31, 2013 are set out in note 40 to the consolidated financial statements on page 148. As at December 31, 2013, the Group's distributable reserve is RMB1.8660 billion.

CHARITABLE DONATIONS

The Company made several charitable donations in an aggregate amount of approximately RMB256,000 during the year ended December 31, 2013.

DIRECTORS

The Directors who held office during the year ended December 31, 2013 and up to the date of this annual report are:

	Last Re-election Date
Executive Directors	
Mr. Liao Jie *(Chairman)*	May 23, 2013
Mr. Jiang Hailin *(Chief Executive Officer)*	May 23, 2013
Mr. Wang Jing	May 29, 2012
Mr. Lu Xiao	May 26, 2011
Mr. Pan Jianguo	May 26, 2011
Mr. Lv Xilin	May 23, 2013
Independent Non-executive Directors	
Mr. Zhou Chunsheng	May 29, 2012
Mr. Choi Onward *(FCCA, HKICPA)*	May 26, 2011
Mr. Sun Lu	May 29, 2012

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

Biographies of Directors and senior management of the Company are set out on pages 25 to 33 of this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In the year ended December 31, 2013, there were no changes to information related to Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and considers that all of the independent non-executive Directors are independent.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

Save as disclosed below, as at December 31, 2013, none of the Directors and Chief Executive Officer had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director	Nature of interest	Securities(11)	Approximate percentage of shareholdings as at December 31, 2013(11)
Mr. Liao Jie(1)(2)	Beneficial owner/Interest of a controlled corporation	114,093,710(L)	6.93%(L)
Mr. Jiang Hailin(1)(3)	Beneficial owner/Beneficiary of the Fino Trust	879,806,807(L)	53.43%(L)
Mr. Wang Jing(1)(4)	Beneficial owner/Beneficiary of the Tesco Trust	883,756,807(L)	53.67%(L)
Mr. Lu Xiao(1)(5)	Beneficiary owner/Interest of a controlled corporation	109,834,904(L)	6.67%(L)
Mr. Pan Jianguo(1)(6)	Beneficial owner/Beneficiary of the Ampio Trust	153,058,952(L)	9.30%(L)
Mr. Lv Xilin(1)(7)	Beneficial owner/Beneficiary of the Fino Trust	885,577,636(L)	53.79%(L)
Mr. Choi Onward(8)	Beneficial owner	98,824(L)	0.01%(L)
Mr. Sun Lu(9)	Beneficial owner	98,824(L)	0.01%(L)
Mr. Zhou Chunsheng(10)	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, Holdco, Pride Spirit Company Limited, Sea Best, Joy Bright, Gouver, Kang Yang Holdings Limited, Huaxin Investments Limited, Rockyjing Investment Limited, Key Trade, Speedy Fast, Best Partners, Joyful Business, Mr. Liao Jie, Mr. Lu Xiao, Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Jiang Hailin, Mr. Wang Jing, Mr. Liang Shiping, Ms. Wu Chunhong, Mr. Zhao Lisen, Mr. Yuan Chuang, Mr. Zhang Qian, Mr. Guan Xiong, Mr. Zheng Hui, Mr. Lv Xilin, Ms. Wang Li, Mr. Dang Kulun, Mr. Pan Jianguo and Mr. Jing Yang, entered into shareholders voting agreements (the "**Shareholders Voting Agreements**"), pursuant to which each of the parties (other than Holdco) to the Shareholder Voting Agreements has authorized Holdco to exercise their voting rights in the Company on their behalves.

Holdco is entitled to exercise or control the exercise of the voting rights of a total of 877,950,959 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, which is wholly-owned by Mr. Liao Jie.

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

Mr. Jiang Hailin was also interested in all the Shares in which Fino Trust was interested as a beneficiary of Fino Trust. As the beneficial owner of Fino Investments Limited, Fino Trust is deemed to be interested in all the Shares in which Fino Investments Limited is interested. Mr. Jiang Hailin beneficially and directly owns 18,702,440 Shares, which are part of the 877,950,959 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 98,613,367 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) 1,224,000 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 877,950,959 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. Choi Onward on January 18, 2012 under the Share Option Scheme.

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

(11) (L) denotes long positions.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as otherwise disclosed in this annual report, at no time during the year ended December 31, 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 Officer or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors and Chief Executive Officer, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2013.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2013.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates (as defined in the Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

The determination of the remuneration of the Directors and senior management of the Company is based on the individual performance, the nature and responsibilities of the individual concerned and the performance of our Group and market conditions. Proposals for increase in remuneration, payment of discretionary bonus or adjustment to any benefits scheme will be approved by the Remuneration Committee.

The Company will also periodically review and assess its human resource requirements and the prevailing market trend and make appropriate adjustments. Details of the remuneration of the Directors and the Group's senior management are set out in note 8 to the consolidated financial statements on page 108.

EMPLOYMENT AND EMOLUMENT POLICIES

As at December 31, 2013, the Group had 981 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.

RETIREMENT BENEFIT SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC municipal government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

PRE-IPO SHARE INCENTIVE SCHEME AND SHARE OPTION SCHEME

The terms of the Pre-IPO Share Incentive Scheme and the Share Option Scheme were disclosed in the section headed "Other information — Pre-IPO Share Incentive Scheme" and "Other information — Share Option Scheme" respectively, in Appendix VI to the prospectus of the Company dated June 30, 2010 (the "**Prospectus**") and in the section headed "Report of the Directors" in the 2011 Annual Report of the Company dated March 28, 2012.

1. Pre-IPO Share Incentive Scheme

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

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

As of December 31, 2013, a total of 30,437,542 Shares which were held by Holdco may be transferred to the relevant grantees upon exercise of all options which had been granted under the Pre-IPO Share Incentive Scheme. Upon exercise of such options, Holdco transfers the relevant number of Shares to the grantee of the options. There is therefore no dilutive effect on the Shareholders resulting from the exercise of the options under the Pre-IPO Share Incentive Scheme.

Movement of the options granted under the Pre-IPO Share Incentive Scheme during the year ended December 31, 2013 is as follows:

Grantee	Grant date	Vesting start date	Expiry date	Outstanding as at January 1, 2013	Exercised during the six months ended December 31, 2013	Lapsed or cancelled during the six months ended December 31, 2013	Outstanding as at December 31, 2013	Exercise price per share (RMB)
Mr. Wang Jing	31/12/2008	31/12/2008	31/12/2013	0	–	–	0	0.6
(Executive Director,	31/12/2008	31/12/2010	31/12/2015	0	–	–	0	2
Substantial Shareholder)	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	31/12/2008	31/12/2008	31/12/2013	1,445,253	400,000	1,045,253[2]	0	0.6
(Executive Director,	31/12/2008	31/12/2010	31/12/2015	536,142	–	–	536,142	2
Substantial Shareholder)	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	1,045,253	3,216,852	
Mr. Lv Xilin	31/12/2008	31/12/2008	31/12/2013	549,630	549,000	630[2]	0	0.6
(Executive Director,	31/12/2008	31/12/2010	31/12/2015	203,895	–	–	203,895	2
Substantial Shareholder)	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	549,000	630	1,223,370	
Others	31/12/2008	31/12/2008	31/12/2013	42,216,070	13,652,100	28,563,970[2]	0	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	445,050	2,217,315	2,257,165	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	14,916,950	39,678,645	22,047,320	
TOTAL:				**87,028,020**	**15,865,950**	**40,724,528**	**30,437,542**	

Note:

(1) The weighted average share price at the date of exercise for share options exercised during the year was RMB0.75 per Share.

(2) 21,774,743 share options lapsed on December 31, 2013 and were cancelled on March 27, 2014.

2. Share Option Scheme

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

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

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

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

As at the Listing Date, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company ("**Share Option Scheme Limit**") shall not in aggregate exceed 155,029,633 Shares being 10% of the total number of Shares in issue immediately prior to the date on which dealings in the Shares commenced on the Stock Exchange.

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

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

Movement of the options granted under the Share Option Scheme during the year ended December 31, 2013 is as follows:

Grantee	Grant date[1]	Vesting start date	Expiry date	Outstanding as at January 1, 2013	Exercised during the year ended December 31, 2013	Lapsed or cancelled during the year ended December 31, 2013	Outstanding as at December 31, 2013	Exercise price per share (HK$)
Mr. Jiang Hailin	18/01/2012	19 April 2012	Note (2)	77,203	–	–	77,203	1.05
(Executive Director,	18/01/2012	19 July 2012	Note (2)	77,203	–	–	77,203	1.05
Chief Executive Officer)	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. Pan Jianguo	18/01/2012	19 April 2012	Note (2)	173,707	–	–	173,707	1.05
(Executive Director)	18/01/2012	19 July 2012	Note (2)	173,707	–	–	173,707	1.05
	18/01/2012	19 October 2012	Note (2)	173,707	–	–	173,707	1.05
	18/01/2012	19 January 2013	Note (2)	173,707	–	–	173,707	1.05
	18/01/2012	19 April 2013	Note (2)	347,832	–	–	347,832	1.05
	18/01/2012	19 July 2013	Note (2)	347,832	–	–	347,832	1.05
	18/01/2012	19 October 2013	Note (2)	347,832	–	–	347,832	1.05
	18/01/2012	19 January 2014	Note (2)	347,832	–	–	347,832	1.05
	18/01/2012	19 April 2014	Note (2)	521,957	–	–	521,957	1.05
	18/01/2012	19 July 2014	Note (2)	521,957	–	–	521,957	1.05
	18/01/2012	19 October 2014	Note (2)	521,957	–	–	521,957	1.05
	18/01/2012	19 January 2015	Note (2)	523,632	–	–	523,632	1.05
Sub-total				4,175,659	–	–	4,175,659	
Mr. Wang Jing	18/01/2012	19 April 2012	Note (2)	77,203	–	–	77,203	1.05
(Executive Director)	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	

Grantee	Grant date[1]	Vesting start date	Expiry date	Outstanding as at January 1, 2013	Exercised during the year ended December 31, 2013	Lapsed or cancelled during the year ended December 31, 2013	Outstanding as at December 31, 2013	Exercise price per share (HK$)
Mr. Liao Jie[3]	18/01/2012	19 April 2012	Note (2)	1,694,612	–	–	1,694,612	1.05
(Executive Director,	18/01/2012	19 July 2012	Note (2)	1,694,612	–	–	1,694,612	1.05
Chairman)	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. Lu Xiao	18/01/2012	19 April 2012	Note (2)	289,512	–	–	289,512	1.05
(Executive Director)	18/01/2012	19 July 2012	Note (2)	289,512	–	–	289,512	1.05
	18/01/2012	19 October 2012	Note (2)	289,512	–	–	289,512	1.05
	18/01/2012	19 January 2013	Note (2)	289,512	–	–	289,512	1.05
	18/01/2012	19 April 2013	Note (2)	579,721	–	–	579,721	1.05
	18/01/2012	19 July 2013	Note (2)	579,721	–	–	579,721	1.05
	18/01/2012	19 October 2013	Note (2)	579,721	–	–	579,721	1.05
	18/01/2012	19 January 2014	Note (2)	579,721	–	–	579,721	1.05
	18/01/2012	19 April 2014	Note (2)	869,929	–	–	869,929	1.05
	18/01/2012	19 July 2014	Note (2)	869,929	–	–	869,929	1.05
	18/01/2012	19 October 2014	Note (2)	869,929	–	–	869,929	1.05
	18/01/2012	19 January 2015	Note (2)	872,713	–	–	872,713	1.05
Sub-total				6,959,432	–	–	6,959,432	
Mr. Lv Xilin	18/01/2012	19 April 2012	Note (2)	266,351	–	–	266,351	1.05
(Executive Director)	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	

Grantee	Grant date(1)	Vesting start date	Expiry date	Outstanding as at January 1, 2013	Exercised during the year ended December 31, 2013	Lapsed or cancelled during the year ended December 31, 2013	Outstanding as at December 31, 2013	Exercise price per share (HK$)
Mr. Choi Onward	18/01/2012	19 April 2012	Note (2)	8,232	–	–	8,232	1.05
(Independent	18/01/2012	19 July 2012	Note (2)	8,232	–	–	8,232	1.05
Non-Executive	18/01/2012	19 October 2012	Note (2)	8,232	–	–	8,232	1.05
Director)	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	18/01/2012	19 April 2012	Note (2)	8,232	–	–	8,232	1.05
(Independent	18/01/2012	19 July 2012	Note (2)	8,232	–	–	8,232	1.05
Non-Executive	18/01/2012	19 October 2012	Note (2)	8,232	–	–	8,232	1.05
Director)	18/01/2012	19 January 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 April 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 April 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2015	Note (2)	8,272	–	–	8,272	1.05
Sub–total				98,824	–	–	98,824	
Mr. Sun Lu	18/01/2012	19 April 2012	Note (2)	8,232	–	–	8,232	1.05
(Independent	18/01/2012	19 July 2012	Note (2)	8,232	–	–	8,232	1.05
Non–Executive	18/01/2012	19 October 2012	Note (2)	8,232	–	–	8,232	1.05
Director)	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	

Grantee	Grant date[1]	Vesting start date	Expiry date	Outstanding as at January 1, 2013	Exercised during the year ended December 31, 2013	Lapsed or cancelled during the year ended December 31, 2013	Outstanding as at December 31, 2013	Exercise price per share (HK$)
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				92,698,190	–	–	92,698,190	
TOTAL:				**155,000,000**	**–**	**–**	**155,000,000**	

Notes:

(1) The closing price of the Shares immediately before the grant date of share options was HK$1.05.

(2) Expiry date of these share options shall be the earlier of: (i) the date on which the share option lapses in accordance with the Share Option Scheme or (ii) the date falling ten (10) years from the date of acceptance by the grantee.

(3) The total number of Shares to be issued upon exercise of the share options granted to Mr. Liao Jie would exceed 1% of the Shares in issue in the 12–month period up to and including the date of the grant. Such further grant of share options to Mr. Liao Jie was approved by Shareholders in an extraordinary general meeting on February 29, 2012.

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

As at the December 31, 2013, so far as is known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, the following persons had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the group.

Name	Capacity	Long position/ Short position	Number of Shares	Percentage to Company's issued share capital
Holdco(1)	Beneficiary owner	Long position	877,950,959	53.32%
Best Partners(2)	Interest of controlled corporation	Long position	877,950,959	53.32%
Fino Investment Limited(3)	Interest of controlled corporation	Long position	877,950,959	53.32%
Tesco Investments Limited(4)	Interest of controlled corporation	Long position	877,950,959	53.32%
Credit Suisse Trust Limited(3)(4)(5)(6)	Trustee	Long Position	877,950,959	53.32%
Ampio International Limited(5)	Interest of controlled corporation	Long position	148,883,293	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(7)	Beneficial owner	Long position	98,613,367	6.00%
Gouver(8)	Interest of controlled corporation	Long position	95,977,894	5.83%
Joy Bright(8)	Beneficial owner	Long position	95,977,894	5.83%

Notes:

(1) Holdco is wholly–owned by Best Partners. Three of our Directors Mr. Jiang Hailin, Mr. Liao Jie and Mr. Wang Jing are also directors of Holdco.

(2) The issued share capital of Best Partners is held as to 83% by Fino Investments Limited and as to 17% by Tesco Investments Limited. By virtue of the Shareholder Voting Agreements, Best Partners is deemed to be controlled by Fino Investments Limited and Tesco Investments Limited. 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 Ms. Wang Li. The Tesco Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.

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

Each of Joy Bright (the sole shareholder of Gouver), and Rockyjing Investment Limited is wholly–owned by Ampio International Limited. Accordingly, Ampio International Limited is deemed to be interested in the 95,997,894 Shares and 52,885,399 Shares in which Joy Bright Success Limited and Rockyjing Investment Limited are interested, respectively.

(6) Huaxin Investments Limited is wholly–owned by Binks Investments Limited. Binks Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Binks Trust, namely Mr. Dang Kulun, Mr. Shi Li, Mr. Dang Hankun, Mr. Dang Hanwen, Mr. Dang Zhen and New Song Cristian Life Centre. The Binks Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.

(7) Speedy Fast is wholly owned by Mr. Lu Xiao. Our Director 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 sole director of Gouver and Joy Bright.

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

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

In May 2013, the Company purchased and cancelled part of the RMB Bonds, which are listed on the Stock Exchange (stock code: 85908) in the principal amount of RMB20,000,000, representing approximately 9.5238% of the outstanding RMB Bonds in the principal amount of RMB210,000,000 immediately prior to the cancellation. Please refer to the announcement of the Company dated May 30, 2013 for further details.

Other than the aforementioned purchase and cancellation of the RMB Bonds, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended December 31, 2013.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

In January 2013, 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 segments. The Hexin Purchaser agreed that Hexin Risheng's business in rapid transit segment will be taken over by other subsidiaries of the Group, and the Hexin Purchaser will only continue to operate the energy segment business. The disposal of Hexin Risheng is consistent with the Company's strategy to exit its businesses in the energy segment 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.

Save as disclosed above, there was no other material acquisitions or disposal of subsidiaries and associated companies by the Company during the year ended December 31, 2013.

USE OF PROCEEDS FROM LISTING

Details of the use of proceeds of the Company for the year ended December 31, 2013 are set out with the same subtitle in the section headed "Management Discussion and Analysis" on page 24.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2013, the aggregate sales to the Group's five largest customers, in aggregate represented approximately 27.7% of the Group's total revenue and sales to the Group's largest customer amounted to approximately 7.9% of the Group's total revenue.

For the year ended December 31, 2013, the aggregate purchases attributable to the Group's five largest suppliers, in aggregate represented approximately 37.8% of the Group's total purchases and purchases attributable to the Group's largest supplier amounted to approximately 31.5% of the Group's total purchases.

For the year ended December 31, 2013, none of the Directors nor any of their associates or any Shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any interest in the five largest suppliers or customers.

BANKING FACILITIES AND OTHER BORROWINGS

Details of the bank facilities and other borrowings of the Group as at December 31, 2013 are set out in note 34 to the consolidated financial statements on page 142.

SUFFICIENCY OF PUBLIC FLOAT

According to information that is publicly available to the Company and within the knowledge of the Board, as at December 31, 2013, the Company has maintained sufficient public float as required under the Listing Rules.

CONNECTED TRANSACTIONS

There were no connected transactions of the Company for the year ended December 31, 2013.

RELATED PARTIES TRANSACTIONS

The Group was involved in a number of related party transactions during the year ended December 31, 2013, which have been disclosed in note 48 to the consolidated financial statements on pages 160.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries subsisted at December 31, 2013 or any time during the year ended December 31, 2013.

NON–COMPETITION DEED

As disclosed in the Prospectus, the independent non–executive Directors will review, on an annual basis, the compliance by the controlling Shareholders with the non–competition undertakings under the Non–competition Agreement (as defined in the Prospectus). The independent non–executive Directors have conducted such review for the year ended December 31, 2013 and found that the Non–competition Agreement has been fully complied with.

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions contained in the code of corporate governance practices (the "**CG Code**") set out in Appendix 14 to the Listing Rules. The Company has complied with the code provisions contained in the CG Code for the year ended December, 31 2013.

Detailed information on the corporate governance practice adopted by the Company is set out in the Corporate Governance Report on pages 34 to 43.

AUDIT COMMITTEE

The Group's annual report for the year ended December 31, 2013 has been reviewed by the Audit Committee. Information on the work of the Audit Committee and its composition are set out in the Corporate Governance Report on page 37.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2013 have been audited by Ernst & Young. A resolution for the re–appointment of Ernst & Young as the Company's auditor will be proposed at the forthcoming annual general meeting.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out with the same subtitle in the section headed "Management Discussion and Analysis" on page 24.

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

Beijing, March 25, 2014

Independent Auditors' Report

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

We have audited the consolidated financial statements of China ITS (Holdings) Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 63 to 177, which comprise the consolidated and company statements of financial position as at December 31, 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
March 25, 2014

Consolidated Statement of Profit or Loss

Year ended December 31, 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	**2,390,268**	2,146,000
Cost of sales	6	**(1,831,282)**	(1,629,270)
Gross profit		**558,986**	516,730
Other income and gains	5	**34,140**	47,131
Selling, general and administrative expenses		**(373,619)**	(359,109)
Other expenses		**(1,325)**	(2,130)
OPERATING PROFIT		**218,182**	202,622
Finance income	6	**15,041**	12,850
Finance costs	7	**(58,018)**	(29,427)
Share of profits of:			
Joint ventures	20	**12,523**	9
Associates	21	**10,664**	9,726
Gain on disposal of a subsidiary	43	**63**	2,462
PROFIT BEFORE TAX	6	**198,455**	198,242
Income tax expense	10	**(45,675)**	(58,913)
PROFIT FOR THE YEAR		**152,780**	139,329
Attributable to:			
Owners of the parent	11	**149,254**	131,910
Non-controlling interests		**3,526**	7,419
		152,780	139,329
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
		RMB	RMB
Basic			
— For profit for the year	13	**0.09**	0.08
Diluted			
— For profit for the year	13	**0.09**	0.08

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

Consolidated Statement of Comprehensive Income

Year ended December 31, 2013

	Note	2013 RMB'000	2012 RMB'000
PROFIT FOR THE YEAR		**152,780**	139,329
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(3,281)**	413
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(3,281)**	413
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**149,499**	139,742
Attributable to:			
Owners of the parent	11	**145,973**	132,323
Non-controlling interests		**3,526**	7,419
		149,499	139,742

Consolidated Statement of Financial Position

December 31, 2013

	Notes	**December 31, 2013 RMB'000**	December 31, 2012 RMB'000
NON-CURRENT ASSETS			
Property and equipment	14	**64,844**	55,915
Investment properties	15	**109,100**	154,000
Prepaid land premium	16	**13,726**	14,149
Goodwill	17	**406,135**	406,135
Other intangible assets	18	**59,750**	78,717
Investments in joint ventures	20	**55,375**	33,350
Investments in associates	21	**104,908**	94,043
Available-for-sale investment	22	**25,307**	25,307
Deferred tax assets	36	**12,709**	12,202
Prepayment for acquisition of equity interests in other companies	23	**96,710**	111,710
Pledged deposits	30	**4,500**	–
Other long-term assets	24	**20,000**	19,944
Total non-current assets		**973,064**	1,005,472
CURRENT ASSETS			
Inventories	25	**20,922**	37,853
Construction contracts	26	**1,294,760**	1,255,393
Trade and bills receivables	27	**1,115,858**	903,794
Prepayments, deposits and other receivables	28	**1,375,658**	1,146,390
Due from related parties	48	**135,367**	74,656
Deferred cost		**20,364**	8,071
Held-to-maturity investment	29	**67,299**	69,405
Pledged deposits	30	**80,639**	80,636
Cash and cash equivalents	30	**695,720**	584,783
Other financial assets	31	**16,815**	3,445
Total current assets		**4,823,402**	4,164,426
CURRENT LIABILITIES			
Trade and bills payables	32	**1,046,574**	923,666
Other payables and accruals	33	**283,100**	327,558
Construction contracts	26	**728,324**	679,378
Interest-bearing bank borrowings	34	**520,561**	431,577
Due to related parties	48	**52,108**	13,847
Income tax payable		**27,275**	42,072
Deferred income		**–**	1,344
Total current liabilities		**2,657,942**	2,419,442
NET CURRENT ASSETS		**2,165,460**	1,744,984
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,138,524**	2,750,456

Consolidated Statement of Financial Position

December 31, 2013

	Notes	December 31, 2013 RMB'000	December 31, 2012 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,138,524**	2,750,456
NON-CURRENT LIABILITIES			
Guaranteed bonds	37	**184,918**	201,194
Convertible bonds	38	**146,033**	–
Interest-bearing bank borrowings	34	**87,000**	–
Long-term payable		**3,067**	8,537
Deferred tax liabilities	36	**47,863**	43,319
Total non-current liabilities		**468,881**	253,050
Net assets		**2,669,643**	2,497,406
EQUITY			
Equity attributable to owners of the parent			
Issued capital	39	**289**	289
Equity component of convertible bonds	38	**7,903**	–
Proposed final dividend	12	**15,532**	–
Reserves	40(a)	**2,606,633**	2,462,400
		2,630,357	2,462,689
Non-controlling interests		**39,286**	34,717
Total equity		**2,669,643**	2,497,406

Liao Jie
Director

Jiang Hailin
Director

Consolidated Statement of Changes in Equity

Year ended December 31, 2013

		Attributable to owners of the parent											
	Notes	Issued capital RMB'000 note 39	Share premium RMB'000 note 39	Statutory reserve RMB'000 note 40(a)	Capital reserve RMB'000 note 40(a)	Equity component of convertible bonds RMB'000 note 38	Asset revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
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 year		–	–	–	–	–	–	–	131,910	–	131,910	7,419	139,329
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	413	–	–	413	–	413
Total comprehensive income for the year		–	–	–	–	–	–	413	131,910	–	132,323	7,419	139,742
Issue of shares	39	6	29,006	–	–	–	–	–	–	–	29,012	–	29,012
Share-based payment transactions	41	–	–	–	35,542	–	–	–	–	–	35,542	–	35,542
Disposal of a subsidiary	43	–	–	–	–	–	–	–	–	–	–	412	412
Transfer from retained earnings		–	–	28,875	–	–	–	–	(28,875)	–	–	–	–
Acquisition of non-controlling interests	42	–	–	–	–	–	–	–	–	–	–	19,998	19,998
At December 31, 2012 and January 1, 2013		**289**	**1,070,539***	**115,412***	**605,160***	**–**	**7,782***	**(14,420)***	**677,927***	**–**	**2,462,689**	**34,717**	**2,497,406**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**149,254**	**–**	**149,254**	**3,526**	**152,780**
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**–**	**(3,281)**	**–**	**–**	**(3,281)**	**–**	**(3,281)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(3,281)**	**149,254**	**–**	**145,973**	**3,526**	**149,499**
Share-based payment transactions	41	**–**	**–**	**–**	**18,850**	**–**	**–**	**–**	**–**	**–**	**18,850**	**–**	**18,850**
Interim dividend	12/39	**–**	**1,427**	**–**	**–**	**–**	**–**	**–**	**(6,485)**	**–**	**(5,058)**	**–**	**(5,058)**
Proposed final dividend	12	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15,532)**	**15,532**	**–**	**–**	**–**
Transfer from retained earnings		**–**	**–**	**11,154**	**–**	**–**	**–**	**–**	**(11,154)**	**–**	**–**	**–**	**–**
Issue of convertible bonds	38	**–**	**–**	**–**	**–**	**7,903**	**–**	**–**	**–**	**–**	**7,903**	**–**	**7,903**
Others		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,043**	**1,043**
At December 31, 2013		**289**	**1,071,966***	**126,566***	**624,010***	**7,903**	**7,782***	**(17,701)***	**794,010***	**15,532**	**2,630,357**	**39,286**	**2,669,643**

* These reserve accounts comprise the consolidated reserves of RMB2,606,633,000 (2012: RMB2,462,400,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended December 31, 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**198,455**	198,242
Adjustments for:			
Depreciation	6	**19,316**	19,790
Amortisation	6	**19,390**	15,520
Net loss on disposal of items of property and equipment	6	**326**	80
Gain on disposal of a subsidiary	6	**(63)**	(2,462)
Equity-settled share option expense	6	**18,850**	35,542
Impairment of amounts due from construction contracts	6	**3,996**	–
Share of profits of joint ventures		**(12,523)**	(9)
Share of profits of associates		**(10,664)**	(6,243)
Fair value gain on investment properties	6	**(11,100)**	(8,200)
Fair value gain on the call option of Beijing Stone	6	**(13,370)**	–
Finance income	6	**(15,041)**	(12,850)
Finance costs	7	**58,018**	29,427
Impairment of inventories	6	**1,387**	–
		256,977	268,837
Changes in assets and liabilities:			
Decrease/(increase) in inventories		**15,544**	(3,172)
Increase in construction contracts		**(59,523)**	(197,337)
Increase in trade and bills receivables		**(258,420)**	(62,348)
Increase in prepayments, deposits and other receivables		**(215,229)**	(230,241)
Decrease/(increase) in amounts due from related parties		**(58,723)**	7,135
Increase in deferred cost		**(12,293)**	(2,443)
Increase in pledged deposits		**(4,503)**	(795)
Increase in trade and bills payables		**170,707**	231,673
Increase/(decrease) in other payables and accruals		**(3,729)**	97,639
Increase in amounts due to related parties		**38,261**	2,153
Decrease in deferred income		**(1,344)**	–
Cash generated from/(used in) operations		**(132,275)**	111,101
Interest paid		**(52,235)**	(23,749)
Interest received		**2,783**	2,107
Income tax paid		**(55,598)**	(38,149)
Net cash flows from/(used in) operating activities		**(237,325)**	51,310

Consolidated Statement of Cash Flows

Year ended December 31, 2013

	Notes	2013 RMB'000	2012 RMB'000
Net cash flows from/(used in) operating activities		**(237,325)**	51,310
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**7,329**	–
Proceeds from disposal of items of property and equipment		**2,526**	982
Purchases of items of property and equipment		**(31,719)**	(16,680)
Purchase of land use right		**–**	(14,149)
Dividend received from a joint venture		**2,250**	–
Acquisition of subsidiaries		**(7,135)**	(459)
Disposal of a subsidiary	43	**7,431**	2,678
Disposal of investment properties		**56,000**	–
Acquisition of joint ventures		**(5,500)**	(1,730)
Acquisition of associates		**(8,440)**	(3,060)
Prepayment for acquisition of equity interests in other companies	23	**15,000**	(111,710)
Net cash flows from/(used in) investing activities		**37,742**	(144,128)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of guaranteed bonds		**–**	201,194
Proceeds from issue of convertible bonds		**154,882**	–
New bank loans		**697,371**	484,036
Repayment of bank loans		**(515,436)**	(443,912)
Dividend paid		**(5,058)**	–
Repurchase of guaranteed bonds		**(20,000)**	–
Net cash flows from financing activities		**311,759**	241,318
NET INCREASE IN CASH AND CASH EQUIVALENTS		**112,176**	148,500
Effect of foreign exchange rate changes, net		**(1,239)**	402
Cash and cash equivalents at beginning of year		**584,783**	435,881
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	**695,720**	584,783

Statement of Financial Position

December 31, 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	**765,663**	755,837
Investment in a joint venture	20	**2,067**	2,067
Available-for-sale investment	22	**25,307**	25,307
Other long-term assets	24	**20,000**	19,944
Total non-current assets		**813,037**	803,155
CURRENT ASSETS			
Prepayments, deposits and other receivables	28	**51,911**	43,367
Due from subsidiaries	35	**819,003**	708,143
Held-to-maturity investment	29	**67,299**	69,405
Cash and cash equivalents	30	**106,455**	97,437
Income tax receivable		**49**	–
Total current assets		**1,044,717**	918,352
CURRENT LIABILITIES			
Interest-bearing bank borrowings	34	**18,292**	–
Other payables and accruals	33	**9,055**	8,153
Due to related parties		**14,357**	–
Due to a subsidiary	35	**3,000**	–
Total current liabilities		**44,704**	8,153
NET CURRENT ASSETS		**1,000,013**	910,199
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,813,050**	1,713,354
NON-CURRENT LIABILITIES			
Guaranteed bonds	37	**184,918**	201,194
Convertible bonds	38	**146,033**	–
Long-term payable		**3,024**	8,537
Total non-current liabilities		**333,975**	209,731
Net assets		**1,479,075**	1,503,623
EQUITY			
Issued capital	39	**289**	289
Equity component of convertible bonds	38	**7,903**	–
Proposed final dividend	12/40(b)	**15,532**	–
Reserves	40(b)	**1,455,351**	1,503,334
Total equity		**1,479,075**	1,503,623

Liao Jie
Director

Jiang Hailin
Director

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 20, 2008. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The 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, PRC.

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

(a) TS business — engaging in the integration of information technology with the physical transportation infrastructure;

(b) SS business — providing solutions to discrete problems occurring in clients' existing or planned transportation infrastructure through the design, development and implementation of hardware-based and software-based systems; and

(c) VAOS — engaging in the provision of operation outsourcing and value-added services, via intelligent transport system platforms, servicing transportation operators and participants.

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

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Standing Interpretation Committee interpretations issued and approved by the International Accounting Standards Board (the "**IASB**") that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended December 31, 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PRESENTATION (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (a) the assets (including goodwill) and liabilities of the subsidiary, (b) the carrying amount of any non-controlling interest and (c) the cumulative translation differences recorded in equity; and recognises (a) the fair value of the consideration received, (b) the fair value of any investment retained and (c) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
IAS 19 (Amendments)	Amendments to IAS 19 *Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Other than as further explained below regarding the impact of IFRS 10, IFRS 11, IFRS 12, IFRS 13, IAS 19 (Amendments), amendments to IFRS 10, IFRS 11, IFRS 12, IAS 1 and IAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in SIC Interpretation 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

The application of IFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at January 1, 2013.

(b) IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC Interpretation 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under IFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with IAS 28 (Revised).

The directors reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11, and concluded that the adoption of IFRS 11 has had no significant financial impact on the financial statements.

(c) IFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, joint ventures and associates are included in notes 19, 20 and 21 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) The IFRS 10, IFRS 11 and IFRS 12 Amendments clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC Interpretation 12 at the beginning of the annual period in which IFRS 10 is applied for the first time.

(e) IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by IFRS 13 for the fair value measurements of investment properties and financial instruments are included in note 15 and 50 to the financial statements.

(f) The IAS 1 Amendments change the 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 (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(g) IAS 19 (Amendments) include a number of amendments that range from fundamental changes to simple clarifications and re-wording. The amendments introduce significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the amendments has had no significant effect on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(h) *Annual Improvements 2009-2011 Cycle* issued in May 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- 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.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	*Financial Instruments*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[3]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — *Investment Entities*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivations and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]

Annual Improvements 2010-2012 Cycle (Effective for annual periods beginning on or after July 1, 2014)
Annual Improvements 2011-2013 Cycle (Effective for annual periods beginning on or after July 1, 2014)
IFRS 14 Regulatory Deferral Accounts (Effective for annual periods beginning on or after January 1, 2016)

1 Effective for annual periods beginning on or after January 1, 2014
2 Effective for annual periods beginning on or after July 1, 2014
3 No mandatory effective date yet determined but is available for adoption

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

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "**Additions**") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("**FVO**"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In November 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in November 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on January 1, 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity) directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRSs. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment and depreciation (continued)

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Buildings	20 years
Computers and electronic equipment	3 to 5 years
Office equipment	3 to 5 years
Motor vehicles	5 years
Software	5 years
Leasehold improvements	Over the shorter of the expected life of the leasehold improvements and the lease terms

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building or equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Investment properties

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Technology know-how

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

Customer relationships

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

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-for-sale financial investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Derecognition of financial assets

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

(a) the rights to receive cash flows from the asset have expired; or

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Convertible bonds

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and, in case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

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

Income taxes

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

(a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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

(a) when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

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

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

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

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

(f) dividend income, when the shareholders' right to receive payment has been established.

Construction contracts

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contracts for services

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

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

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

Share-based payments

China ITS Co., Ltd., the controlling shareholder of the Company, and the Company operate share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 41 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

PRC contribution plan

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The assets of the scheme are held separately from that of the Group in an independently administered fund. These subsidiaries are required to contribute 20% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Since the Company conducts its primary business operations through its subsidiaries established in the PRC, the Company adopts RMB as the presentation currency of the Group. The Company's functional currency is the Hong Kong dollar. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or transaction of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain non-PRC subsidiaries and joint venture are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Company at the rates of exchange prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

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

Classification between investment properties and owner-occupied properties

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

Tax provisions

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

No deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. The directors determine that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2013 was RMB406,135,000 (2012: RMB406,135,000). Further details are given in note 17.

Estimation of fair value of investment properties

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

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at December 31, 2013 was RMB109,100,000 (2012: RMB154,000,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of receivables

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

The receivables that were past due but not impaired relate to a number of debtors that have a good track record with the Group. Based on past experience, the directors are of the opinion that the provision balance for impairment is sufficient in respect of these balances, and the remaining balances are still considered fully recoverable. Impairment loss recognised for receivables for the year ended December 31, 2013 was RMB3,996,000 (2012: nil).

Percentage of completion of construction work

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

Current income tax and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Judgement is required to determine the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain deductible temporary differences and unused tax losses are recognised as management considers it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in the statement of profit or loss for the period in which such a reversal takes place. The carrying value of deferred tax assets at December 31, 2013 was approximately RMB12,709,000 (2012: RMB12,202,000).

4. OPERATING SEGMENT INFORMATION

In 2013, for management purposes, the Group changed to the following operating segments based on industry sectors:

(i) Expressway: Provides the TS, SS and VAOS to customers in expressway industry;

(ii) Railway: Provides SS, and VAOS to customers in railway industry;

(iii) Urban traffic: Provides TS, SS and VAOS to customers in urban traffic industry;

(iv) Energy: Provides SS to customers in energy industry.

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 or loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance income, finance costs, other income, changes in fair value of investment properties and call option, share of profits of joint ventures and associates, gain on disposal of a subsidiary as well as head office and corporate expenses are excluded from this measurement.

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

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

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

The segment information for 2012 has been restated due to the change of operating segments based on industry sectors in 2013.

4. OPERATING SEGMENT INFORMATION (continued)

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

4. OPERATING SEGMENT INFORMATION (continued)

December 31, 2013	Expressway RMB'000	Railway RMB'000	Urban traffic RMB'000	Energy RMB'000	Consolidated RMB'000
Segment assets	1,568,649	2,095,137	985,885	37,059	4,686,730
Reconciliation:					
Elimination of intersegment receivables					(112,457)
Corporate and other unallocated assets					1,222,193
Total assets					5,796,466
Segment liabilities	870,451	421,428	439,430		1,731,309
Reconciliation:					
Elimination of intersegment payables					(112,457)
Corporate and other unallocated liabilities					1,507,971
Total liabilities					3,126,823

4. OPERATING SEGMENT INFORMATION (continued)

Year ended December 31, 2012	Expressway RMB'000	Railway RMB'000	Urban traffic RMB'000	Energy RMB'000	Consolidated RMB'000
Segment revenue					
Sales to external customers	1,158,428	580,854	380,191	26,527	2,146,000
Intersegment sales	–	30,912	14,404	–	45,316
	1,158,428	611,766	394,595	26,527	2,191,316
Reconciliation:					
Elimination of intersegment sales					(45,316)
Revenue					2,146,000
Segment results	76,752	83,180	61,269	7,074	228,275
Reconciliation:					
Finance income					12,850
Finance costs					(29,427)
Share of profits of joint ventures					9
Share of profits of associates					9,726
Gain on disposal of a subsidiary					2,462
Exchange loss					(330)
Other income					20,944
Changes in fair value of investment properties					8,200
Corporate and other unallocated expenses					(54,467)
Profit before tax					198,242

4. OPERATING SEGMENT INFORMATION (continued)

December 31, 2012	Expressway RMB'000	Railway RMB'000	Urban traffic RMB'000	Energy RMB'000	Consolidated RMB'000
Segment assets	1,750,497	1,762,383	659,836	102,630	4,275,346
Reconciliation:					
Elimination of intersegment receivables					(600,450)
Corporate and other unallocated assets					1,495,002
Total assets					5,169,898
Segment liabilities	802,511	1,189,106	448,891	46,074	2,486,582
Reconciliation:					
Elimination of intersegment payables					(457,130)
Corporate and other unallocated liabilities					643,040
Total liabilities					2,672,492

Geographical information

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

Information about a major customer

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2013	2012
	RMB'000	RMB'000
Revenue		
Implementation of projects	**2,203,012**	1,926,159
Sales of products	**187,256**	219,841
	2,390,268	2,146,000
Other income		
Gross rental income	**6,309**	9,778
Government grants*	**3,321**	8,195
Others**	**40**	20,958
	9,670	38,931
Gains		
Change in fair value of investment properties (note 15)	**11,100**	8,200
Change in fair value of call option (note 31)	**13,370**	–
	34,140	47,131

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

** "Others" in 2012 included compensation income of RMB20,944,000 from Beijing Global Holdings Limited, a third party which is a potential strategic investor of a subsidiary of the Company.

6. PROFIT BEFORE TAX

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

	2013 RMB'000	2012 RMB'000
Cost of services rendered for the implementation of projects	1,705,661	1,490,737
Cost of inventories sold	125,621	138,533
	1,831,282	1,629,270
Depreciation (note 14)	19,316	19,790
Amortisation of intangible assets* (note 18)	18,967	15,520
Amortisation of land premium (note 16)	423	–
Minimum lease payments under operating leases	27,325	25,891
Auditors' remuneration	2,500	2,902
Wages and salaries	81,868	80,036
Pension scheme contributions (defined contribution scheme)	10,842	9,012
Social insurance costs and staff welfare	21,379	14,547
Equity-settled share option expense (note 41)	18,850	35,542
	132,939	139,137
Impairment of amounts due from construction contracts	3,996	–
Impairment of inventories (note 25)	1,387	–
Interest on bank loans wholly repayable within five years (note 7)	31,706	23,749
Interest on guaranteed bonds (note 7)	23,575	3,494
Interest on convertible bonds (note 7)	1,070	–
Change in fair value of investment properties (note 15)	(11,100)	(8,200)
Change in fair value of call option (note 31)	(13,370)	–
Net loss on disposal of items of property and equipment	326	80
Gain on disposal of a subsidiary (note 43)	(63)	(2,462)
Charitable donation	256	820
Finance income	(15,041)	(12,850)
Exchange loss	744	330

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2013 RMB'000	2012 RMB'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**31,706**	23,749
Interest on guaranteed bonds	**23,575**	3,494
Interest on convertible bonds	**1,070**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**56,351**	27,243
Other finance costs:		
Increase in discounted amounts of long-term payable arising from the passage of time	**1,667**	2,184
	58,018	29,427

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the listing rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 RMB'000	2012 RMB'000
Fees	**2,525**	2,435
Other emoluments:		
Salaries, allowances and benefits in kind	**1,934**	1,905
Equity-settled share option expense	**10,048**	17,312
Pension scheme contributions	**143**	129
	12,125	19,346
	14,650	21,781

During the year, no payments were made by the Group to the directors of the Company as inducements to join the Group or compensation for loss of office (2012: nil).

8. DIRECTORS' REMUNERATION (continued)

In the years of 2008 and 2012, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of China ITS Co., Ltd. and the Company, further details of which are set out in note 41 to the financial statements. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

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

	2013 RMB'000	2012 RMB'000
Mr. Zhou Chunsheng	**176**	136
Mr. Choi Onward	**176**	136
Mr. Sun Lu	**176**	136
	528	408
Other emoluments:		
Equity-settled share option expense	**38**	94
	566	502

In the year of 2012, the independent non-executive directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 41 to the financial statements. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

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

2012	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Mr. Lv Xilin	–	359	–	1,776	31	2,166
Mr. Jiang Hailin	811	339	–	497	33	1,680
Mr. Liao Jie	–	300	–	10,908	–	11,208
Mr. Wang Jing	–	220	–	893	–	1,113
Mr. Lu Xiao	405	347	–	2,026	32	2,810
Mr. Pan Jianguo	811	340	–	1,118	33	2,302
	2,027	1,905	–	17,218	129	21,279

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended December 31, 2013.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2012: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2012: one) non-director highest paid employees are as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	**1,553**	1,327
Equity-settled share option expense	**916**	1,767
	2,469	3,094

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

	Number of employees 2013	2012
HK$3,000,001 to HK$3,500,000 (RMB2,358,600 to RMB2,751,700)	**1**	–
HK$3,500,001 to HK$4,000,000 (RMB2,751,701 to RMB3,144,800)	**–**	1
	1	1

In the years of 2008 and 2012, share options were granted to certain non-director highest paid employees in respect of their services to the Group, further details of the share option schemes are set out in note 41. The fair value of these options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year is included in the above non-director highest paid employees' remuneration disclosures.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

(i) Beijing Newcom Traffic Technology Co., Ltd. was designated and approved as a High and New Technology Enterprise ("**HNTE**") in November 2013 for a period of three years from November 11, 2013 and was entitled to a preferential tax rate of 15% for 2013.

(ii) Jiangsu Yijie Technology Co., Ltd. was designated and approved as a HNTE in August 2011, for a period of three years from August 2, 2011 and was entitled to a preferential tax rate of 15% for 2013.

(iii) Beijing Aproud Information Engineering Co., Ltd., Beijing Bailian Zhida Technology Development Co., Ltd., Beijing Zhixun Tiancheng Technology Co., Ltd. and Beijing Stone Intelligent Transportation System Integration Co., Ltd. ("**Beijing Stone**") were designated and approved as HNTEs in September 2011 for a period of three years from September 14, 2011 and were entitled to a preferential tax rate of 15% for 2013.

(iv) Beijing Aproud Technology Co., Ltd. was designated and approved as a HNTE in October 2011 for a period of three years from October 8, 2011 and was entitled to a preferential tax rate of 15% for 2013.

(v) Beijing Aproud Transportation Technology Co., Ltd. was designated and approved as a HNTE in October 2011 for a period of three years from October 11, 2011 and was entitled to a preferential tax rate of 15% for 2013.

(vi) Beijing RHY Technology Development Co., Ltd. was designated and approved as a HNTE in October 2011 for a period of three years from October 28, 2011 and was entitled to a preferential tax rate of 15% for 2013.

(vii) Beijing Haotian Jiajie Technology Co., Ltd. was designated and approved as a HNTE in November 2011 for a period of three years from November 21, 2011 and was entitled to a preferential tax rate of 15% for 2013.

(viii) Jiangsu Zhixun Tiancheng Technology Co., Ltd. was designated and approved as a HNTE in November 2011 for a period of three years from November 8, 2011 and was entitled to a preferential tax rate of 15% for 2013.

(ix) Xinjiang RHY Technology Co., Ltd. was designated and approved as a HNTE in November 2011 for a period of three years from October 31, 2011 and was entitled to a preferential tax rate of 15% for 2013.

10. INCOME TAX (continued)

According to PRC tax regulations, from January 1, 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, are subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from entities in the PRC. Distributions of the pre-2008 earnings are exempted from the above-mentioned withholding tax. At December 31, 2013, no deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC (2012: nil). In the opinion of the directors, it is not probable that the Group's PRC subsidiaries will distribute profits in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB935,289,000 (2012: RMB863,570,000).

The major components of income tax expense are:

	2013 RMB'000	2012 RMB'000
Current income tax:		
Current income tax charge in Hong Kong	**69**	–
Current income tax charge in the Mainland China	**39,069**	65,277
Deferred income tax:		
Relating to origination and reversal of temporary differences	**6,537**	(6,364)
Income tax expense reported in the consolidated statement of profit or loss	**45,675**	58,913

10. INCOME TAX (continued)

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

Group — 2013	Hong Kong RMB'000	Cayman Islands and British Virgin Islands RMB'000	Mainland China RMB'000	Total RMB'000
Profit/(loss) before tax	2,230	(6,822)	203,047	198,455
Tax at statutory tax rate	368	–	50,763	51,131
Tax holiday or lower tax rates enacted by local authorities	–	–	(19,967)	(19,967)
Expenses not deductible for tax	–	–	5,130	5,130
Income not subject to tax	(299)	–	(239)	(538)
Adjustments in respect of current income tax of previous periods	–	–	137	137
Effect of tax rate change	–	–	9,373	9,373
Profit attributable to joint ventures and associates	–	–	(3,721)	(3,721)
Tax losses not recognised	–	–	4,130	4,130
Income tax expense reported in the consolidated statement of profit or loss	69	–	45,606	45,675

10. INCOME TAX (continued)

Group — 2012	Hong Kong RMB'000	Cayman Islands and British Virgin Islands RMB'000	Mainland China RMB'000	Total RMB'000
Profit/(loss) before tax	(3,741)	(46)	202,029	198,242
Tax at statutory tax rate	–	–	50,903	50,903
Tax holiday or lower tax rates enacted by local authorities	–	–	(19,557)	(19,557)
Expenses not deductible for tax	–	–	6,576	6,576
Income not subject to tax	–	–	(662)	(662)
Adjustments in respect of current income tax of previous periods	–	–	387	387
Investment gain from reorganisation*	–	–	6,162	6,162
10% withholding tax on profit distribution from a PRC subsidiary	–	14,959	–	14,959
Profit attributable to joint ventures and associates	–	–	(1,982)	(1,982)
Tax losses not recognised	–	–	2,127	2,127
Income tax expense reported in the consolidated statement of profit or loss	–	14,959	43,954	58,913

* In 2012, the Group underwent a series of reorganisation of subsidiaries in the Mainland China.

The share of tax attributable to joint ventures and associates amounting to RMB3,721,000 (2012: RMB1,982,000) is included in "Share of profits of joint ventures" and "Share of profits of associates" in the consolidated statement of profit or loss.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended December 31, 2013 includes a loss of RMB13,365,000 (2012: a profit of RMB186,000) which has been dealt with in the financial statements of the Company (note 40(b)).

12. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Interim — HK0.5 cents (2012: nil) per ordinary share	6,485	–
Proposed final — HK1.2 cents (2012: nil) per ordinary share	15,532	–
	22,017	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

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

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

	2013 RMB'000	2012 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	149,254	131,910
Interest on convertible bonds	1,070	–
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	150,324	131,910

	Number of shares 2013	2012
Shares		
Weighted average number of shares in issue during the year used in the basic earnings per share calculation	1,645,752,039	1,628,539,233
Effect of dilution — weighted average number of ordinary shares:		
Share options	62,723,159	4,240,980
Convertible bonds	7,498,198	–
	1,715,973,396	1,632,780,213

14. PROPERTY AND EQUIPMENT

Group

	Buildings RMB'000	Computers and electronic equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Software RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2013								
At January 1, 2013								
Cost	3,645	15,111	5,300	29,087	45,751	11,061	–	109,955
Accumulated depreciation	(622)	(10,687)	(3,932)	(15,680)	(17,635)	(5,484)	–	(54,040)
Net carrying amount	3,023	4,424	1,368	13,407	28,116	5,577	–	55,915
At January 1, 2013, net of accumulated depreciation	3,023	4,424	1,368	13,407	28,116	5,577	–	55,915
Additions	–	2,413	899	3,843	4,615	3,775	16,174	31,719
Disposals	(2,370)	–	(196)	(286)	–	–	–	(2,852)
Disposals of a subsidiary (note 43)	–	(122)	(35)	(465)	–	–	–	(622)
Depreciation charge for the year	(427)	(1,671)	(776)	(4,420)	(8,492)	(3,530)	–	(19,316)
At December 31, 2013, net of accumulated depreciation and impairment	226	5,044	1,260	12,079	24,239	5,822	16,174	64,844
At December 31, 2013								
Cost	619	16,376	5,733	31,067	50,366	13,725	16,174	134,060
Accumulated depreciation	(393)	(11,332)	(4,473)	(18,988)	(26,127)	(7,903)	–	(69,216)
Impairment	–	–	–	–	–	–	–	–
Net carrying amount	226	5,044	1,260	12,079	24,239	5,822	16,174	64,844

14. PROPERTY AND EQUIPMENT (continued)

Group (continued)

	Buildings RMB'000	Computers and electronic equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Software RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2012								
At January 1, 2012								
Cost	3,678	14,859	6,341	22,469	36,323	9,390	–	93,060
Accumulated depreciation	(390)	(9,368)	(3,541)	(10,682)	(10,263)	(2,325)	–	(36,569)
Impairment	–	–	(248)	–	–	–	–	(248)
Net carrying amount	3,288	5,491	2,552	11,787	26,060	7,065	–	56,243
At January 1, 2012, net of accumulated depreciation	3,288	5,491	2,552	11,787	26,060	7,065	–	56,243
Additions	–	1,580	201	3,005	9,449	2,445	–	16,680
Acquisition of subsidiaries (note 42)	–	–	367	3,476	–	–	–	3,843
Disposals	–	(278)	(321)	(462)	–	–	–	(1,061)
Depreciation charge for the year	(265)	(2,369)	(1,431)	(4,399)	(7,393)	(3,933)	–	(19,790)
At December 31, 2012, net of accumulated depreciation and impairment	3,023	4,424	1,368	13,407	28,116	5,577	–	55,915
At December 31, 2012								
Cost	3,645	15,111	5,300	29,087	45,751	11,061	–	109,955
Accumulated depreciation	(622)	(10,687)	(3,932)	(15,680)	(17,635)	(5,484)	–	(54,040)
Impairment	–	–	–	–	–	–	–	–
Net carrying amount	3,023	4,424	1,368	13,407	28,116	5,577	–	55,915

14. PROPERTY AND EQUIPMENT (continued)

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

	2013 RMB'000	2012 RMB'000
Lease over 50 years	**226**	3,023

15. INVESTMENT PROPERTIES

Group

	2013 RMB'000	2012 RMB'000
Carrying amount at January 1	**154,000**	145,800
Net gain from fair value adjustment	**11,100**	8,200
Disposal	**(56,000)**	–
Carrying amount at December 31	**109,100**	154,000

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

The Group's investment properties were revalued by Savills Valuation and Professional Services Limited ("**Savills**") on December 31, 2013, an independent firm of professional valuers, at RMB109.1 million. Each year, the Group decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's chief financial officer has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

At December 31, 2013, the Group's investment properties with a carrying amount of RMB109.1 million (2012: RMB154.0 million), including RMB39.5 million which were pledged to secure bank loans granted to the Group at December 31, 2013 (note 34).

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

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

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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

	Commercial properties RMB'000
Carrying amount at January 1	**154,000**
Net gain from fair value adjustment	**11,100**
Disposal	**(56,000)**
Carrying amount at December 31	**109,100**

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

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

15. INVESTMENT PROPERTIES (continued)

Under income approach, the fair value is determined based on capitalisation of rental income of contractual tenancies for the unexpired term of tenancies. The reversionary market rent after the expiry of tenancies is also taken into account.

The capitalisation rate and estimated rental value are derived from market asking and sales transaction evidence as appropriate. A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate would result in a significant decrease (increase) in the fair value of the investment properties.

16. PREPAID LAND PREMIUM

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

Group

	2013 **RMB'000**	2012 RMB'000
Carrying amount at January 1	**14,149**	–
Addition	**–**	14,149
Recognised during the year	**(423)**	–
Carrying amount at December 31	**13,726**	14,149

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

17. GOODWILL

Group

	RMB'000
At January 1, 2012	
Cost and net carrying amount	347,321
Acquisition of subsidiaries (note 42)	58,814
Impairment during the year	–
At December 31, 2012	406,135
At January 1, 2013 and December 31, 2013	
Cost and net carrying amount	406,135
At December 31, 2012 and December 31, 2013	
Cost	406,135
Accumulated impairment	–
Net carrying amount	406,135

Impairment testing of goodwill

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

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

17. GOODWILL (continued)

Impairment testing of goodwill (continued)

The recoverable amount of the Aproud subgroup, CTH subgroup, Stone subgroup and Xinjiang RHY cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is approximately 20% (2012: approximately 20%). The growth rate used to extrapolate the cash flows beyond the five-year period is 5% (2012: 5%).

Assumptions were used in the value in use calculation of each cash-generating unit for December 31, 2013 and December 31, 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

18. OTHER INTANGIBLE ASSETS

Group

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

	Technical know-how RMB'000	Customer relationships RMB'000	Contract backlog RMB'000	Total RMB'000
December 31, 2012				
Cost at January 1, 2012, net of accumulated amortisation	20,568	13,305	594	34,467
Acquisition of subsidiaries (note 42)	10,000	46,299	3,471	59,770
Amortisation provided during the year	(5,709)	(7,791)	(2,020)	(15,520)
At December 31, 2012	24,859	51,813	2,045	78,717
At December 31, 2012				
Cost	31,875	61,099	4,272	97,246
Accumulated amortisation	(7,016)	(9,286)	(2,227)	(18,529)
Net carrying amount	24,859	51,813	2,045	78,717

19. INVESTMENTS IN SUBSIDIARIES

	2013 **RMB'000**	2012 RMB'000
Unlisted shares, at cost	**765,663**	755,837

Particulars of the subsidiaries of the Company are as follows:

Name	**Place and date of incorporation/ registration and business**	**Nominal value of issued ordinary share/ registered capital**	**Percentage of equity interests attributable to the Company Direct/Indirect**		**Principal activities**
China ITS Urban Traffic Holding Limited	British Virgin Islands May 16, 2011	–	100	–	Investment holding
China ITS VA Holding Limited	British Virgin Islands July 8, 2011	–	100	–	Investment holding
Leria Investments Limited	British Virgin Islands July 15, 2011	–	100	–	Investment holding
China Aviation Communication Technology Company Limited	Hong Kong April 23, 2012	HK$1	–	100	Investment holding
Bestvilla Investments Limited	British Virgin Islands September 6, 2012	–	100	–	Investment holding
Winitop Investments Limited	British Virgin Islands February 18, 2009	–	100	–	Investment holding
Well Score International Limited	Hong Kong March 27, 2009	HK$1	–	100	Investment holding
China Toprise Limited	British Virgin Islands June 16, 2006	US$1,001	–	100	Investment holding
Fairstar Success Holdings Limited	British Virgin Islands June 13, 2006	US$50,001	100	–	Investment holding
China ITS (Holdings) Co., Ltd. (BVI)	British Virgin Islands January 10, 2011	–	100	–	Investment holding
Beijing RHY Technology Development Co., Ltd. ("**RHY Technology**")	Mainland China February 16, 2001	RMB500 million	–	100	Intelligent transportation system turnkey solutions and value-added operation and services

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place and date of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity interests attributable to the Company Direct/Indirect		Principal activities
			Direct	Indirect	
Beijing Aproud Technology Co., Ltd. ("**Aproud Technology**")	Mainland China February 15, 2001	RMB280 million	–	100	Communications and surveillance SS and VAOS
Beijing Aproud Information Engineering Co., Ltd.	Mainland China September 3, 2004	RMB15 million	–	100	VAOS and SS
Beijing Bailian Zhida Technology Development Co., Ltd.	Mainland China April 18, 2007	RMB5.5 million	–	100	Surveillance SS
Beijing Haotian Jiajie Technology Co., Ltd. ("**Haotian Jiajie**")	Mainland China March 30, 2007	RMB125 million	–	100	Communications SS and VAOS
Beijing Zhixun Tiancheng Technology Co., Ltd.	Mainland China June 25, 2007	RMB50 million	–	100	Communications SS
Beijing Aproud Transportation Technology Co., Ltd.	Mainland China July 11, 2007	RMB5 million	–	100	Development of intelligent transportation system related software
Jiangsu Zhixun Tiancheng Technology Co., Ltd.	Mainland China November 19, 2009	RMB10 million	–	100	Communications SS
Elegant Cape Limited	British Virgin Islands January 11, 2011	–	100	–	Investment holding
China Traffic Holdings Ltd.	Cayman Islands November 20, 2007	–	–	100	Investment holding
Beijing Newcom Traffic Technology Co., Ltd.	Mainland China June 14, 2002	RMB30 million	–	100	Intelligent communications service
Beijing Newcom Technology Co., Ltd. ("**Beijing Newcom**") (Note)	Mainland China December 9, 1999	RMB30 million	–	100	Intelligent communications service
Beijing Wuzhouzhitong Traffic Technology Co., Ltd. ("**Beijing Wuzhouzhitong**") (Note)	Mainland China August 28, 2008	US$4.5 million	–	100	Computer system and software service
Guangzhou Taizheng Technology Co., Ltd.	Mainland China May 30, 2003	RMB6 million	–	100	Computer system and software service
Tianjin Communication Information Co., Ltd.	Mainland China February 2, 2010	RMB5 million	–	100	Communications system and computer related service

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place and date of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Jiangsu Zhongzhi Transportation Technology Co., Ltd. ("**Jiangsu Zhongzhi Transportation**")	Mainland China December 15, 2011	US$30 million	–	100	Intelligent transportation system service
Beijing Xiyou Communication Technology Co., Ltd.	Mainland China July 20, 2011	RMB15 million	–	100	Computer system and software service
Xi'an Youke Information Technology Co., Ltd.	Mainland China November 14, 2011	RMB2 million	–	100	Communications system service
Guangdong Yabang Xincheng Communication Technology Co., Ltd.	Mainland China September 19, 2011	RMB2 million	–	70	Communications system service
Xinjiang RHY Technology Co., Ltd. ("**Xinjiang RHY**")	Mainland China October 24, 2005	RMB10 million	–	80	Computer system service
Beijing Jingwei Zhitong Technology Co., Ltd.*	Mainland China March 16, 2011	RMB20 million	–	90.28	Computer communication and software service
Beijing Stone Intelligent Transportation System Integration Co., Ltd. ("**Beijing Stone**")*	Mainland China February 10, 1999	RMB50 million	–	75	Computer communication and software service
Beijing Lihe Datong Technology Co., Ltd.* ("**Beijing Lihe Datong**")	Mainland China April 20, 2011	RMB20 million	–	100	Computer communication and software service
Hugecom Limited*	British Virgin Islands January 11, 2011	–	–	100	Computer communication and software service
Jiangsu Zhongzhi Jiaye Electronic Technology Co., Ltd.	Mainland China April 20, 2012	RMB160 million	–	100	Computer communication and software service
Southwest Intelligent Transportation Co., Ltd.	Mainland China November 6, 2012	RMB50 million	–	100	Intelligent transportation system TS and VAOS
Jiangsu Yijie Technology Co., Ltd.	Mainland China March 16, 2010	RMB10 million	–	100	Intelligent transportation system service
Intelligent Transportation Co., Ltd. ("**Intelligent Transportation**")	Mainland China July 13, 2012	US$30 million	–	100	Intelligent transportation system TS and VAOS
Intelligent Aviation System Co., Ltd. ("**Intelligent Aviation System**")	Mainland China November 23, 2012	RMB50 million	100	–	Civil aviation technology and surveillance SS and VAOS

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place and date of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Beijing Zhongzhi Real Estate Co., Ltd	Mainland China September 22, 2013	RMB10 million	–	100	Real estate development, construction material selling, and project investment
Jiangsu Zhongzhi Ruixin IOT Technology Co., Ltd	Mainland China November 19, 2013	RMB10 million	–	100	Internet information technology, and electronics selling
Star Power Development Limited	British Virgin Islands November 22, 2012	–	100	–	Investment holding
Beijing Huading Jiaye Technology Co., Ltd	Mainland China July 19, 2013	RMB10 million	–	100	Contract operation, and technology specialised services
Beijing Huading Hengye Technology Co., Ltd	Mainland China April 12, 2013	RMB2 million	–	100	Technology specialised services, and electronics selling

Note: Beijing Wuzhouzhitong controls Beijing Newcom through a series of contractual arrangements.

* These entities are companies comprising Stone subgroup.

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

RHY Technology, Aproud Technology and Haotian Jiajie are registered as Sino-foreign equity joint ventures. Beijing Wuzhouzhitong, Jiangsu Zhongzhi Transportation, Intelligent Transportation, Intelligent Aviation System and Beijing Lihe Datong are wholly-foreign-owned enterprises under PRC law. The other subsidiaries registered in the Mainland China are domestic companies with limited liability under PRC law. As at December 31, 2013, RMB1.01 million of capital was injected into Intelligent Transportation, with RMB3.99 million of capital outstanding, and RMB22.62 million was injected into Intelligent Aviation System, with RMB27.38 million of capital outstanding. The registered capital of the Group's other subsidiaries in Mainland China has been fully paid as at December 31, 2013.

19. INVESTMENTS IN SUBSIDIARIES (continued)

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

Beijing Stone	**2013**	2012
Percentage of equity interest held by non-controlling interests:	**25%**	25%
	RMB'000	RMB'000
Profit for the year allocated to non-controlling interests:	**2,290**	4,981
Accumulated balances of non-controlling interests at the reporting date	**26,370**	24,080

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

	2013 **RMB'000**	2012 RMB'000
Revenue	**204,583**	184,889
Total cost and expenses	**(195,422)**	(164,965)
Profit for the year	**9,161**	19,924
Total comprehensive for the year	**9,161**	19,924
Current assets	**518,844**	394,925
Non-current assets	**3,160**	6,596
Current liabilities	**(394,122)**	(288,234)
Non-current liabilities	**(8,401)**	(2,968)
Net cash flows from/(used in) operating activities	**(79,823)**	67,730
Net cash flows used in investing activities	**(967)**	(627)
Net cash flows from/(used in) financing activities	**25,461**	(2,601)
Net increase/(decrease) in cash and cash equivalents	**(55,329)**	64,502

20. INVESTMENTS IN JOINT VENTURES

Group

	2013 RMB'000	2012 RMB'000
Share of net assets	**55,375**	33,350

The Group's receivable and payable balances with the joint ventures are disclosed in note 48 to the financial statements.

Company

	2013 RMB'000	2012 RMB'000
Unlisted investment, at cost	**2,067**	2,067

20. INVESTMENTS IN JOINT VENTURES (continued)

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

Name	Place of registration and business	Particulars of issued shares held	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Wuhan Chenguang Transportation Technology Development Co., Ltd. ("**Wuhan Chenguang**")	Mainland China	RMB8 million	51%	60%	51%	Intelligent transportation system SS
Chengdu Zhida Weilute Technology Co., Ltd. ("**Chengdu Zhida Weilute**")	Mainland China	RMB15 million	51%	60%	51%	Intelligent transportation system SS
Shandong Yigou Software Technology Co., Ltd. ("**Shandong Yigou**")	Mainland China	RMB10 million	52.8%	60%	52.8%	Intelligent transportation system SS
GTECH-CIC Joint Venture ("**GTECH-CIC**")	Hong Kong	HK$4.5 million	60%	60%	60%	Intelligent transportation system SS
Nanjing Communication Information Co., Ltd ("**Nanjing Communication**")	Mainland China	RMB10 million	50%	50%	50%	Intelligent transportation system SS
Wuxi Zhitong Runbang Technology Co., Ltd ("**Wuxi Runbang**")	Mainland China	RMB11 million	50%	50%	50%	Intelligent transportation system SS

Other than GTECH-CIC which is directly held by the Company, all the above investments in joint ventures are held indirectly by the Company.

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

	2013 RMB'000	2012 RMB'000
Share of the joint ventures' profit for the year	**12,523**	9
Share of the joint ventures' total comprehensive income	**12,523**	9
Aggregate carrying amount of the Group's investments in the joint ventures	**55,375**	33,350

21. INVESTMENTS IN ASSOCIATES

Group

	2013 **RMB'000**	2012 RMB'000
Share of net assets	**104,908**	94,043

The Group's receivables and payables with associates are disclosed in note 48 to the financial statements.

Particulars of the associates are as follows:

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

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

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

Guangzhou Communication, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the development of intelligent traffic system and is accounted for using the equity method.

21 . INVESTMENTS IN ASSOCIATES (continued)

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

	2013 RMB'000	2012 RMB'000
Current assets	80,970	48,326
Non-current assets	174,913	195,345
Current liabilities	(90,454)	(77,862)
Non-current liabilities	(28,346)	(33,896)
Net assets	137,083	131,913
Cash and cash equivalents	16,204	9,121
Depreciation and amortisation	(28,458)	(24,874)
Interest income	55	1
Interest expenses	(2,809)	(3,026)
Income tax expenses	(2,906)	(2,970)
Dividend collected	2,250	–
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	45%	45%
Group's share of net assets of the associate	61,687	59,361
Carrying amount of the investment	61,687	59,361
Revenues	125,206	109,276
Profit for the year	13,762	19,797
Total comprehensive income for the year	13,762	19,797

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

	2013 RMB'000	2012 RMB'000
Share of the associates' profit for the year	4,471	817
Share of the associates' total comprehensive income	4,471	817
Aggregate carrying amount of the Group's investments in the associates	43,221	34,682

22. AVAILABLE-FOR-SALE INVESTMENT

Group and Company

	2013 **RMB'000**	2012 RMB'000
Unlisted equity investment, at cost	**25,307**	25,307

As at December 31, 2013, the unlisted equity investment with a carrying amount of RMB25.3 million (2012: RMB25.3 million) were stated at cost less impairment because the directors are of the opinion that the fair value cannot be measured reliably. The Group does not intend to dispose of the investment in the near future.

23. PREPAYMENT FOR ACQUISITION OF EQUITY INTERESTS IN OTHER COMPANIES

Group

	2013 **RMB'000**	2012 RMB'000
Prepayment for acquisition of equity interests in other companies	**96,710**	111,710

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. The movement in 2013 represented the recovery of certain amounts from the counter-party based on the mutual agreement between the parties.

24. OTHER LONG-TERM ASSETS

Group and Company

The balance of other long-term assets as at December 31, 2013 represented a borrowing to a third party, which is due in December 2015, with an annual interest rate of 10%.

25. INVENTORIES

Group

	2013 **RMB'000**	2012 RMB'000
Raw materials	**2,753**	1,643
Work in progress	**–**	716
Finished goods	**19,556**	35,494
	22,309	37,853
Less: provision	**(1,387)**	–
	20,922	37,853

26. CONSTRUCTION CONTRACTS

Group

	2013 RMB'000	2012 RMB'000
Gross amount due from contract customers	**1,294,760**	1,255,393
Gross amount due to contract customers	**(728,324)**	(679,378)
	566,436	576,015
Contract costs incurred plus recognised profits less recognised losses to date	**6,309,916**	4,725,123
Less: Progress billings	**(5,743,480)**	(4,149,108)
	566,436	576,015

27. TRADE AND BILLS RECEIVABLES

Group

	2013 RMB'000	2012 RMB'000
Trade receivables	**1,093,082**	869,933
Impairment	**(256)**	(1,690)
	1,092,826	868,243
Bills receivable	**23,032**	35,551
	1,115,858	903,794

Trade and bills receivables, which are non-interest-bearing, are recognised and carried at original invoiced amount less any impairment loss. Trade and bills receivables generally have credit terms ranging from 30 days to 180 days. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. An estimate for doubtful debts is made when there is objective evidence that an impairment loss on receivables has been incurred. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances.

27. TRADE AND BILLS RECEIVABLES (continued)

Group (continued)

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

	2013 RMB'000	2012 RMB'000
Less than 6 months	**546,802**	415,459
6 months to 1 year	**226,791**	159,230
1 year to 2 years	**199,469**	251,745
2 years to 3 years	**111,118**	56,389
Over 3 years	**31,678**	20,971
	1,115,858	903,794

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

	2013 RMB'000	2012 RMB'000
At January 1	**1,690**	1,829
Amount written off as uncollectible	**–**	(139)
Amount written off as disposal of a subsidiary	**(1,434)**	–
At December 31	**256**	1,690

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB256,000 (2012: RMB1,690,000) with a carrying amount before provision of RMB256,000 (2012: RMB1,690,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and only a portion of the receivables is expected to be recovered.

27. TRADE AND BILLS RECEIVABLES (continued)

Group (continued)

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

	2013 **RMB'000**	2012 RMB'000
Neither past due nor impaired	**546,802**	422,551
Past due but not impaired:		
Less than 6 months past due	**226,791**	110,063
6 months to 1 year past due	**99,734**	136,717
1 year to 2 years past due	**155,293**	175,756
2 years to 3 years past due	**71,526**	44,723
Over 3 years past due	**15,712**	13,984
	1,115,858	903,794

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

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

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Note	**2013 RMB'000**	2012 RMB'000
Prepayments to suppliers for purchases of goods		**882,275**	760,255
Loans to other companies	(a)	**165,002**	121,742
Tender deposits		**31,315**	83,498
Contract deposits		**133,587**	87,588
Advances to staff		**25,856**	23,798
Interest receivable		**15,673**	10,743
Dividend receivable		**28,990**	–
Compensation due from strategic investor		**20,310**	20,944
Others		**74,366**	39,538
		1,377,374	1,148,106
Impairment		**(1,716)**	(1,716)
		1,375,658	1,146,390

Note:

(a) The balance represented unsecured loans to other third party companies which were due within one year. Among which a balance of RMB135,559,000 is interest-free, a balance of RMB11,000,000 bears 115% of the 1-year benchmark interest rate announced by the People's Bank of China, and a balance of RMB18,443,000 bears an interest rate of 10% per annum.

There was no movement in the impairment of other receivables in 2013.

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of RMB1,716,000 (2012: RMB1,716,000) with a carrying amount before provision of RMB1,716,000 (2012: RMB1,716,000).

Company

	2013 RMB'000	2012 RMB'000
Interest receivable	**15,673**	10,743
Compensation due from strategic investor	**20,310**	20,944
Others	**15,928**	11,680
	51,911	43,367

29. HELD-TO-MATURITY INVESTMENT

Group and Company

The Company subscribed for a bond with a principal amount of US$10.0 million in December 2011 issued by Trooper Group Limited, a company incorporated with limited liability in the British Virgin Islands. The bond was issued on December 13, 2011 and bears interest at 15% per annum, payable monthly in arrears commencing in January 2012. The bond will mature in June 2014 according to the renewal agreements and is secured by a parcel of land located in Qingdao, China.

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	2013 RMB'000	2012 RMB'000
Cash and bank balances	**695,720**	584,783
Pledged deposits		
— Current deposits	**80,639**	80,636
— Non-current deposits	**4,500**	–
	780,859	665,419
Less: Pledged deposits for		
— Project bonds	**(66,839)**	(54,815)
— Bills payable	**(6,284)**	(25,821)
— Bank loan	**(12,016)**	–
Cash and bank balances	**695,720**	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 bank balances and pledged deposits of the Group denominated in RMB totalled RMB642.3 million (RMB642 million is located in Mainland China and RMB0.3 million is located in overseas) as at December 31, 2013 (2012: RMB631.4 million in total). In Mainland China, the RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Company

	2013 RMB'000	2012 RMB'000
Cash and bank balances	**106,455**	97,437

31. OTHER FINANCIAL ASSETS

Group

Financial assets at fair value through profit or loss — call option

	2013 RMB'000	2012 RMB'000
Carrying amount at January 1	3,445	–
Addition (note 42)	–	3,445
Net gain from fair value adjustment	13,370	–
Carrying amount at December 31	16,815	3,445

The Group acquired Stone subgroup on June 29, 2012 and held 75% interest of Beijing Stone. Pursuant to the share purchase agreement, the Group has the right to acquire a 25% non-controlling interest of Beijing Stone before December 31, 2013. By December 31, 2013, a supplementary agreement has been reached to extend the due date to December 31, 2014.

The call option was revalued by American Appraisal China Limited on December 31, 2013, an independent firm of professional valuers, at RMB16.8 million. The Group decides to appoint which external valuer to be responsible for the external valuations of call option. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's chief financial officer has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the call option:

	Fair value measurement as at December 31, 2013 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Call option	–	–	16,815	16,815

31. OTHER FINANCIAL ASSETS (continued)

Group (continued)

Fair value hierarchy (continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The fair value of call option was estimated as at December 31, 2013, using a black scholes model, taking into account the terms upon the exercise of call option. The following table lists the key inputs to the model used:

Expiration of call option	December 31, 2014
Exercise price	RMB25 million
Risk free rate of interest	0.169%
Dividend yield	0.0%
Volatility (%)	47.3%

Risk free rate of interest was used based on the market yield of Hong Kong government bond with similar maturity to the call option as of the valuation date and the volatility was estimated based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise.

32. TRADE AND BILLS PAYABLES

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

Group

	2013 **RMB'000**	2012 RMB'000
Current or less than 1 year past due	**732,776**	836,418
1 to 2 years past due	**267,536**	87,248
Over 2 years past due	**46,262**	–
	1,046,574	923,666

The Group's bills payable were secured by pledged deposits of the Group of RMB6.3 million as at December 31, 2013 (2012: RMB25.8 million).

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

33. OTHER PAYABLES AND ACCRUALS

Group

	2013 RMB'000	2012 RMB'000
Advances from customers	**31,860**	33,568
Business advance deposits	**53,587**	52,474
Staff costs and welfare accruals	**16,739**	19,984
Other taxes payable	**145,488**	180,548
Interest payables	**3,882**	3,494
Payables related to the acquisition of Stone subgroup	**–**	1,600
Research and development funds	**1,299**	15,494
Others	**30,245**	20,396
	283,100	327,558

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

Company

	2013 RMB'000	2012 RMB'000
Others	**9,055**	8,153

34. INTEREST-BEARING BANK BORROWINGS

Group

	Contractual rate %	2013 RMB'000	2012 RMB'000
Current			
Bank loans — secured and repayable within one year	6.6–7.2	**208,000**	224,140
Bank loans — guaranteed and repayable within one year	6.2–8.2	**276,230**	158,974
Bank loans — unsecured and repayable within one year (US$3.0 million)	HIBOR/LIBOR+2.6	**18,292**	20,000
Bills receivable endorsed	–	**18,039**	28,463
		520,561	431,577
Non-current			
Bank loans — secured	6.6	**87,000**	–
		607,561	431,577

Notes:

(i) Bank loans of RMB58.0 million as at December 31, 2013 (2012:RMB219.6 million) were secured by investment properties of RMB39.5 million (2012: RMB154.0 million) (note 15).

(ii) Bank loans of RMB237.0 million as at December 31, 2013 (including non-current bank loans of RMB87.0 million) were secured by RMB12.0 million bank deposits provided by Beijing Aproud Technology, a subsidiary of the Company (2012: nil).

(iii) Bank loans of RMB6.6 million as at December 31, 2013 were guaranteed by Beijing Aproud Technology, a subsidiary of the Company (2012: RMB23.0 million).

(iv) Bank loans of RMB120.5 million as at December 31, 2013 were guaranteed by Beijing RHY Technology, a subsidiary of the Company (2012: RMB49.9 million).

34. INTEREST-BEARING BANK BORROWINGS (continued)

Group (continued)

(v) Bank loans of RMB0.5 million as at December 31, 2013 were guaranteed by Aproud Technology and RHY Technology, subsidiaries of the Company (2012: nil).

(vi) Bank loans of RMB20.0 million as at December 31, 2013 were guaranteed by Beijing Zhixun Tiancheng Technology, a subsidiary of the Company (2012: nil).

(vii) Bank loans of RMB20.0 million as at December 31, 2013 were guaranteed by Mr. Guan Jizhen, a non-controlling shareholder of a non-wholly owned subsidiary of the Company (2012: RMB20.0 million).

(viii) Bank loans of RMB108.6 million as at December 31, 2013 were guaranteed by the Company (2012: RMB46.1 million).

(ix) Bank loans of US$3.0 million (equivalent to RMB18.3 million) as at December 31, 2013 were unsecured (2012: RMB20.0 million).

(x) In 2012, bank loan of RMB4.5 million was secured by trade receivables of RMB9.9 million of the sales contract with 北京國鐵華晨通信技術有限公司. There was no such arrangement in 2013.

As at December 31, 2013, the Group had unutilised available bank borrowing facilities amounting to RMB491.4 million (2012: RMB222.3 million).

The Group's bank loans are denominated in RMB and US$ respectively. Bank loans of RMB60.0 million bear fixed interest rates and bank loans of RMB511.2 million (including non-current bank loans of RMB87.0 million) bear floating interest rates based on the benchmark interest rates announced by the People's Bank of China. Bank loans of US$3.0 million (equivalent to RMB18.3 million) bear floating interest rates based on the benchmark of the same day HIBOR or LIBOR. The carrying amounts of the Group's current borrowings approximate to their fair values.

Company

	Contractual rate %	2013 RMB'000	2012 RMB'000
Current			
Bank loans — unsecured and repayable within one year (US$3.0 million)	HIBOR/LIBOR+2.6	**18,292**	–

35. AMOUNTS DUE FROM/DUE TO SUBSIDIARIES

Company

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

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

36. DEFERRED TAX

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

Group

Deferred tax assets

	Note	Impairment of trade receivables RMB'000	Accrued expenses RMB'000	Intangible assets RMB'000	Provision for inventory impairment RMB'000	Total RMB'000
2013						
At January 1, 2013		**7,080**	**4,308**	**814**	**–**	**12,202**
Arising from disposal of a subsidiary	43	**(215)**	**(99)**	**–**	**–**	**(314)**
Deferred tax credited/(charged) to the statement of profit or loss during the year		**124**	**401**	**(51)**	**347**	**821**
At December 31, 2013		**6,989**	**4,610**	**763**	**347**	**12,709**
2012						
At January 1, 2012		6,577	5,769	1,004	–	13,350
Deferred tax credited/(charged) to the statement of profit or loss during the year		503	(1,461)	(190)	–	(1,148)
At December 31, 2012		7,080	4,308	814	–	12,202

36. DEFERRED TAX (continued)

Group (continued)

Deferred tax liabilities

	Notes	Fair value adjustment on investment properties RMB'000	Fair value adjustment of intangible assets RMB'000	Recognition of revenue on construction contracts* RMB'000	Total RMB'000
2013					
At January 1, 2013		**9,230**	**20,055**	**14,034**	**43,319**
Arising from disposal of a subsidiary	43	**–**	**–**	**(2,814)**	**(2,814)**
Deferred tax charged/(credited) to the statement of profit or loss during the year		**2,487**	**(4,490)**	**9,361**	**7,358**
At December 31, 2013		**11,717**	**15,565**	**20,581**	**47,863**
2012					
At January 1, 2012		8,000	9,080	18,809	35,889
Arising from acquisition of subsidiaries	42	–	14,942	–	14,942
Deferred tax charged/(credited) to the statement of profit or loss during the year		1,230	(3,967)	(4,775)	(7,512)
At December 31, 2012		9,230	20,055	14,034	43,319

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

The Group has tax losses of RMB21,230,000 arising in Mainland China (2012: RMB11,672,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries and it is not considered probable that taxable profits will available against which the tax losses can be utilised.

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

37. GUARANTEED BONDS

Group and Company

In November 2012, the Company issued RMB210.0 million guaranteed bonds with an interest rate per annum of 10%, due 2015. The net proceeds of the bonds were RMB201.2 million after deduction of commission and expenses. In May 2013, the Company repurchased part of the guaranteed bonds in the principal amount of RMB20.0 million.

38. CONVERTIBLE BONDS

Group and Company

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

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

The convertible bonds issued during the year have been split into the liability and equity components as follows:

	2013 **RMB'000**
Nominal value of convertible bonds issued during the year	**157,240**
Equity component	**(7,903)**
Direct transaction costs attributable to the liability component	**(4,374)**
Liability component at the issuance date	**144,963**
Interest expenses	**1,070**
Liability component at December 31	**146,033**

39. SHARE CAPITAL

Shares

	2013 RMB'000	2012 RMB'000
Authorised:		
1,900,000,000 ordinary shares of HK$0.0002 each	**335**	335
Issued and fully paid:		
1,646,513,072 (2012:1,645,608,261) ordinary shares of HK$0.0002 each	**289**	289

During the year, the movements in share capital were as follows:

	Notes	Number of shares in issue '000	Issued share capital RMB'000	Share premium RMB'000	Total RMB'000
At January 1, 2012		1,612,817	283	1,041,533	1,041,816
Issue of shares	(a)	32,791	6	29,006	29,012
At December 31, 2012 and January 1, 2013		1,645,608	289	1,070,539	1,070,828
Issue of shares	(b)	**905**	**–**	**1,427**	**1,427**
At December 31, 2013		**1,646,513**	**289**	**1,071,966**	**1,072,255**

Notes:

(a) On June 29, 2012, China ITS Urban Traffic Holding Co., Ltd, a wholly-owned subsidiary of the Company, acquired from United Fortune Overseas Limited its shareholding in Stone subgroup for a total consideration consisting of RMB100,335,000 in cash and 32,790,501 shares. The consideration shares were issued on July 10, 2012 and RMB6,000 and RMB29,006,000 were credited to share capital and share premium, respectively, based on the market price of HK$1.19.

(b) In August 2013, the Company resolved to pay an interim dividend of HK0.5 cents per share for the six months ended June 30, 2013 by way of allotment of new shares with an option to elect to receive cash of HK0.5 cents per share in lieu of the new shares in respect of part or all of such dividend. In November 2013, the Company issued 904,811 ordinary shares and paid HK$6,332,971 (equivalent to RMB5,058,000) in cash to satisfy the interim dividend.

40. RESERVES

(a) Group

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

Statutory reserve

According to the PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their respective after-tax profits, calculated in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that the fund is maintained at a minimum level of 25% of the registered capital.

Capital reserve

The capital reserve of the Group consisted of (i) reserves arising from the reorganisation before IPO; (ii) reserves arising from the share options granted by China ITS Co., Ltd. and the Company to the employees of the Group as set out in note 41; and (iii) capitalised retained earnings to the capital of certain subsidiaries.

40. RESERVES (continued)

(b) Company

	Notes	Share premium RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Proposed final dividend RMB'000	Total RMB'000
At January 1, 2012		1,041,533	586,802	(106,628)	(62,139)	–	1,459,568
Profit for the year		–	–	–	186	–	186
Exchange difference on translation		–	–	240	–	–	240
Total comprehensive income for the year		–	–	240	186	–	426
Share-based payment transactions	41	–	14,334	–	–	–	14,334
Issue of ordinary shares	39	29,006	–	–	–	–	29,006
At December 31, 2012 and January 1, 2013		1,070,539	601,136	(106,388)	(61,953)	–	1,503,334
Loss for the year		–	–	–	(13,365)	–	(13,365)
Exchange difference on translation		–	–	(22,298)	–	–	(22,298)
Total comprehensive income for the year		–	–	(22,298)	(13,365)	–	(35,663)
Share-based payment transactions	41	–	8,270	–	–	–	8,270
Interim dividend	12	(5,058)	–	–	–	–	(5,058)
Proposed final dividend	12	(15,532)	–	–	–	15,532	–
At December 31, 2013		**1,049,949**	**609,406**	**(128,686)**	**(75,318)**	**15,532**	**1,470,883**

41. 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 instalments starting from the second anniversary of the grant date provided that these employees remain in service at the respective vesting dates. The expiration dates for the share options are five years after their respective vesting dates. Exercise prices are RMB0.60 per share for the first batch, RMB2.00 for the second and third batches, RMB3.00 for the fourth and fifth batches and RMB4.00 for the last two batches. There are no cash settlement alternatives.

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

	2013		2012	
	Weighted average exercise price RMB per share	**Number of options '000**	Weighted average exercise price RMB per share	Number of options '000
At January 1	**1.80**	**87,028**	1.82	97,606
Exercised during the year	**0.75**	**(15,866)**	1.89	(10,578)
Cancelled during the year	**1.55**	**(18,950)**	–	–
Expired during the year	**0.06**	**(21,774)**	–	–
At December 31	**3.13**	**30,438**	1.80	87,028

The weighted average share price at the date of exercise for share options exercised during the year was RMB0.75 per share (2012: RMB1.89 per share).

41. SHARE OPTION SCHEME (continued)

Pre-IPO share incentive scheme (continued)

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

2013

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

2012

Batches	Numbers of options '000	Exercise price RMB	Exercise period
Batch 1	44,211	0.60	December 31, 2008 to December 30, 2013
Batch 2	4,319	2.00	December 31, 2010 to December 30, 2015
Batch 3	9,747	2.00	June 30, 2011 to June 29, 2016
Batch 4	3,746	3.00	December 31, 2011 to December 30, 2016
Batch 5	8,475	3.00	June 30, 2012 to June 29, 2017
Batch 6	8,055	4.00	December 31, 2012 to December 30, 2017
Batch 7	8,475	4.00	June 30, 2013 to June 29, 2018
	87,028		

41. SHARE OPTION SCHEME (continued)

Share option scheme

On January 18, 2012, the board resolved to grant share options under the share option scheme to 191 grantees, which includes directors, independent non-executive directors and certain employees of the Group to subscribe for an aggregate of 155,000,000 ordinary shares. A total of 155,000,000 share options would be vested over twelve quarterly instalments from three months past from the grant date provided these grantees remain in service at the respective vesting dates. The exercise price is HK$1.05 per share. There are no cash settlement alternatives.

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

	2013		2012	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At January 1	**1.05**	**155,000**	–	–
Granted during the year	**–**	**–**	1.05	155,000
Exercised during the year	**–**	**–**	–	–
At December 31	**1.05**	**155,000**	1.05	155,000

41. SHARE OPTION SCHEME (continued)

Share option scheme (continued)

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

2013 and 2012

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

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

The share option expenses recognised by the Group and the Company during the year are RMB18,850,000 (2012: RMB35,542,000) and RMB8,270,000 (2012: RMB14,334,000), respectively.

41. SHARE OPTION SCHEME (continued)

Share option scheme (continued)

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

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

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

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

As at December 31, 2013 and the date of approval of these financial statements, the Company had 155,000,000 share options outstanding under the scheme, which represented approximately 9.41% of the company's shares in issue at that date (2012: 9.42%). The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 155,000,000 additional ordinary shares of the company and additional share capital of RMB24,000 and share premium of RMB127,930,000 (before issue expenses).

42. BUSINESS COMBINATIONS

On June 29, 2012, the Group acquired a 100% equity interest in Hugecom Limited and its subsidiaries (collectively "**Stone subgroup**"), including a 65% effective equity interest in Beijing Stone from United Fortune Overseas Limited and a 10% equity interest in Beijing Stone from Beijing MTY Information Technology Co., Ltd., for a total consideration of RMB129,347,000.

Beijing Stone, the main operating company of Stone subgroup, is an urban traffic SS and TS provider.

42. BUSINESS COMBINATIONS (continued)

The fair values of the identifiable assets and liabilities of Stone subgroup as at the date of acquisition are set out below:

	Notes	Fair value recognised on acquisition 2012 RMB'000
Property and equipment	14	3,843
Intangible assets	18	59,770
Inventories		3,441
Construction contracts		49,907
Trade receivables		49,570
Prepayments, deposits and other receivables		44,466
Deferred cost		5,628
Cash and bank balances		22,519
Trade payables		(19,347)
Other payables and accruals		(55,169)
Interest-bearing loan — current		(62,600)
Deferred tax liabilities	36	(14,942)
Non-controlling interests		(19,998)
Total identifiable net assets at fair value		67,088
Goodwill arising on acquisition	17	58,814
Call option arising on acquisition	31	3,445
		129,347
Satisfied by prepayments		69,492
Satisfied by cash		22,890
Cash consideration recorded in liabilities		7,953
Shares issued	39	29,012
		129,347

42. BUSINESS COMBINATIONS (continued)

The fair values of the trade receivables and prepayments, deposits and other receivables as at the date of acquisition amounted to RMB49,570,000 and RMB44,466,000, respectively. The gross contractual amounts of trade receivables and prepayments, deposits and other receivables were RMB49,570,000 and RMB44,466,000, respectively.

The fair value of the intangible assets which represented the technical know-how, customer relationships and contract backlog amounted to RMB59,770,000.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2012 RMB'000
Cash consideration	(22,890)
Cash and bank balances acquired	22,519
	(371)
Transaction costs of the acquisition included in cash flows from operating activities	(88)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(459)

Since the acquisition, the acquired subsidiaries have contributed RMB184,782,000 to the Group's turnover and RMB15,300,000 to the consolidated profit for the year ended December 31, 2012.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB2,252,637,000 and RMB143,237,000, respectively.

43. DISPOSAL OF A SUBSIDIARY

In November 2012 and January 2013, the Group disposed of Xinjiang Delida Information Technology Co., Ltd. and Beijing Hexin Risheng Technology Co., Ltd., respectively.

	2013 **RMB'000**	2012 RMB'000
Net assets disposed of:		
Cash and bank balances	**2,569**	11
Bills receivable	**5,950**	–
Trade receivables	**40,407**	461
Amounts due from contract customers	**79,003**	–
Inventories	**–**	23
Prepayments, deposits and other receivables	**46,974**	–
Property and equipment	**622**	–
Deferred tax assets	**314**	–
Trade payables	**(47,799)**	(7)
Amount due to contract customers	**(13,897)**	–
Other payables and accruals	**(72,629)**	(673)
Tax payables	**1,663**	–
Interest-bearing bank borrowings — current	**(5,950)**	–
Deferred tax liabilities	**(2,814)**	–
Non-controlling interests	**–**	412
Total identifiable net assets at fair value	**34,413**	227
Gain on disposal of a subsidiary	**63**	2,462
	34,476	2,689
Satisfied by cash	**10,000**	2,689
Cash consideration recorded in other receivables	**24,476**	–
	34,476	2,689

43. DISPOSAL OF A SUBSIDIARY (continued)

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

	2013 RMB'000	2012 RMB'000
Net assets of disposed of:		
Cash consideration	**10,000**	2,689
Cash and bank balances disposed of	**(2,569)**	(11)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**7,431**	2,678

44. PLEDGE OF ASSETS

Details of the Group's bank borrowings, which are secured by the assets of the Group, are included in note 34 to the financial statements.

45. OPERATING LEASE COMMITMENTS

As lessor

The Group leases its investment properties (note 15) to certain related parties and independent third parties, with leases negotiated for terms ranging from one year to four years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At December 31, 2013, the Group had total future minimum lease receivables under non-cancellable operating lease with its tenants falling due as follows:

	2013 RMB'000	2012 RMB'000
Within one year	**6,275**	5,903
In the second to fifth years, inclusive	**1,877**	6,810
	8,152	12,713

45. OPERATING LEASE COMMITMENTS (continued)

As lessee

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

At December 31, 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013 **RMB'000**	2012 RMB'000
Within one year	**18,746**	18,956
In the second to fifth years, inclusive	**12,769**	25,823
	31,515	44,779

The Company did not have any operating lease commitments as at December 31, 2013 (2012: nil).

46. CAPITAL COMMITMENTS

As at December 31, 2013, neither the Group nor the Company had any significant commitments save as disclosed in note 45 (2012: nil).

47. CONTINGENT LIABILITIES

The Company executed a corporate guarantee to the extent of RMB200.0 million (2012: RMB70.0 million) for the general credit line granted to its subsidiaries, including bank loans, bank acceptance bills, and credit of letter. As at December 31, 2013, the bank loans granted to the subsidiaries amounted to RMB108.6 million (2012: RMB46.1 million), the bank acceptance bills granted to the subsidiaries amounted to RMB24.9 million (2012: nil).

48. RELATED PARTY TRANSACTIONS

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

	Notes	**2013** **RMB'000**	2012 RMB'000
Sales to related parties:			
GTECH-CIC	(a)	**65,617**	–
Guangzhou Communication	(b)	**33,392**	17,478
Xi'an Communication	(b)	**15,591**	2,926
Nanjing Communication	(a)	**13,561**	1,429
Wuhan Communication	(b)	**284**	–
Shandong Yigou	(a)	**6**	–
Chengdu Zhida Weilute	(a)	**–**	7,020
Total		**128,451**	28,853
Purchases from related parties:			
Wuhan Communication	(b)	**38,406**	–
Nanjing Communication	(a)	**8,141**	–
Wuhan Chenguang	(a)	**5,730**	–
Shandong Yigou	(a)	**4,691**	–
Beijing Lvtong Changda	(b)	**1,287**	–
Total		**58,255**	–

Notes:

(a) The entity is a joint venture of the Group.

(b) The entity is an associate of the Group.

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

48. RELATED PARTY TRANSACTIONS (continued)

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

	Notes	**2013 RMB'000**	2012 RMB'000
Due from related parties:			
Trade related			
Guangzhou Communication	(b)	**60,511**	41,703
Xi'an Communication	(b)	**24,065**	8,376
Nanjing Communication	(a)	**9,540**	92
Wuxi Runbang	(a)	**9,373**	–
Chengdu Zhida Weilute	(a)	**7,089**	7,557
Wuhan Communication	(b)	**135**	–
Shandong Yigou	(a)	**77**	194
Wuhan Chenguang	(a)	**–**	1,985
		110,790	59,907
Non-trade related			
Wuhan Chenguang	(a)	**13,638**	654
北京瑞瀾聯合通信技術有限公司	(h)	**4,300**	–
Shandong Yigou	(a)	**3,327**	61
RAY Holdings Ltd.	(d)	**1,694**	1,694
Bailian Youli (Beijing) Investment Co., Ltd.	(c)	**986**	986
Wuxi Runbang	(a)	**351**	–
Beijing Bailian Youli Information Technology Co., Ltd.	(f)	**231**	231
Zhineng Shixun	(b)	**46**	–
Bailian Heli Investment Co., Ltd.	(g)	**4**	4
Xi'an Communication	(b)	**–**	5,473
Chengdu Zhida Weilute	(a)	**–**	2,955
Mr. Pan Jianguo	(e)	**–**	1,253
Mr. Jiang Hailin	(e)	**–**	945
Mr. Liao Jie	(e)	**–**	493
		24,577	14,749
Total		**135,367**	74,656

48. RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) The entity is a joint venture of the Group.

(b) The entity is an associate of the Group.

(c) Bailian Youli (Beijing) Investment Co., Ltd. is controlled by certain directors of the Company.

(d) RAY Holdings Ltd. is 59% owned by a director of the Company.

(e) The person is an executive director of the Company.

(f) The entity is 100% owned by Bailian Youli (Beijing) Investment Co., Ltd.

(g) The entity is 51% owned by Bailian Youli (Beijing) Investment Co., Ltd.

(h) The entity is 58% owned by RAY Holdings Ltd.

	Notes	**2013 RMB'000**	2012 RMB'000
Due to related parties:			
Trade related			
GTECH-CIC	(a)	**14,357**	–
Wuxi Runbang	(a)	**9,307**	–
Nanjing Communication	(a)	**6,085**	–
Wuhan Communication	(b)	**2,898**	–
Shandong Yigou	(a)	**2,527**	1,435
Wuhan Chenguang	(a)	**2,088**	–
Beijing Lvtong Changda	(b)	**1,287**	–
Chengdu Zhida Weilute	(a)	**696**	1,228
Guangzhou Communication	(b)	**–**	5,000
		39,245	7,663
Non-trade related			
Beijing Bailian Youli Information Technology Co., Ltd.	(d)	**5,000**	–
Chengdu Zhida Weilute	(a)	**3,160**	4,912
Wuhan Communication	(b)	**2,154**	–
Beijing Lvtong Changda	(b)	**2,000**	–
Xi'an Communication	(b)	**384**	–
Shandong Yigou	(a)	**120**	926
Wuxi Runbang	(a)	**45**	–
Wuhan Chenguang	(a)	**–**	339
Mr. Lu Xiao	(c)	**–**	7
		12,863	6,184
Total		**52,108**	13,847

48. RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) The entity is a joint venture of the Group.

(b) The entity is an associate of the Group.

(c) The person is an executive director of the Company.

(d) The entity is 100% owned by Bailian Youli (Beijing) Investment Co., Ltd.

Terms and conditions of transactions with related parties

Outstanding balances as at December 31, 2013 and December 31, 2012 are unsecured, interest-free and have no fixed terms of repayment. There were no guarantees provided or received for any related party receivables or payables.

Compensation of key management personnel of the Group

	2013 RMB'000	2012 RMB'000
Salaries, bonuses, allowances and benefits in kind	**6,016**	5,931
Equity-settled share option expense	**12,204**	21,255
Pension scheme contributions	**215**	173
Total compensation paid to key management personnel	**18,435**	27,359

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

49. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

Financial assets

2013

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

49. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

Financial assets (continued)

2012

	Financial assets at fair value through profit or loss designated as such upon initial recognition RMB'000	Held-to-maturity investment RMB'000	Loans and receivables RMB'000	Available-for-sale investment RMB'000	Total RMB'000
Available-for-sale investment	–	–	–	25,307	25,307
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

49. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group

Financial liabilities

	2013 Financial liabilities at amortised cost RMB'000	2012 Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,046,574	923,666
Financial liabilities included in other payables and accruals	57,469	66,040
Interest-bearing bank borrowings — current	520,561	431,577
Due to related parties	52,108	13,847
Guaranteed bonds	184,918	201,194
Convertible bonds	146,033	–
Interest-bearing bank borrowings — non-current	87,000	–
Long-term payable	3,067	8,537
	2,097,730	1,644,861

Company

Financial assets

	2013			
	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
Other long-term assets	–	20,000	–	20,000
Financial assets included in prepayments, deposits and other receivables	–	48,993	–	48,993
Due from subsidiaries	–	819,003	–	819,003
Held-to-maturity investment	67,299	–	–	67,299
Cash and cash equivalents	–	106,455	–	106,455
	67,299	994,451	25,307	1,087,057

49. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company (continued)
Financial assets (continued)

	2012			
	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
Other long-term assets	–	19,944	–	19,944
Financial assets included in prepayments, deposits and other receivables	–	43,362	–	43,362
Due from subsidiaries	–	708,143	–	708,143
Held-to-maturity investment	69,405	–	–	69,405
Cash and cash equivalents	–	97,437	–	97,437
	69,405	868,886	25,307	963,598

Company
Financial liabilities

	2013 Financial liabilities at amortised cost RMB'000	2012 Financial liabilities at amortised cost RMB'000
Interest-bearing bank borrowings	**18,292**	–
Financial liabilities included in other payables and accruals	**7,219**	3,536
Due to related parties	**14,357**	–
Guaranteed bonds	**184,918**	201,194
Convertible bonds	**146,033**	–
Long-term payable	**3,024**	8,537
	373,843	213,267

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amount that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Pledged deposits — non-current	**4,500**	–	**4,500**	–
Other long-term assets	**20,000**	19,944	**20,000**	19,944
Held-to-maturity investment	**67,299**	69,405	**67,299**	69,405
Other financial assets	**16,815**	3,445	**16,815**	3,445
	108,614	92,794	**108,614**	92,794
Financial liabilities				
Interest-bearing bank borrowings — current	**520,561**	431,577	**520,561**	431,577
Guaranteed bonds	**184,918**	201,194	**184,918**	201,194
Convertible bonds	**146,033**	–	**146,033**	–
Long-term payable	**3,067**	8,537	**3,067**	8,537
Interest-bearing bank borrowings — non-current	**87,000**	–	**87,000**	–
	941,579	641,308	**941,579**	641,308

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

Company

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Other long-term assets	**20,000**	19,944	**20,000**	19,944
Held-to-maturity investment	**67,299**	69,405	**67,299**	69,405
	87,299	89,349	**87,299**	89,349
Financial liabilities				
Interest-bearing bank borrowings	**18,292**	–	**18,292**	–
Guaranteed bonds	**184,918**	201,194	**184,918**	201,194
Convertible bonds	**146,033**	–	**146,033**	–
Long-term payable	**3,024**	8,537	**3,024**	8,537
	352,267	209,731	**352,267**	209,731

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

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

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

The fair values of the non-current portion of pledged deposit, other long-term assets, guaranteed bonds, interest-bearing bank borrowings and long-term payable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for other long-term assets, guaranteed bonds, interest-bearing bank borrowings and long-term payable as at 31 December 2013 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

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

Assets measured at fair value
Group
As at December 31, 2013

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

Group
As at December 31, 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets				
Other financial assets	–	–	3,445	3,445

Fair value measurement increased RMB13,370,000 in Level 3 during the year (2012: nil).

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

Fair value hierarchy (continued)

The Company did not have any financial assets measured at fair value as at December 31, 2013 and 2012.

Liabilities measured at fair value

The Group and the Company did not have any financial liabilities measured at fair value as at December 31, 2013 and 2012.

Liabilities for which fair values are disclosed:
Group
As at December 31, 2013

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

Group
As at December 31, 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	431,577	–	431,577
Guaranteed bonds	–	–	201,194	201,194
Long-term payable	–	–	8,537	8,537
	–	431,577	209,731	641,308

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, guaranteed bonds, convertible bonds, cash and cash equivalents, short-term deposits, pledged deposits and a held-to-maturity investment. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, amounts due from/to related parties, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its interest-bearing borrowings with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

If there would be a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the consolidated pre-tax profit would have decreased/increased by approximately RMB1.6 million for the year ended December 31, 2013 (2012: RMB1.8 million).

Foreign currency risk

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

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity as at December 31, 2013 and 2012 to a reasonably possible change in the US$ and HK$ exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
December 31, 2013			
If RMB weakens against US$	**5**	**1,013**	**1,013**
If RMB strengthens against US$	**(5)**	**(1,013)**	**(1,013)**
If RMB weakens against HK$	**5**	**9,696**	**74,683**
If RMB strengthens against HK$	**(5)**	**(9,696)**	**(74,683)**
December 31, 2012			
If RMB weakens against US$	5	(180)	(180)
If RMB strengthens against US$	(5)	180	180
If RMB weakens against HK$	5	(3,034)	76,523
If RMB strengthens against HK$	(5)	3,034	(76,523)

* Excluding retained earnings

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of receivables are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, short-term deposits, pledged bank balances, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, a held-to-maturity investment and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. As the Group's major customers are PRC government agencies, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure is spread over a diversified portfolio of customers, there is no significant concentration of credit risk.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility through the use of bank and other borrowings with debt maturities within 12 months.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at December 31, 2013
Group

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	406,183	640,391	–	–	1,046,574
Financial liabilities included in other payables and accruals	53,587	–	3,882	–	57,469
Interest-bearing bank borrowings — current	–	162,401	358,160	–	520,561
Due to related parties	52,108	–	–	–	52,108
Guaranteed bonds	–	–	19,000	209,000	228,000
Convertible bonds	–	–	9,434	161,957	171,391
Interest-bearing bank borrowings — non-current	–	–	5,779	95,668	101,447
Long-term payable	–	–	–	3,557	3,557
	511,878	802,792	396,255	470,182	2,181,107

As at December 31, 2013
Company

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	18,292	–	–	18,292
Financial liabilities included in other payables and accruals	–	3,337	3,882	–	7,219
Due to related parties	14,357	–	–	–	14,357
Guaranteed bonds	–	–	19,000	209,000	228,000
Convertible bonds	–	–	9,434	161,957	171,391
Long-term payable	–	–	–	3,514	3,514
	14,357	21,629	32,316	374,471	442,773

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

As at December 31, 2012
Group

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	548,045	375,621	–	–	923,666
Financial liabilities included in other payables and accruals	60,904	–	5,136	–	66,040
Interest-bearing bank borrowings	–	38,130	393,447	–	431,577
Due to related parties	13,847	–	–	–	13,847
Guaranteed bonds	–	–	19,000	228,000	247,000
Long-term payable	–	–	–	10,693	10,693
	622,796	413,751	417,583	238,693	1,692,823

Company

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	–	–	3,536	–	3,536
Guaranteed bonds	–	–	19,000	228,000	247,000
Long-term payable	–	–	–	10,693	10,693
	–	–	22,536	238,693	261,229

The directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from this report date. Based on this forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the loan financing and additional capital from equity holders of the Company. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2013 and December 31, 2012.

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

Group

	2013 **RMB'000**	2012 RMB'000
Interest-bearing bank borrowings	**607,561**	431,577
Guaranteed bonds	**184,918**	201,194
Due to related parties (note 48)	**52,108**	13,847
Less: cash and cash equivalents	**(695,720)**	(584,783)
Net debt	**148,867**	61,835
Equity attributable to owners of the parent	**2,630,357**	2,462,689
Convertible bonds, the liability component	**146,033**	–
Adjusted capital	**2,776,390**	2,462,689
Net debt to capital ratio	**5.4%**	2.5%

52. EVENTS AFTER THE REPORTING PERIOD

In January and February 2014, the Company purchased and cancelled parts of the guaranteed bonds in the principal amounts of RMB25 million and RMB16 million, respectively.

On March 25, 2014, the board recommended the payment of a final dividend of HK1.2 cents per ordinary share for the year ended December 31, 2013. The final dividend will be shall paid in the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of their scrip dividend entitlements.

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on March 25, 2014.

Particulars of Properties

December 31, 2013

INVESTMENT PROPERTIES

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