



2014 Interim Report



CIC[®]

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

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Financial Highlights

- The amount of new contracts signed and orders secured for the six months ended June 30, 2014 was approximately RMB1,108.8 million, compared to approximately RMB1,659.1 million for the six months ended June 30, 2013, or an approximately 33.2% decrease.
- The amount of backlog as at June 30, 2014 was approximately RMB2,381.1 million, compared to approximately RMB2,210.7 million as at December 31, 2013, or an approximately 7.7% increase.
- Revenue for the six months ended June 30, 2014 was approximately RMB772.3 million, compared to approximately RMB975.9 million for the six month ended June 30, 2013, or an approximately 20.9% decrease.
- Gross profit for the six months ended June 30, 2014 was approximately RMB177.0 million, compared to approximately RMB251.7 million for the six month ended June 30, 2013, or an approximately 29.7% decrease.
- Gross profit margin decrease from 25.8% for the first half of the prior year to approximately 22.9% for the first half of 2014.
- Loss attributable to owners of the parent of the Company for the six months ended June 30, 2014 was RMB48.0 million, compared to a profit of approximately RMB43.4 million for the six month ended June 30, 2013.

Corporate Information

Board of Directors

Executive Directors

Mr. Liao Jie (*Chairman*)
Mr. Jiang Hailin (*Chief Executive Officer*)
Mr. Wang Jing
Mr. Lu Xiao
Mr. Pan Jianguo
Mr. Lv Xilin (*Resigned on 20 May 2014*)

Non-executive Director

Mr. Tim Tianwei Zhang (*Appointed on 20 May 2014*)

Independent Non-executive Directors

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

Company Secretary

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

Authorized Representatives

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

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

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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

Hong Kong Branch Share Registrar and Transfer Office

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

Corporate Information



Auditor

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

Legal Advisor

Orrick, Herrington & Sutcliffe (Hong Kong law)

Listing Exchange Information

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

Principal Bankers

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

Management Discussion and Analysis

Overview and Prospect

Overview of the Overall Operation of the Company During the Reporting Period

In the first half of 2014, China ITS (Holdings) Co., Ltd. (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) recorded a revenue of RMB772.3 million, representing a decrease of RMB203.6 million as compared to RMB975.9 million for the six months ended June 30, 2013. The Group recorded new contracts signed and orders secured of RMB1,108.8 million, representing a decrease of 33.2% as compared to RMB1,659.1 million in the six months ended June 30, 2013. The Group recorded backlog of RMB2,381.1 million as at June 30, 2014. The overall gross profit for the six months ended June 30, 2014 was RMB177.0 million, representing a decrease of 29.7% compared with the first half of 2013, and the gross profit margin for the first half of 2014 slightly decreased by 2.9% to 22.9% as compared with that of first half of 2013.

Core Business of the Group and Operation Thereof

(i) Expressway

For the six months ended June 30, 2014, the Group’s revenue from the expressway segment (“**Expressway**”) was RMB372.1 million, representing a decrease of RMB198.3 million as compared to RMB570.4 million for the six months ended June 30, 2013. The amount of new contracts signed and orders secured in the six months ended June 30, 2014 was RMB453.4 million, and the backlog amount as at June 30, 2014 was RMB1,277.5 million.

The overall decrease of expressway segment was attributed to the progress delay of the Yunnan and Hubei provinces construction contracts. However, the management team believes that the delayed projects will resume in the second half of 2014.

In the first half of 2014, the major projects of Expressway included the Yunnan Da-Li (Dali – Lijiang) Expressway project, the Henan Lan-Liu (Lankao – Liujiang) Expressway project and the Hunan Zhang-Hua (Zhangjiajie – Huahuan) Expressway project.

(ii) Railway

Revenue from the railway segment (“**Railway**”) increased by RMB78.1 million to RMB291.5 million during the reporting period as compared to the six months ended June 30, 2013, and it represented 37.7% of the Group’s total revenue. The amount of new contracts signed and orders secured in the six months ended June 30, 2014 was RMB511.0 million and the backlog amount as at June 30, 2014 was RMB785.7 million for the railway segment.

The strong rebound in this segment was attributed to recovery of China High Speed Railway construction. China Railway Corporation (formerly known as Ministry of Railway) has completed its restructuring and will continue to focus on railway construction. Besides the strong rebound of communication projects, the Group also signed several milestone passenger service and video surveillance contracts, e.g. ZhengZhou – Kaifeng City railway, ZhengZhou – Jiaozuo City railway, Guizhou – Guangzhou video surveillance contracts. The Board believes that it will bring more business opportunities in new solution area.

In the first half of 2014, the major projects of Railway included the Jin-Zhong-Nan Railway project, the Hefei – Fuzhou Railway project, and the Harbin – Qiqihar Railway project.

Management Discussion and Analysis

Overview and Prospect

Core Business of the Group and Operation Thereof (continued)

(iii) Urban Traffic

Revenue from the urban traffic segment (“**Urban Traffic**”) decreased by RMB76.5 million to RMB108.7 million during the reporting period, and represented 14.1% of the Group’s total revenue. The amount of new contracts signed and orders secured in the six months ended June 30, 2014 was RMB144.4 million and the backlog amount as at June 30, 2014 was RMB317.7 million for the Urban Traffic segment.

The decrease in the revenue for Urban Traffic was due to the lowered investment of the local government to the Urban Traffic projects. Unlike Expressway and Railway, which have strong revenue stream from central government customers, the Urban Traffic relies on local government budget. As a result, several projects were affected and revenue from Urban Traffic for the period decreased.

In the first half of 2014, the major projects of Urban Traffic included the Wuhai ITS management system project, the Nanhai district ITS management system project and the Chongqing subway line 6 project.

Purchase and Cancellation of Bonds

For the six months ended June 30, 2014, in an attempt to reduce overall financial cost, the Company totally purchased and cancelled part of the Company’s 10.0% guaranteed bonds due 2015 (“**Bonds**”) in the aggregate principal amount of RMB81,000,000.00 out of the original aggregate principal amount of RMB210,000,000. The Board considers that the purchase is in the interest of the Company and its shareholders as a whole.

For further details of the abovementioned purchase and cancellation of Bonds, please refer to the announcement of the Company dated May 29, 2014.

Prospects

Looking forward, the Group will be more focused on the segments with growth potential and better financial strength in the transportation industry, such as Expressway, Railway and other new feasible segments (such as civil aviation). Civil aviation is a new segment which the Group has been working on for two years. In the civil aviation segment, the Group will provide airport ground services wireless network solutions to airport operation and the relevant business service providers within the airport. After series of tests and trial operation of networks, the Group started to record revenue from the civil aviation segment and expects to increase in the second half of 2014 and 2015.

The Group will continue to provide full range of solutions and services, develop dedicated strategy tailored to customer needs in each segment, and drive industry innovation and standards. As for mid/back-end operation, the Group will streamline management structure and optimize operating cost by further cost control. In general, the Group will continue aiming to become an ITS leading player and to provide safe, reliable, efficient, and environmental friendly products and services in the future.

Management Discussion and Analysis

Business and Financial Review

Revenue

By Industry Segments

The Group's overall revenue for the six months ended June 30, 2014, was RMB772.3 million, representing a decrease of 20.9% from RMB975.9 million for the six months ended June 30, 2013. The decrease was mainly due to a 34.8% decrease in the Expressway segment, a 41.3% decrease in the Urban Traffic segment which was partly offset by a 36.6% increase in the Railway segment. The following table sets out the revenue breakdown by industry segments:

	Six months ended June 30,	
	2014 RMB'000	2013 RMB'000
Revenue by industry segments		
Expressway	372,105	570,425
Railway	291,540	213,409
Urban traffic	108,672	185,125
Energy	–	6,946
Total	772,317	975,905

(i) Expressway

Revenue from the Expressway segment for the six months ended June 30, 2014 was RMB372.1 million, representing a decrease of RMB198.3 million as compared to RMB570.4 million for the six months ended June 30, 2013. The decrease was mainly due to the delay of two major projects for the Expressway segment. In the first half of 2014, as two major projects in Yunnan and Hubei provinces have been postponed, revenue from the Expressway segment in the six months ended June 30, 2014 decreased. However, these projects are expected to return to the normal pace of progress during the second half of 2014. The Group believes there will be a rebound in the expressway business in 2014 with increasing infrastructure investment by the government. For the six months ended June 30, 2014, new contracts signed and orders secured for the Expressway segment amounted to RMB453.4 million while the amount of backlog as at June 30, 2014 was RMB1,277.5 million.

(ii) Railway

Revenue from the Railway segment for the six months ended June 30, 2014 was RMB291.5 million, representing an increase of RMB78.1 million as compared to RMB213.4 million for the six months ended June 30, 2013. Following the strong recovery in 2013, the Railway segment remained robust as the postponed investment in railway construction in 2012 is being resumed progressively. From the Group's perspective, the Railway segment maintained the momentum of high growth in traditional communication solutions in the first half of 2014. Meanwhile, the Group had made a remarkable breakthrough in developing new solutions such as passenger service and video surveillance by entering into new contracts related to Zheng Kai (Zhengzhou – Kaifeng), Zheng Jiao (Zhengzhou – Jiaozuo) City railways and Gui Guang (Guizhou – Guangzhou) Video Surveillance, which expand the product portfolio effectively. Under the trend of continued commitment in railway construction in China, the Group believes it will identify more business opportunities in this segment in both the pre- and the post-construction operation period. For the six months ended June 30, 2014, the amount of new contracts signed and orders secured for the Railway segment was RMB511.0 million while the amount of backlog as at June 30, 2014 was RMB785.7 million.

Management Discussion and Analysis

Business and Financial Review

Revenue (continued)

By Industry Segments (continued)

(iii) Urban traffic

Revenue from the Urban Traffic segment for the six months ended June 30, 2014 was RMB108.7 million, representing a decrease of RMB76.4 million as compared to RMB185.1 million for the six months ended June 30, 2013. Such decrease was mainly due to the effect of investment cutback, to different extents, to urban traffic projects by local governments within China since late 2013, which also led to business model of some projects transforming from one-off project base to 5-year progressive payment by installments. Such change of business model had caused a decrease in income for the immediate periods, however, the overall will not be affected. Under the trend of urbanization in China, the Group believes it will identify more business opportunities in this segment after the local government financing problem is solved. For the six months ended June 30, 2014, new contracts signed and orders secured for the Urban Traffic segment amounted to RMB144.4 million while the amount of backlog as at June 30, 2014 was RMB317.7 million.

(iv) Energy

Revenue from the Energy segment for the six months ended June 30, 2014 was nil, representing a decrease of RMB6.9 million as compared to RMB6.9 million for the six months ended June 30, 2013. For the six months ended June 30, 2014, the amount of new contracts signed and orders secured for the Energy segment was RMB0 million while the amount of backlog as at June 30, 2014 was RMB0.2 million.

Business pattern and major projects

The Group's business is highly correlated with the macroeconomic policies on infrastructure investment of the PRC central government and has a unique seasonal character. Most of the construction projects are in bidding stage and commenced implementations in the first half of the year. Therefore, the new contracts are confirmed in the first half of the year and the revenue is recorded in the second half. This resulted in a higher backlog amount in comparison with the figure at the end of 2013. This business pattern remained similar in 2014, and the backlog amount was approximately RMB2,381.1 million as at June 30, 2014.

During this period, the Group has implemented more than 970 projects in varied sizes, covering most of the regions in Mainland China. The following table sets out the major projects generating revenue in each industry segment:

Industry segments	Project name
Expressway:	Yunnan Da-Li (Dali – Lijiang) Expressway Project Henan Lan-Liu (Lankao – Liujiang) Expressway Project Hunan Zhang-Hua (Zhangjiajie – Huahuan) Expressway Project
Railway:	Jin-Zhong-Nan Railway Project He-Fu (Hefei – Fuzhou) Railway Project Ha-Qi (Harbin – Qiqihar) Railway Project
Urban traffic:	Wuhai ITS Management System Project Nanhai District ITS Management Project Chongqing Subway Line 6 Project

Management Discussion and Analysis

Business and Financial Review

Revenue (continued)

By Business sectors

For the six months ended June 30, 2014, the revenue from Turnkey Solutions decreased by 30.5%, and the revenues from Special Solutions' business decreased by 9.3% and Value-added Operation and Services business increased by 36.8% respectively. The following table sets out the revenue breakdown by business sectors:

	Six months ended June 30,	
	2014 RMB'000	2013 RMB'000
Revenue by business sectors		
TS	344,860	496,148
SS	424,443	468,054
VAOS	46,527	34,016
Elimination	(43,513)	(22,313)
Total	772,317	975,905

(i) Turnkey Solutions ("TS")

Revenue from the TS business for the six months ended June 30, 2014 was RMB344.9 million, representing a decrease of RMB151.2 million, as compared to RMB496.1 million for the six months ended June 30, 2013. As mentioned in the industry segment section, there were delays in the progress of the Group's two key projects in the expressway in Yunnan and Hubei provinces. Moreover, due to the decrease in the overall expenditure in urban traffic industry and changes in the business models of some key projects, there was a decrease in the revenue from the TS urban traffic business. The new contracts and orders secured amounted to RMB458.9 million for the six months ended June 30, 2014 and the backlog amount as at June 30, 2014 was RMB1,386.5 million for the TS business.

(ii) Specialised Solutions ("SS")

Revenue from the SS business for the six months ended June 30, 2014 was RMB424.4 million, representing a decrease of RMB43.7 million, as compared with RMB468.1 million for the six months ended June 30, 2013. The change was attributed to an increase in the railway segment of RMB86.7 million, and offset by a decrease in the expressway segment of RMB76.4 million, a decrease in the urban traffic segment of RMB47.1 million and a decrease in the energy segment of RMB6.9 million. Please refer to the aforesaid industry segment section for detailed discussion and analysis of individual industry segments. The new contracts and orders secured for the six months ended June 30, 2014 amounted to RMB605.3 million and the backlog amount as at June 30, 2014 was RMB968.6 million for the SS business.

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

Revenue from the VAOS business for the six months ended June 30, 2014 was RMB46.5 million, representing an increase of RMB12.5 million and a year-on-year increase of 36.8%, as compared to RMB34.0 million for the six months ended June 30, 2013. Both the expressway and railway segments had increments under the effort in developing further recurring business with existing customers. Such business growth reflects the Group's business transformation from a single key project-based model to stable recurring pattern. The new contracts and orders secured amount for the six months ended June 30, 2014 was RMB44.6 million and the backlog amount as at June 30, 2014 was RMB26.0 million for the VAOS business.

Management Discussion and Analysis

Business and Financial Review

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 equipments and other direct relevant costs incurred for the completion of each of the relevant key projects. Cost of sales accounted for 77.1% of the Group's revenue for the six months ended June 30, 2014, representing an increase 2.9% for the six months ended June 30, 2013.

By Industry Segments

	Six months ended June 30	
	2014 RMB'000	2013 RMB'000
Cost of Sales by Segments		
Expressway	288,509	421,775
Railway	216,504	155,877
Urban traffic	90,344	139,846
Energy	—	6,738
Total	595,357	724,236
% of Revenue	77.1%	74.2%

(i) **Expressway**

The Expressway segment decreased by RMB133.3 million to RMB288.5 million for the six months ended June 30, 2014 as compared to RMB421.8 million for the six months ended June 30, 2013.

(ii) **Railway**

The Railway segment increased by RMB60.6 million to RMB216.5 million for the six months ended June 30, 2014 as compared to RMB155.9 million for the six months ended June 30, 2013.

(iii) **Urban traffic**

The Urban Traffic segment decreased by RMB49.5 million to RMB90.3 million for the six months ended June 30, 2014 as compared to RMB139.8 million for the six months ended June 30, 2013.

(iv) **Energy**

The Energy segment recorded nil for the six months ended June 30, 2014 due to the disposal of discontinued business in the second half of 2013.

Management Discussion and Analysis

Business and Financial Review

Cost of Sales (continued)

By Business Sectors

	Six months ended June 30	
	2014 RMB'000	2013 RMB'000
Cost of Sales by Sectors		
TS	297,284	396,611
SS	310,694	336,491
VAOS	30,892	13,447
Elimination	(43,513)	(22,313)
Total	595,357	724,236
% of Revenue	77.1%	74.2%

- (i) **TS**
The cost of sales incurred for TS business accounted for 42.6% of the Group's cost of sales for the six months ended June 30, 2014, which was lower than that in the prior year, and was mainly due to the delay of two major projects in the expressway segment and the overall industry slowdown in the Urban Traffic segment.
- (ii) **SS**
The cost of sales incurred for SS business accounted for 52.2% of the Group's cost of sales for the six months ended June 30, 2014, which was higher than that in the prior year because of some projects with higher cost in the Railway segment, especially those new product contracts.
- (iii) **VAOS**
The cost of sales incurred for VAOS business accounted for 5.2% of the Group's cost of sales for the six months ended June 30, 2014, which was higher than that in the prior year, reflecting the ever increasing contribution of VAOS to the Group's business.

Management Discussion and Analysis

Business and Financial Review

Gross Profit

Overall gross profit of the Group decreased from RMB251.7 million for the six months ended June 30, 2013 to RMB177.0 million in the six months ended June 30, 2014, primarily due to the overall slowdown in the urban traffic industry and the delay in the schedules of the Expressway segment. Gross profit margin decreased from 25.8% for the six months ended June 30, 2013 to 22.9% during the six months ended June 30, 2014.

By Industry Segments

	Six months ended		
	June 30, 2014 RMB'000	December 31, 2013 RMB'000	June 30, 2013 RMB'000
Gross profit and gross profit margin by industry segments			
Expressway	83,596	101,110	148,650
Margin %	22.5%	17.3%	26.1%
Railway	75,036	132,416	57,532
Margin %	25.7%	25.0%	27.0%
Urban traffic	18,328	71,505	45,279
Margin %	16.9%	25.5%	24.5%
Energy	–	2,286	208
Margin %	–	10.5%	3.0%
Total	176,960	307,317	251,669
Overall margin %	22.9%	21.7%	25.8%

(i) **Expressway**

Gross profit margin for the Expressway segment in the six months ended June 30, 2014 was 22.5%, representing a decrease of 3.6% as compared to 26.1% for the six months ended June 30, 2013.

(ii) **Railway**

Gross profit margin for the Railway segment in the six months ended June 30, 2014 was 25.7%, representing a decrease of 1.3% as compared to 27.0% for the six months ended June 30, 2013.

(iii) **Urban traffic**

Gross profit margin for the Urban Traffic segment in the six months ended June 30, 2014 was 16.9%, representing a decrease of 7.6% as compared to 24.5% for the six months ended June 30, 2013.

(iv) **Energy**

Gross margin for the Energy segment in the six months ended June 30, 2014 was 0%.

Management Discussion and Analysis

Business and Financial Review

Gross Profit (continued) By Business Sectors

	Six months ended		
	June 30, 2014 RMB'000	December 31, 2013 RMB'000	June 30, 2013 RMB'000
Gross profit and gross profit margin by business sectors			
TS	47,576	52,129	99,537
Margin %	13.8%	9.0%	20.1%
SS	113,749	239,088	131,563
Margin %	26.8%	29.2%	28.1%
VAOS	15,635	16,100	20,569
Margin %	33.6%	21.8%	60.5%
Total	176,960	307,317	251,669
Overall margin %	22.9%	21.7%	25.8%

- (i) **TS**
Gross profit margin for TS business in the six months ended June 30, 2014 was 13.8%, representing a decrease of 6.3% as compared to 20.1% for the six months ended June 30, 2013.
- (ii) **SS**
Gross profit margin for SS business in the six months ended June 30, 2014 was 26.8%, representing a decrease of 1.3% as compared to 28.1% for the six months ended June 30, 2013.
- (iii) **VAOS**
Gross profit margin for VAOS business in the six months ended June 30, 2014 was 33.6%, representing a decrease of 26.9% as compared to 60.5% for the six months ended June 30, 2013.

Other Income and Gains

Other income and gains mainly comprised of rental income from investment properties, government grants and other non-operating incomes. The increase in such income and gains due to the exchange gains in the first half 2014.

Selling, General and Administration Expenses

For the six months ended June 30, 2014, selling, general and administration expenses ("SG&A") as a percentage of sales increased by 3.5% to 22.2% as compared to 18.7% for the six months ended June 30, 2013, which was mainly due to the revenue decrease.

The staff costs remained as a large component of the Group's SG&A while the travelling, entertainment and business expansion expenses ("T&E Expenses") and office supplies expenses are highly correlated with the headcount numbers. Therefore, the total amount of the aforesaid expenses (headcount related cost) constituted the largest portion of the Group's SG&A. The headcount related cost decreased from RMB111.6 million in the six months ended June 30, 2013 to RMB104.1 million for the six months ended June 30, 2014, representing a 6.8% decrease and accounting for 60.7% of the total SG&A. This fluctuation was mainly due to the strict expenses control policy applied by the Group.

Management Discussion and Analysis

Business and Financial Review

Selling, General and Administration Expenses (continued)

The rental expenses increased from RMB13.0 million for the six months ended June 30, 2013 to RMB13.5 million for the six months ended June 30, 2014. The rental expenses accounted for 7.9% of the total SG&A in the six months ended June 30, 2014, and increased 0.8% as compared to that of the corresponding period in 2013.

Research & Development expenses increased from RMB12.2 million for the six months ended June 30, 2013 to RMB12.7 million for the six months ended June 30, 2014, mainly as a result of the increase in the expenditure related to R&D on new segments, and new products, such as the urban traffic and aviation segments.

Non-cash expenses

Equity-settled share option expenses refer to the expenses related to the Company's pre-IPO share incentive scheme adopted on December 28, 2008 ("**Pre-IPO Share Incentive Scheme**") and the expenses related to the share options granted on January 18, 2012 under the share option scheme ("**Share Option Scheme**") of the Company adopted on June 18, 2010. For the six months ended June 30, 2014, equity-settled share option expenses were RMB4.7 million, which was significantly less than RMB11.3 million for the six months ended June 30, 2013, as a result of the gradual reduction in the amount of amortization under the Share Option Scheme in the subsequent period according to the pre-set vesting schedule.

Amortization expenses of intangible assets arising from acquisition mainly represented the amortization arising from the acquisition of CTH and STONE. Such expenses were RMB8.8 million for the six months ended June 30, 2014, which was lower than the expenses of RMB10.2 million for the six months ended June 30, 2013, because certain intangible assets from acquisition were already fully amortized in 2013.

Finance Income and Finance Cost

Finance income mainly referred to interest incomes and finance cost which mainly referred to interest expenses for interest-bearing bank loan, convertible bonds and guaranteed bonds. The net financial expense represented the total finance cost minus the total finance income. The Group's net financial expense was RMB34.4 million for the six months ended June 30, 2014, which represented an increase of RMB15.6 million as compared to RMB18.8 million for the six months ended June 30, 2013. The increase was mainly due to the interest arising from the convertible bonds in the amount of HK\$200 million issued to China market capital in late 2013.

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

Share of profits of investment entities for the six months ended June 30, 2014 was approximately RMB3.2 million, which represented a decrease of RMB2.5 million as compared to the figure of RMB5.7 million for the six months ended June 30, 2013. The investment income was mainly derived from the share of profit of certain associates engaging the expressway and urban traffic segments.

Income Tax Expenses

The total income tax expense for the six months ended June 30, 2014 was RMB16.5 million, which was lower than the total income tax expense of RMB18.5 million for the six months ended June 30, 2013. During six months ended June 30, 2014, the usage of standard tax rate was 25% in calculating current tax payable and deferred tax liability, as a result of the undergoing renewal process of eleven subsidiaries within the Group on high tech preferential tax rate of 15%.

Profit for the year

Before deducting the non-cash expenses in the amount of RMB13.5 million, the adjusted loss attributed to shareholders for the six months ended June 30, 2014 was RMB38.8 million, which was lower than the figure of RMB63.8 million for the six months ended June 30, 2013. This was mainly due to delays in the progress of Group's key projects in expressway segment and the decrease in the overall expenditure in urban traffic industry.

Management Discussion and Analysis

Business and Financial Review

Trade Receivables Turnover Days

The number of trade receivables turnover days for the six months ended June 30, 2014 was 169 days (in the six months ended June 30, 2013: 122 days).

Net Construction Turnover Days

The net amount due from contract customer turnover days for the six months ended June 30, 2014 was 110 days (for the six months ended June 30, 2013: 118 days).

Trade Payables Turnover Days

The number of trade payables turnover days in the six months ended June 30, 2014 was 198 days (in the six months ended June 30, 2013: 150 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 number of inventory turnover days for the six months ended June 30, 2014 was 7 days (for the six months ended June 30, 2013: 8 days).

Liquidity and Financial Resources

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings, and the proceeds from bond issued. As at June 30, 2014, the Group's current ratio (current assets divided by current liabilities) was 1.7 (as at December 31, 2013: 1.8). The Group's financial position remained healthy.

As at June 30, 2014, the Group was in a negative net cash position of RMB454.3 million (as at December 31, 2013: negative net cash of RMB242.8 million) which included cash and cash equivalent of RMB430.4 million (as at December 31, 2013: RMB695.7 million), interest-bearing bank loans of RMB626.3 million (as at December 31, 2013: RMB607.6 million), marketable guaranteed bonds of RMB106.8 million (as at December 31, 2013: RMB184.9 million) and convertible bonds of RMB151.6 million (as at December 31, 2013: RMB146.0 million). As at June 30, 2014, the Group's gearing ratio was 10.6%, which was higher than the gearing ratio of 8.8% as at June 30, 2013, due to the newly issued convertible bonds in the second half of 2013. Gearing ratio refers to adjusted cash (interest-bearing bank borrowings minus pledged deposits, short-term deposit and cash and bank balances plus amounts due to related parties) divides total equity.

Contingent Liabilities

As at June 30, 2014, the Group had no material contingent liability.

Charges on Group Assets

As at June 30, 2014, in addition to the pledged deposits (current portion) of approximately RMB76.6 million (as at December 31, 2013: RMB80.6 million) and the pledged deposits (non-current portion) of approximately RMB4.5 million (as at December 31, 2013: RMB4.5 million), the Group pledged its buildings with the net book values of RMB39.5 million (as at December 31, 2013: RMB39.5 million) to banks to secure banking facilities granted to the Group. Save as disclosed above, as at June 30, 2014, the Group had no other asset charged to financial institution.

Management Discussion and Analysis

Business and Financial Review

Material Acquisitions or Disposals of Subsidiaries and Associated Company

In May 2014, Jiangsu Zhongzhi Transportation Technology Co., Ltd. (“**Jiangsu Zhongzhi**”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement in respect of the transfer of 100% of the equity interest in Jiangsu Yijie Technology Co., Ltd. (“**Jiangsu Yijie**”), a wholly-owned subsidiary of Jiangsu Zhongzhi, with an independent third party (the “**Jiangsu Yijie Purchaser**”). Pursuant to the equity transfer agreement, Jiangsu Zhongzhi transferred 100% of the equity interest in Jiangsu Yijie to the Jiangsu Yijie Purchaser at a total consideration of RMB24.0 million, which was determined by reference to the net asset value of RMB43.8 million as recorded in Jiangsu Yijie’s accounts as at April 30, 2014. The transfer generated a loss of RMB19.8 million. Prior to the transfer, Jiangsu Yijie was engaged in civil aviation Air-to-Ground (ATG) communication service. The Group will discontinue the business operation of civil aviation ATG communication service and taking this into account, and the Group will transfer 100% equity interest and all the businesses of Jiangsu Yijie to the Purchaser of Jiangsu Yijie. The disposal of Jiangsu Yijie is consistent with the Company’s strategy of terminating the operation of the related business. As each of the relevant percentage ratios in respect of this transaction is below 5% and the transaction did not involve any securities for which listing would be sought, the transaction did not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Use of Proceeds

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

The use of the net proceeds from the global offering as at June 30, 2014 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	61.0	10.1
General corporate purposes	10%	71.1	71.1	–
Total	100%	710.6	700.5	10.1

Directors' Report

The board of directors (individually, a “Director”, or collectively, the “Board”) of China ITS (Holdings) Co., Ltd. (the “Company”) presents its report together with the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended June 30, 2014.

Interim Dividend

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

Review by Audit Committee and External Auditors

The audit committee of the Company has reviewed the accounting principles and practices and has also reviewed auditing, internal control and financial reporting matters, including the review of the interim results of the Group for the six months ended June 30, 2014 together with the management of the Company and external auditor, Ernst & Young.

In addition, Ernst & Young, has performed an independent review of the unaudited condensed consolidated interim financial information for the six months ended June 30, 2014 in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

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

Save as disclosed below, as at June 30, 2014, none of the Directors and chief executive of the Company 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 Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “SFO”) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 (the “Model Code”) as contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), to be notified to the Company and the Stock Exchange:

Name of Director	Nature of interest	Securities ⁽¹⁰⁾	Approximate percentage of shareholdings as at June 30, 2014 ⁽¹⁰⁾
Mr. Liao Jie ⁽¹⁾⁽²⁾	Beneficial owner/Interest of a controlled corporation	120,617,710(L)	7.33%(L)
Mr. Jiang Hailin ⁽¹⁾⁽³⁾	Beneficial owner/Beneficiary of the Fino Trust	758,217,440(L)	46.05%(L)
Mr. Wang Jing ⁽¹⁾⁽⁴⁾	Beneficial owner/Beneficiary of the Tesco Trust	762,167,440(L)	46.29%(L)
Mr. Lu Xiao ⁽⁵⁾	Beneficiary owner	10,176,284(L)	0.62%(L)
Mr. Pan Jianguo ⁽¹⁾⁽⁶⁾	Beneficial owner/Beneficiary of the Ampio Trust	143,558,952(L)	8.72%(L)
Mr. Choi Onward ⁽⁷⁾	Beneficial owner	98,824(L)	0.01%(L)
Mr. Sun Lu ⁽⁸⁾	Beneficial owner	98,824(L)	0.01%(L)
Mr. Zhou Chunsheng ⁽⁹⁾	Beneficial owner	98,824(L)	0.01%(L)

Directors' Report

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

Notes:

- (1) To facilitate the management and operation of the Company and as a result of previous restructuring exercises of the Group, China ITS Co., Ltd. ("**Holdco**"), Pride Spirit Company Limited, Sea Best Investments Limited, Joy Bright Success Limited ("**Joy Bright**"), Gouver Investments Limited ("**Gouver**"), Kang Yang Holdings Limited, Huaxin Investments Limited, Rockyjing Investment Limited, Key Trade Holdings Limited, Speedy Fast Investments Limited, Best Partners Development Limited ("**Best Partners**"), Joyful Business Holdings Limited ("**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 756,361,592 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 79,881,836 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 Investments**"), Fino Trust is deemed to be interested in all the Shares in which Fino Investments is interested. Mr. Jiang Hailin beneficially and directly owns 18,702,440 Shares, which are part of the 756,361,592 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 ("**Testco Investments**"), Tesco Trust is deemed to be interested in all the Shares in which Tesco Investments is interested.

- (5) 3,216,852 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.
- (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 International**"), Ampio Trust is deemed to be interested in all the Shares in which Ampio International is interested.

- (7) 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.
- (8) 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.
- (9) 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.
- (10) (L) denotes long positions.

Directors' Report

Directors' Rights to Acquire Shares

Save as otherwise disclosed in this interim report, at no time during the six months ended June 30, 2014, was the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

Pre-IPO Share Incentive Scheme/Share Option Scheme

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

1. Pre-IPO Share Incentive Scheme

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

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

As of June 30, 2014, a total of 30,437,542 Shares which were held by China ITS Co., Ltd. may be transferred to the relevant grantees upon exercise of all options which had been granted under the Pre-IPO Share Incentive Scheme. Upon exercise of such options, China ITS Co., Ltd. transfers the relevant number of shares of the Company to the grantee of the options. There is therefore no dilutive effect on the shareholders of the Company resulting from the exercise of the options under the Pre-IPO Share Incentive Scheme.

Directors' Report

Pre-IPO Share Incentive Scheme/Share Option Scheme (continued)

1. Pre-IPO Share Incentive Scheme (continued)

Movement of the options granted under the Pre-IPO Share Incentive Scheme during the six months ended June 30, 2014 is as follows:

Grantee	Grant date	Vesting start date	Expiry date	Outstanding as at January 1, 2014	Exercised during the six months ended June 30, 2014	Lapsed or cancelled during the six months ended June 30, 2014	Outstanding as at June 30, 2014	Exercise price per share (RMB)
Mr. Wang Jing (Executive Director, Substantial Shareholder)	31/12/2008	31/12/2010	31/12/2015	0	-	-	0	2
	31/12/2008	30/06/2011	30/06/2016	0	-	-	0	2
	31/12/2008	31/12/2011	31/12/2016	34,250	-	-	34,250	3
	31/12/2008	30/06/2012	30/06/2017	1,305,250	-	-	1,305,250	3
	31/12/2008	31/12/2012	31/12/2017	1,305,250	-	-	1,305,250	4
	31/12/2008	30/06/2013	30/06/2018	1,305,250	-	-	1,305,250	4
Sub-total				3,950,000	-	-	3,950,000	
Mr. Lu Xiao (Executive Director, Substantial Shareholder)	31/12/2008	31/12/2010	31/12/2015	536,142	-	-	536,142	2
	31/12/2008	30/06/2011	30/06/2016	536,142	-	-	536,142	2
	31/12/2008	31/12/2011	31/12/2016	536,142	-	-	536,142	3
	31/12/2008	30/06/2012	30/06/2017	536,142	-	-	536,142	3
	31/12/2008	31/12/2012	31/12/2017	536,142	-	-	536,142	4
	31/12/2008	30/06/2013	30/06/2018	536,142	-	-	536,142	4
Sub-total				3,216,852	-	-	3,216,852	
Mr. Lv Xilin (Executive Director (Resigned on 20 May 2014), Substantial Shareholder)	31/12/2008	31/12/2010	31/12/2015	203,895	-	-	203,895	2
	31/12/2008	30/06/2011	30/06/2016	203,895	-	-	203,895	2
	31/12/2008	31/12/2011	31/12/2016	203,895	-	-	203,895	3
	31/12/2008	30/06/2012	30/06/2017	203,895	-	-	203,895	3
	31/12/2008	31/12/2012	31/12/2017	203,895	-	-	203,895	4
	31/12/2008	30/06/2013	30/06/2018	203,895	-	-	203,895	4
Sub-total				1,223,370	-	-	1,223,370	
Others	31/12/2008	31/12/2010	31/12/2015	1,222,538	-	-	1,222,538	2
	31/12/2008	30/06/2011	30/06/2016	6,138,017	-	-	6,138,017	2
	31/12/2008	31/12/2011	31/12/2016	2,257,165	-	-	2,257,165	3
	31/12/2008	30/06/2012	30/06/2017	3,845,415	-	-	3,845,415	3
	31/12/2008	31/12/2012	31/12/2017	2,702,215	-	-	2,702,215	4
	31/12/2008	30/06/2013	30/06/2018	5,881,970	-	-	5,881,970	4
Sub-total				22,047,320	-	-	22,047,320	
TOTAL:				30,437,542	-	-	30,437,542	

Pre-IPO Share Incentive Scheme/Share Option Scheme (continued)

2. Share Option Scheme

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

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

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

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

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

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

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

Directors' Report

Pre-IPO Share Incentive Scheme/Share Option Scheme (continued)

2. Share Option Scheme (continued)

Movement of the options granted under the Share Option Scheme during the six months ended June 30, 2014 is as follows:

Grantee	Grant date ⁽¹⁾	Vesting start date	Expiry date	Outstanding as at January 1, 2014	Exercised during the six months ended June 30, 2014	Lapsed or cancelled during the six months ended June 30, 2014	Outstanding as at June 30, 2014	Exercise price per share (HK\$)
Mr. Jiang Hailin (Executive Director, Chief Executive Officer, Substantial Shareholder)	18/01/2012	19 April 2012	Note (2)	77,203	-	-	77,203	1.05
	18/01/2012	19 July 2012	Note (2)	77,203	-	-	77,203	1.05
	18/01/2012	19 October 2012	Note (2)	77,203	-	-	77,203	1.05
	18/01/2012	19 January 2013	Note (2)	77,203	-	-	77,203	1.05
	18/01/2012	19 April 2013	Note (2)	154,592	-	-	154,592	1.05
	18/01/2012	19 July 2013	Note (2)	154,592	-	-	154,592	1.05
	18/01/2012	19 October 2013	Note (2)	154,592	-	-	154,592	1.05
	18/01/2012	19 January 2014	Note (2)	154,592	-	-	154,592	1.05
	18/01/2012	19 April 2014	Note (2)	231,981	-	-	231,981	1.05
	18/01/2012	19 July 2014	Note (2)	231,981	-	-	231,981	1.05
	18/01/2012	19 October 2014	Note (2)	231,981	-	-	231,981	1.05
18/01/2012	19 January 2015	Note (2)	232,725	-	-	232,725	1.05	
Sub-total				1,855,848	-	-	1,855,848	
Mr. Pan Jianguo (Executive Director, Substantial Shareholder)	18/01/2012	19 April 2012	Note (2)	173,707	-	-	173,707	1.05
	18/01/2012	19 July 2012	Note (2)	173,707	-	-	173,707	1.05
	18/01/2012	19 October 2012	Note (2)	173,707	-	-	173,707	1.05
	18/01/2012	19 January 2013	Note (2)	173,707	-	-	173,707	1.05
	18/01/2012	19 April 2013	Note (2)	347,832	-	-	347,832	1.05
	18/01/2012	19 July 2013	Note (2)	347,832	-	-	347,832	1.05
	18/01/2012	19 October 2013	Note (2)	347,832	-	-	347,832	1.05
	18/01/2012	19 January 2014	Note (2)	347,832	-	-	347,832	1.05
	18/01/2012	19 April 2014	Note (2)	521,957	-	-	521,957	1.05
	18/01/2012	19 July 2014	Note (2)	521,957	-	-	521,957	1.05
	18/01/2012	19 October 2014	Note (2)	521,957	-	-	521,957	1.05
18/01/2012	19 January 2015	Note (2)	523,632	-	-	523,632	1.05	
Sub-total				4,175,659	-	-	4,175,659	
Mr. Wang Jing (Executive Director, Substantial Shareholder)	18/01/2012	19 April 2012	Note (2)	77,203	-	-	77,203	1.05
	18/01/2012	19 July 2012	Note (2)	77,203	-	-	77,203	1.05
	18/01/2012	19 October 2012	Note (2)	77,203	-	-	77,203	1.05
	18/01/2012	19 January 2013	Note (2)	77,203	-	-	77,203	1.05
	18/01/2012	19 April 2013	Note (2)	154,592	-	-	154,592	1.05
	18/01/2012	19 July 2013	Note (2)	154,592	-	-	154,592	1.05
	18/01/2012	19 October 2013	Note (2)	154,592	-	-	154,592	1.05
	18/01/2012	19 January 2014	Note (2)	154,592	-	-	154,592	1.05
	18/01/2012	19 April 2014	Note (2)	231,981	-	-	231,981	1.05
	18/01/2012	19 July 2014	Note (2)	231,981	-	-	231,981	1.05
	18/01/2012	19 October 2014	Note (2)	231,981	-	-	231,981	1.05
18/01/2012	19 January 2015	Note (2)	232,725	-	-	232,725	1.05	
Sub-total				1,855,848	-	-	1,855,848	
Mr. Liao Jie ⁽²⁾ (Executive Director, Chairman)	18/01/2012	19 April 2012	Note (2)	1,694,612	-	-	1,694,612	1.05
	18/01/2012	19 July 2012	Note (2)	1,694,612	-	-	1,694,612	1.05
	18/01/2012	19 October 2012	Note (2)	1,694,612	-	-	1,694,612	1.05
	18/01/2012	19 January 2013	Note (2)	1,694,612	-	-	1,694,612	1.05
	18/01/2012	19 April 2013	Note (2)	3,393,298	-	-	3,393,298	1.05
	18/01/2012	19 July 2013	Note (2)	3,393,298	-	-	3,393,298	1.05
	18/01/2012	19 October 2013	Note (2)	3,393,298	-	-	3,393,298	1.05
	18/01/2012	19 January 2014	Note (2)	3,393,298	-	-	3,393,298	1.05
	18/01/2012	19 April 2014	Note (2)	5,091,984	-	-	5,091,984	1.05
	18/01/2012	19 July 2014	Note (2)	5,091,984	-	-	5,091,984	1.05
	18/01/2012	19 October 2014	Note (2)	5,091,984	-	-	5,091,984	1.05
18/01/2012	19 January 2015	Note (2)	5,108,282	-	-	5,108,282	1.05	
Sub-total				40,735,874	-	-	40,735,874	

Directors' Report

Pre-IPO Share Incentive Scheme/Share Option Scheme (continued)

2. Share Option Scheme (continued)

Grantee	Grant date ⁽¹⁾	Vesting start date	Expiry date	Outstanding as at January 1, 2014	Exercised during the six months ended June 30, 2014	Lapsed or cancelled during the six months ended June 30, 2014	Outstanding as at June 30, 2014	Exercise price per share (HK\$)
Mr. Lu Xiao (Executive Director, Substantial Shareholder)	18/01/2012	19 April 2012	Note (2)	289,512	–	–	289,512	1.05
	18/01/2012	19 July 2012	Note (2)	289,512	–	–	289,512	1.05
	18/01/2012	19 October 2012	Note (2)	289,512	–	–	289,512	1.05
	18/01/2012	19 January 2013	Note (2)	289,512	–	–	289,512	1.05
	18/01/2012	19 April 2013	Note (2)	579,721	–	–	579,721	1.05
	18/01/2012	19 July 2013	Note (2)	579,721	–	–	579,721	1.05
	18/01/2012	19 October 2013	Note (2)	579,721	–	–	579,721	1.05
	18/01/2012	19 January 2014	Note (2)	579,721	–	–	579,721	1.05
	18/01/2012	19 April 2014	Note (2)	869,929	–	–	869,929	1.05
	18/01/2012	19 July 2014	Note (2)	869,929	–	–	869,929	1.05
	18/01/2012	19 October 2014	Note (2)	869,929	–	–	869,929	1.05
	18/01/2012	19 January 2015	Note (2)	872,713	–	–	872,713	1.05
Sub-total				6,959,432	–	–	6,959,432	
Mr. Lv Xilin (Executive Director (Resigned on 20 May 2014), Substantial Shareholder)	18/01/2012	19 April 2012	Note (2)	266,351	–	–	266,351	1.05
	18/01/2012	19 July 2012	Note (2)	266,351	–	–	266,351	1.05
	18/01/2012	19 October 2012	Note (2)	266,351	–	–	266,351	1.05
	18/01/2012	19 January 2013	Note (2)	266,351	–	–	266,351	1.05
	18/01/2012	19 April 2013	Note (2)	533,343	–	–	533,343	1.05
	18/01/2012	19 July 2013	Note (2)	533,343	–	–	533,343	1.05
	18/01/2012	19 October 2013	Note (2)	533,343	–	–	533,343	1.05
	18/01/2012	19 January 2014	Note (2)	533,343	–	–	533,343	1.05
	18/01/2012	19 April 2014	Note (2)	800,335	–	–	800,335	1.05
	18/01/2012	19 July 2014	Note (2)	800,335	–	–	800,335	1.05
	18/01/2012	19 October 2014	Note (2)	800,335	–	–	800,335	1.05
	18/01/2012	19 January 2015	Note (2)	802,896	–	–	802,896	1.05
Sub-total				6,402,677	–	–	6,402,677	
Mr. Choi Onward (Independent Non-Executive Director)	18/01/2012	19 April 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 April 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 April 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2015	Note (2)	8,272	–	–	8,272	1.05
Sub-total				98,824	–	–	98,824	
Mr. Zhou Chunsheng (Independent Non-Executive Director)	18/01/2012	19 April 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 April 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 April 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 July 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 October 2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19 January 2015	Note (2)	8,272	–	–	8,272	1.05
Sub-total				98,824	–	–	98,824	

Directors' Report

Pre-IPO Share Incentive Scheme/Share Option Scheme (continued)

2. Share Option Scheme (continued)

Grantee	Grant date ⁽¹⁾	Vesting start date	Expiry date	Outstanding as at January 1, 2014	Exercised during the six months ended June 30, 2014	Lapsed or cancelled during the six months ended June 30, 2014	Outstanding as at June 30, 2014	Exercise price per share (HK\$)	
Mr. Sun Lu (Independent Non-Executive Director)	18/01/2012	19 April 2012	Note (2)	8,232	–	–	8,232	1.05	
	18/01/2012	19 July 2012	Note (2)	8,232	–	–	8,232	1.05	
	18/01/2012	19 October 2012	Note (2)	8,232	–	–	8,232	1.05	
	18/01/2012	19 January 2013	Note (2)	8,232	–	–	8,232	1.05	
	18/01/2012	19 April 2013	Note (2)	8,232	–	–	8,232	1.05	
	18/01/2012	19 July 2013	Note (2)	8,232	–	–	8,232	1.05	
	18/01/2012	19 October 2013	Note (2)	8,232	–	–	8,232	1.05	
	18/01/2012	19 January 2014	Note (2)	8,232	–	–	8,232	1.05	
	18/01/2012	19 April 2014	Note (2)	8,232	–	–	8,232	1.05	
	18/01/2012	19 July 2014	Note (2)	8,232	–	–	8,232	1.05	
	18/01/2012	19 October 2014	Note (2)	8,232	–	–	8,232	1.05	
	18/01/2012	19 January 2015	Note (2)	8,272	–	–	8,272	1.05	
	Sub-total				98,824	–	–	98,824	
	Others	18/01/2012	19 April 2012	Note (2)	5,589,429	–	–	5,589,429	1.05
18/01/2012		19 July 2012	Note (2)	5,589,429	–	–	5,589,429	1.05	
18/01/2012		19 October 2012	Note (2)	5,589,429	–	–	5,589,429	1.05	
18/01/2012		19 January 2013	Note (2)	5,589,429	–	–	5,589,429	1.05	
18/01/2012		19 April 2013	Note (2)	7,723,426	–	–	7,723,426	1.05	
18/01/2012		19 July 2013	Note (2)	7,723,426	–	–	7,723,426	1.05	
18/01/2012		19 October 2013	Note (2)	7,723,426	–	–	7,723,426	1.05	
18/01/2012		19 January 2014	Note (2)	7,723,426	–	–	7,723,426	1.05	
18/01/2012		19 April 2014	Note (2)	9,857,424	–	–	9,857,424	1.05	
18/01/2012		19 July 2014	Note (2)	9,857,424	–	–	9,857,424	1.05	
18/01/2012		19 October 2014	Note (2)	9,857,424	–	–	9,857,424	1.05	
18/01/2012		19 January 2015	Note (2)	9,894,498	–	–	9,894,498	1.05	
Sub-total					92,698,190	–	–	92,698,190	
TOTAL:					155,000,000	–	–	155,000,000	

Notes:

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

Directors' Report

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

As at the June 30, 2014, 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
Mr. Lv Xilin ⁽¹⁾	Beneficial owner/ Beneficiary of the Fino Trust	Long position	763,987,639	46.40%
Holdco ⁽²⁾	Beneficiary owner	Long position	756,361,592	45.94%
Best Partners ⁽³⁾	Interest of controlled corporation	Long position	756,361,592	45.94%
Fino Investments ⁽⁴⁾	Interest of controlled corporation	Long position	756,361,592	45.94%
Tesco Investments ⁽⁵⁾	Interest of controlled corporation	Long position	756,361,592	45.94%
Credit Suisse Trust Limited ⁽⁴⁾⁽⁵⁾⁽⁶⁾	Trustee	Long position	756,361,592	45.94%
Ampio International ⁽⁶⁾	Interest of controlled corporation	Long position	139,383,293	8.47%
Gouver ⁽⁷⁾	Interest of controlled corporation	Long position	86,497,894	5.25%
Joy Bright ⁽⁷⁾	Beneficial owner	Long position	86,497,894	5.25%

Note:

- (1) 1,223,370 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, Fino Trust is deemed to be interested in all the Share in which Fino Investments is interested. Mr. Lv Xilin beneficially and directly owns 22,217,727 Shares, which are part of the 756,361,592 Shares in which Fino Trust is deemed to be interested.

- (2) Holdco is wholly-owned by Best Partners. Five of our Directors Mr. Jiang Hailin, Mr. Liao Jie, Mr. Wang Jing, Mr. Lu Xiao and Mr. Pan Jianguo are also directors of Holdco.
- (3) The issued share capital of Best Partners is held as to 83% by Fino Investments and as to 17% by Tesco Investments. By virtue of the Shareholder Voting Agreements, Best Partners Development Limited is deemed to be controlled by Fino Investments and Tesco Investments. Three of our Directors Mr. Jiang Hailin, Mr. Liao Jie and Mr. Wang Jing are also directors of Best Partners.
- (4) Fino Investments 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.

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

Note: (continued)

(5) Tesco Investments 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.

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

Each of Rockyjing Investment Limited and Gouver, the sole shareholder of Joy Bright, is wholly-owned by Ampio International. Accordingly, Ampio International is deemed to be interested in the 52,885,399 Shares and 86,497,894 Shares in which Rockyjing Investment Limited and Joy Bright are interested, respectively.

(7) Joy Bright is wholly-owned by Gouver and accordingly Gouver is deemed to be interested in all the Shares in which Joy Bright is interested. Our Director, Mr. Pan Jianguo, is also the director of Gouver Investments Limited and Joy Bright Success Limited.

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

Employment and Emolument Policies

As at June 30, 2014, the Group had 932 full-time employees. The emolument policy of the employees of the Group is set up by the Board on the basis of individual performance, the nature and responsibilities of the individual concerned and the performance of the Group and market conditions.

In addition, the Company has adopted the Pre-IPO Share Incentive Scheme and the Share Option Scheme as an incentive for Directors and eligible employees.

Purchase, Sale or Redemption of Listed Securities

In January, February and May 2014, the Company purchased and cancelled part of the RMB Bonds, which are listed on the Stock Exchange (stock code: 85908) in the total principal amount of RMB81,000,000, representing approximately 38.57% of the outstanding RMB Bonds in the original principal amount of RMB210,000,000 immediately prior to the cancellation. Please refer to the announcements of the Company dated January 10, 2014, February 20, 2014, May 19, 2014 and May 29, 2014 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 six months ended June 30, 2014.

Corporate Governance

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

The Company has adopted the code provisions contained in the code of corporate governance practices (the "CG Code") set out in Appendix 14 of Listing Rules. The Company has complied with the code provisions in the CG Code throughout the six months ended June 30, 2014.

Directors' Report

Directors' Securities Transactions

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

Audit Committee

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

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

Remuneration Committee

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

The primary duties of the remuneration committee are to evaluate and make recommendations to the Board regarding the compensation of the Directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of senior management of the Group.

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

Nomination Committee

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

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

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

Changes to Information in Respect of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Director subsequent to the date of this interim report are set out below:

Mr. Liao Jie, the chairman of the Board and an executive Director, has been appointed as a director of Visual China Group Co., Ltd. (formerly known as Far East Industrial Stock Co., Ltd., a company listed on the Shenzhen Stock Exchange, stock code: 000681, "Visual China") from May 9, 2014 and the chairman of Visual China from May 29, 2014.

Directors' Report

Changes to Information in Respect of Directors (continued)

Mr. Zhou Chunsheng, an independent non-executive Director, has resigned from Guangdong Zhaoqing Star Lake Bioscience Co., Inc., a company listed on the Shanghai Stock Exchange (stock code: 600866) as an independent non-executive director from April 16, 2014, from Zhonghong Stocks Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000979) as an independent non-executive director and a member of relevant committees of the board of such company from June 16, 2014, and from Jun Zheng Energy and Chemical Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601216) as an independent non-executive director from June 16, 2014. Mr. Zhou Chunsheng has also been appointed as an independent non-executive director and a member of the audit committee and remuneration committee of North Asia Resources Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0061).

Mr. Choi Onward, an independent non-executive Director, has been appointed as an independent director and the chairman of the audit committee of Tuniu Corporation, a company listed on NASDAQ (NASDAQ: TOUR) from May 9, 2014.

Mr. Lv Xilin, an executive Director, has resigned from his position as an executive Director of the Company with effect from May 20, 2014.

Mr. Tim Tianwei Zhang has been appointed as a non-executive Director of the Company with effect from May 20, 2014.

Save for the information disclosed above, there is no other information related to Directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Use of Proceeds from Listing

Details of the use of proceeds of the Company for the six months ended June 30, 2014 are set out with the same subtitle in the section headed "Management Discussion and Analysis" in this interim report.

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

Beijing, August 28, 2014

Report on Review of Interim Condensed Consolidated Financial Statements



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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of China ITS (Holdings) Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group"), which comprises the interim condensed consolidated statement of financial position as at June 30, 2014 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

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

Scope of review

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

Conclusion

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

Ernst & Young

Certified Public Accountants
Hong Kong

August 28, 2014

Interim Condensed Consolidated Statement of Profit or Loss

For the six-month period ended June 30, 2014

	Notes	For the six-month period ended June 30,	
		2014 RMB'000 Unaudited	2013 RMB'000 Unaudited
REVENUE	4	772,317	975,905
Cost of revenue	5	(595,357)	(724,236)
Gross profit		176,960	251,669
Other income and gains	4	9,916	4,967
Selling, general and administrative expenses		(171,446)	(182,411)
Other expenses		(289)	(269)
OPERATING PROFIT		15,141	73,956
Finance income	5	5,644	7,320
Finance costs	5	(40,018)	(26,106)
Share of profits/(losses) of joint ventures		(1,787)	2,377
Share of profits of associates		4,974	3,291
Gain/(loss) on disposal of a subsidiary	26	(19,808)	63
PROFIT/(LOSS) BEFORE TAX	5	(35,854)	60,901
Income tax expense	6	(16,454)	(18,489)
PROFIT/(LOSS) FOR THE PERIOD		(52,308)	42,412
Attributable to:			
Owners of the parent		(47,999)	43,356
Non-controlling interests		(4,309)	(944)
		(52,308)	42,412
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic-for profit/(loss) for the period	7	RMB(0.03)	RMB0.03
Diluted-for profit/(loss) for the period	7	RMB(0.03)	RMB0.03

Interim Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended June 30, 2014

	For the six-month period ended June 30,	
	2014 RMB'000 Unaudited	2013 RMB'000 Unaudited
PROFIT/(LOSS) FOR THE PERIOD	(52,308)	42,412
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(7,125)	(2,747)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(7,125)	(2,747)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(59,433)	39,665
Attributable to:		
Owners of the parent	(55,124)	40,609
Non-controlling interests	(4,309)	(944)
	(59,433)	39,665

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2014

	Notes	June 30, 2014 RMB'000 Unaudited	December 31, 2013 RMB'000 Audited
NON-CURRENT ASSETS			
Property and equipment	9	74,784	64,844
Investment properties		109,100	109,100
Prepaid land premium		13,621	13,726
Goodwill		406,135	406,135
Other intangible assets	10	50,967	59,750
Investments in joint ventures	11	45,823	55,375
Investments in associates	12	132,014	104,908
Available-for-sale investment		25,307	25,307
Deferred tax assets		13,350	12,709
Prepayments for acquisition of equity interests in other entity	13	–	96,710
Pledged deposits	19	4,500	4,500
Convertible borrowings	14	80,000	–
Other long-term assets		–	20,000
Total non-current assets		955,601	973,064
CURRENT ASSETS			
Inventories	15	23,706	20,922
Construction contracts	16	1,203,134	1,294,760
Trade and bills receivables	17	1,155,740	1,115,858
Prepayments, deposits and other receivables	18	1,359,498	1,375,658
Due from related parties	27	128,143	135,367
Deferred cost		19,368	20,364
Held-to-maturity investment		67,949	67,299
Pledged deposits	19	76,609	80,639
Cash and cash equivalents	19	430,362	695,720
Other financial assets		16,815	16,815
Total current assets		4,481,324	4,823,402
CURRENT LIABILITIES			
Trade and bills payables	20	874,810	1,046,574
Other payables and accruals	21	224,832	283,100
Construction contracts	16	770,524	728,324
Interest-bearing bank borrowings	22	543,316	520,561
Due to related parties	27	23,959	52,108
Income tax payable		14,100	27,275
Convertible bonds within one year		151,574	–
Total current liabilities		2,603,115	2,657,942
NET CURRENT ASSETS		1,878,209	2,165,460
TOTAL ASSETS LESS CURRENT LIABILITIES		2,833,810	3,138,524

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2014

	Notes	June 30, 2014 RMB'000 Unaudited	December 31, 2013 RMB'000 Audited
NON-CURRENT LIABILITIES			
Guaranteed bonds	23	106,789	184,918
Convertible bonds		–	146,033
Interest-bearing bank borrowings	22	83,000	87,000
Long-term payable		–	3,067
Deferred tax liabilities		45,010	47,863
Total non-current liabilities		234,799	468,881
NET ASSETS			
EQUITY			
Equity attributable to owners of the parent			
Issued capital	24	289	289
Equity component of convertible bonds		7,903	7,903
Proposed final dividend		–	15,532
Reserves		2,555,842	2,606,633
		2,564,034	2,630,357
Non-controlling interests		34,977	39,286
TOTAL EQUITY		2,599,011	2,669,643

Liao Jie
Director

Jiang Hailin
Director

Interim Condensed Consolidated Statement of Changes In Equity

For the six-month ended June 30, 2014

Attributable to owners of the parent												
Notes	Equity component of										Non-controlling interests	Total
	Issued capital	Share premium	Statutory reserve	Capital reserve	convertible bonds	Asset revaluation reserve	Exchange fluctuation reserve	Retained earnings	Proposed final dividend	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2013	289	1,070,539	115,412	605,160	-	7,782	(14,420)	677,927	-	2,462,689	34,717	2,497,406
Profit for the period	-	-	-	-	-	-	-	43,356	-	43,356	(944)	42,412
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,747)	-	-	(2,747)	-	(2,747)
Total comprehensive income for the period	-	-	-	-	-	-	(2,747)	43,356	-	40,609	(944)	39,665
Share-based payment transactions	25	-	-	11,265	-	-	-	-	-	11,265	-	11,265
Others	-	-	-	-	-	-	-	-	-	-	1,042	1,042
At June 30, 2013 (unaudited)	289	1,070,539	115,412	616,425	-	7,782	(17,167)	721,283	-	2,514,563	34,815	2,549,378
At January 1, 2014	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
Loss for the period	-	-	-	-	-	-	-	(47,999)	-	(47,999)	(4,309)	(52,308)
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(7,125)	-	-	(7,125)	-	(7,125)
Total comprehensive income for the period	-	-	-	-	-	-	(7,125)	(47,999)	-	(55,124)	(4,309)	(59,433)
Disposal of a subsidiary	-	-	(258)	-	-	-	-	-	-	(258)	-	(258)
Share-based payment transactions	25	-	-	4,743	-	-	-	-	-	4,743	-	4,743
Proposed final dividend	-	-	-	-	-	-	-	(152)	(15,532)	(15,684)	-	(15,684)
Transfer from retained earnings	-	-	46	-	-	-	-	(46)	-	-	-	-
At June 30, 2014 (unaudited)	289	1,071,966*	126,354*	628,753*	7,903	7,782*	(24,826)*	745,813*	-	2,564,034	34,977	2,599,011

* These reserve accounts comprise the consolidated reserves of RMB2,555,842,000 (December 31, 2013 RMB2,606,633,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2014

	Notes	For the six-month period ended June 30,	
		2014 RMB'000 Unaudited	2013 RMB'000 Unaudited
CASH FLOWS USED IN OPERATING ACTIVITIES			
Profit/(loss) before tax		(35,854)	60,901
Adjustments for:			
Depreciation and amortisation	5	18,542	19,895
Net loss on disposal of items of property and equipment	5	84	149
Loss/(gain) on disposal of a subsidiary	26	19,808	(63)
Equity-settled share option expenses		4,743	11,265
Share of losses/(profits) of joint ventures		1,787	(600)
Share of profits of associates		(4,974)	(3,222)
Finance income	5	(5,644)	(7,320)
Finance costs	5	40,018	26,106
Impairment of inventories		–	1,387
Impairment of trade receivables		3,366	–
		41,876	108,498
Changes in assets and liabilities:			
Increase in inventories		(2,784)	(6,466)
Movements in the decrease or increase in construction contracts assets/liabilities		67,392	(375,530)
Increase in trade and bills receivables		(43,248)	(5,441)
Decrease/(increase) in prepayments, deposits and other receivables		78,182	(140,935)
Decrease/(increase) in amounts due from related parties		7,224	(35,905)
Decrease/(increase) in deferred cost		996	(12,293)
Decrease in pledged deposits		4,030	14,143
Increase/(decrease) in trade and bills payables		(156,044)	91,964
Increase/(decrease) in other payables and accruals		(17,738)	46,390
Increase/(decrease) in amounts due to related parties		(28,149)	5,980
Decrease in deferred income		–	(1,344)
Cash used in operations		(48,263)	(310,939)
Interest received		1,583	2,129
Income tax paid		(24,462)	(48,655)
Net cash flows used in operating activities		(71,142)	(357,465)

Interim Condensed Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2014

	Notes	For the six-month period ended June 30,	
		2014 RMB'000 Unaudited	2013 RMB'000 Unaudited
Net cash flows used in operating activities		(71,142)	(357,465)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Interest received		2,107	6,148
Proceeds from disposal of items of property and equipment		42	2,459
Purchases of items of property and equipment	9	(19,720)	(11,594)
Investment in convertible borrowings		(80,000)	–
Dividends received		2,640	2,250
Investment in a joint venture		–	(5,500)
Investment in associates		(22,442)	(4,440)
Acquisition of subsidiaries		(3,558)	(7,090)
Disposal of a subsidiary	26	5,920	7,431
Collection of the prepayment related to acquisition of new entity		22,662	–
Disposal of an investment property		–	56,000
Net cash flows from/(used in) investing activities		(92,349)	45,664
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from interest-bearing bank borrowings		215,690	228,243
Repayment of interest-bearing bank borrowings		(196,935)	(171,624)
Proceeds from issue of convertible bonds		905	–
Interest paid		(34,272)	(22,921)
Repurchase of guaranteed bonds		(81,000)	(20,000)
Net cash flows from/(used in) financing activities		(95,612)	13,698
Net decrease in cash and cash equivalents		(259,103)	(298,103)
Effect of foreign exchange rate changes, net		(6,255)	(1,590)
Cash and cash equivalents at beginning of period		695,720	584,783
CASH AND CASH EQUIVALENTS AT END OF PERIOD		430,362	285,090
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	19	430,362	281,837
Pledged deposits with original maturity of less than three months		–	3,253
Cash and cash equivalents as stated in the statement of cash flows		430,362	285,090

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

1. Corporate Information

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

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

The Group's principal business are summarised as follows:

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

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

2. Basis of Presentation and Changes to the Group's Accounting Policies

Basis of presentation

The unaudited interim condensed consolidated financial statements for the six months ended June 30, 2014 have been prepared in accordance with IAS34 *Interim Financial Reporting* and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2013. The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2013, except for the adoption of new standards and interpretations as of January 1, 2014, noted below:

The Group applies, for the first time, IFRIC 21 *Levies* that require restatement of previous financial statements. As required by IAS 34, the nature and the effect of these changes are disclosed below.

Several other new standards and amendments are applied for the first time in 2014. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

2. Basis of Presentation and Changes to the Group's Accounting Policies (Continued)

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

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. As no impairment loss has been recognised or reversed for an individual asset or a CGU during the period, these amendments have no impact on the Group in current period.

IFRIC 21 Levies

IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. As the Group is not subject to the levies within the scope of IFRIC 21, the amendment does not have an impact on the Group.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

3. Operating Segment Information

For management purposes, the Group has the following operating segments based on industry sectors:

- (a) Expressway: Provides the turnkey solutions (“TS”), specialised solutions (“SS”) and value-added operation and services (“VAOS”) to customers in expressway industry;
- (b) Railway: Provides SS, and VAOS to customers in railway industry;
- (c) Urban traffic: Provides TS, SS and VAOS to customers in urban traffic industry;
- (d) 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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax from continuing operations except that finance income, finance costs, share of profits/(losses) of joint ventures and associates, gain/(loss) on disposal of a subsidiary as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude interest receivable, held-to maturity investment, 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 payable 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.

Geographical information

The Group principally operates in Mainland China (country of the domicile of major operating subsidiaries). All of the Group’s revenue from external customers is generated from Mainland China. All of the Group’s non-current assets are located in Mainland China.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

3. Operating Segment Information (Continued)

Information about a major customer

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

Six-month period ended June 30, 2014	Expressway RMB'000	Railway RMB'000	Urban traffic RMB'000	Energy RMB'000	Consolidated RMB'000
Segment revenue					
Sales to external customers	372,105	291,540	108,672	-	772,317
Intersegment sales	-	-	-	-	-
	372,105	291,540	108,672	-	772,317
<i>Reconciliation:</i>					
Elimination of intersegment sales					-
Revenue					772,317
Segment results	24,523	40,536	(37,024)	-	28,035
<i>Reconciliation:</i>					
Finance income					5,644
Finance costs					(40,018)
Share of losses of joint ventures					(1,787)
Share of profits of associates					4,974
Loss on disposal of a subsidiary					(19,808)
Exchange gains					5,509
Corporate and other unallocated expenses					(18,403)
Loss before tax					(35,854)
Jun 30, 2014					
Segment assets	2,163,694	1,791,494	1,182,596	-	5,137,784
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(500,503)
Corporate and other unallocated assets					799,644
Total assets					5,436,925
Segment liabilities	1,037,665	972,795	782,855	-	2,793,315
<i>Reconciliation:</i>					
Elimination of intersegment payables					(500,503)
Corporate and other unallocated liabilities					545,102
Total liabilities					2,837,914

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

3. Operating Segment Information (Continued)

Six-month period ended June 30, 2013	Expressway RMB'000	Railway RMB'000	Urban traffic RMB'000	Energy RMB'000	Consolidated RMB'000
Segment revenue					
Sales to external customers	570,425	213,409	185,125	6,946	975,905
Intersegment sales	–	–	–	–	–
	570,425	213,409	185,125	6,946	975,905
<i>Reconciliation:</i>					
Elimination of intersegment sales					–
Revenue					975,905
Segment results	79,443	13,799	(13,083)	(263)	79,896
<i>Reconciliation:</i>					
Finance income					7,320
Finance costs					(26,106)
Share of profits of joint ventures					2,377
Share of profits of associates					3,291
Gain on disposal of a subsidiary					63
Exchange gain					427
Corporate and other unallocated expenses					(6,367)
Profit before tax					60,901
December 31, 2013					
Segment assets	1,568,649	2,095,137	985,885	37,059	4,686,730
<i>Reconciliation:</i>					
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
<i>Reconciliation:</i>					
Elimination of intersegment payables					(112,457)
Corporate and other unallocated liabilities					1,507,971
Total liabilities					3,126,823

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

4. Revenue

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

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

Revenue for rendering of services, represents net invoiced value of services rendered.

An analysis of revenue is as follows:

	For the six-month period ended June 30,	
	2014 RMB'000	2013 RMB'000
Revenue		
Implementation of projects	705,876	896,656
Sale of products	61,151	79,249
Rendering of services	5,290	–
	772,317	975,905
Other income and gains		
Gross rental income	4,091	3,245
Government grants	233	1,202
Exchange gains	5,509	427
Others	83	93
	9,916	4,967

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

5. Profit/(Loss) before Tax

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

	For the six-month period ended June 30,	
	2014 RMB'000	2013 RMB'000
Cost of services rendered for implementation of projects	544,806	670,423
Cost of inventories sold	48,822	53,813
Cost of services provided	1,729	–
	595,357	724,236
Depreciation (note 9)	9,654	9,495
Amortisation of other intangible assets* (note 10)	8,783	10,176
Amortisation of prepaid land premium	105	224
	18,542	19,895
Minimum lease payments under operating leases	13,633	13,118
Auditors' remuneration	1,375	1,250
Wages and salaries	37,927	40,507
Pension scheme contributions (defined contribution scheme)	4,135	4,958
Social insurance costs and staff welfare	10,248	9,233
Equity-settled share option expenses	4,743	11,265
Directors' and senior executives' remuneration (excluding equity-settled share option expenses)	1,870	2,302
	58,923	68,265
Foreign exchange gain, net	(5,509)	(427)
Net loss on disposal of items of property and equipment (note 9)	84	149
Finance income	(5,644)	(7,320)
Finance costs	40,018	26,106
Impairment of trade receivable	3,366	–
Gain/(loss) on disposal of a subsidiary	(19,808)	63

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

6. Income Tax Expense

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

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

Under the relevant PRC income tax law, except for certain preferential treatment available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (six-month period ended June 30, 2013: 25%) on their respective taxable income. During the current period, one entity (six-month period ended June 30, 2013: 11) of the Group entitled to 15% preferential corporate income tax rate as High and New Technology Enterprises.

No provision for Hong Kong profits tax has been made for the six-month periods ended June 30, 2014 and 2013, as the Group had no assessable profits arising in Hong Kong for each of the periods.

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

	For the six-month period ended June 30,	
	2014 RMB'000	2013 RMB'000
Current income tax:		
Current income tax charge in Mainland China	17,390	7,980
Deferred income tax:		
Relating to origination and reversal of temporary differences	(936)	10,509
Income tax expense reported in the interim condensed consolidated statement of profit or loss	16,454	18,489

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

7. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

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

For 2013, 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 period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the six month period ended June 30, 2014 in respect of a dilution as the impact of the share option scheme and the convertible bonds outstanding has an anti-dilutive effect on the basic loss per share amounts presented.

	For the six-month period ended June 30,	
	2014 RMB'000	2013 RMB'000
Earnings		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	(47,999)	43,356
Number of shares for the six-month period ended June 30,		
	2014	2013
Shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	1,646,513,072	1,645,608,261
Effect of dilution — weighted average number of ordinary shares		
Potential ordinary shares under the share options scheme	—	46,525,183
	1,646,513,072	1,692,133,444

8. Dividends Proposed

No interim dividend was proposed by the Company for the six-month period ended June 30, 2014.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

9. Property and Equipment

During the six-month period ended June 30, 2014, the Group purchased equipment with a cost of RMB19,720,000 (six-month period ended June 30, 2013: RMB11,594,000).

The depreciation charged during the six-month period ended June 30, 2014 was RMB9,654,000 (six-month period ended June 30, 2013: RMB9,495,000).

Property and equipment with a net book value of RMB126,000 was disposed of by the Group during the six-month period ended June 30, 2014 (six-month period ended June 30, 2013: RMB2,608,000), resulting in a net loss on disposal of RMB84,000 (six-month period ended June 30, 2013: RMB149,000).

10. Other Intangible Assets

	Technical know-how RMB'000	Customer relationships RMB'000	Contract backlog RMB'000	Total RMB'000
Cost at January 1, 2014 net of accumulated amortisation	18,445	40,759	546	59,750
Amortisation provided during the period	(3,207)	(5,497)	(79)	(8,783)
At June 30, 2014	15,238	35,262	467	50,967
At June 30, 2014				
Cost	31,875	61,099	4,272	97,246
Accumulated amortisation	(16,637)	(25,837)	(3,805)	(46,279)
Net carrying amount	15,238	35,262	467	50,967

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

11. Investments in Joint Ventures

	June 30, 2014	December 31, 2013
	RMB'000	RMB'000
Share of net assets	45,823	55,375

The Group's receivables due from and payables due to joint ventures are disclosed in note 27 to the financial statements.

Particulars of the joint ventures are as follows:

Name of joint ventures	Place of registration and business	Particulars of issued shares held	Ownership interest	Voting power	Profit sharing	Principle activities
Wuhan Chenguang Transportation Technology Development Co., Ltd. ("Wuhan Chenguang")	Mainland China	RMB8 million	51%	60%	51%	Intelligent transportation system specialised solutions
Chengdu Zhida Weilute Technology Co., Ltd. ("Chengdu Weilute")	Mainland China	RMB15 million	51%	60%	51%	Intelligent transportation system specialised solutions
Shandong Yigou Software Technology Co., Ltd. ("Shangdong Yigou")	Mainland China	RMB10 million	52.8%	60%	52.8%	Intelligent transportation system specialised solutions
Nanjing Communication Information Co., Ltd. ("NCI")	Mainland China	RMB10 million	50%	50%	50%	Intelligent transportation system specialised solutions
GTECH-CIC Joint Venture ("GTECH-CIC")	Hong Kong	HK\$4.5 million	60%	60%	60%	Intelligent transportation system specialised solutions

Other than GTECH-CIC which is directly held by the Company, all above investments in joint ventures are held indirectly by the Company. As the disposal of Jiangsu Yijie Technology Co., Ltd. ("Jiangsu Yijie"), a wholly owned subsidiary of the Group, in May 2014, Wuxi Zhitong Runbang Technology Co., Ltd. ("Wuxi Zhitong"), a joint venture of Jiangsu Yijie, has been disposed of accordingly.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

12. Investments in Associates

	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Share of net assets	132,014	104,908

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

Particulars of the associates are as follows:

Name of associates	Place of registration and business	Particular of issued shares held	Percentage of ownership interest	Principal activities
Guangzhou Communication Information Co., Ltd. ("GCI")	Mainland China	RMB50 million	45%	Intelligent transportation system
Xi'an Communication Information Co., Ltd. ("XCI")	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
Zhongzhixin Financial Leasing Co., Ltd. ("Zhongzhixin")	Mainland China	US\$10 million	30%	Financial leasing service
Xinjiang Jiaojian Intelligent Communication Technology Co., Ltd. ("Xinjiang Jiaojian")	Mainland China	RMB10 million	40%	Intelligent transportation system
武漢光谷智能交通科技有限公司 ("Wuhan Communication")	Mainland China	RMB30 million	25%	Intelligent transportation system
北京線通暢達交通技術有限公司 ("Beijing Lvtong Changda")	Mainland China	RMB20 million	20%	Intelligent transportation system

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

13. Prepayments for Acquisition of Equity Interests in Other Entity

In 2012, the Group entered into an agreement in relation to an acquisition of the equity interest in a company which is specialised in the provision of technology services in the civil aviation industry. In 2014, after further negotiation, the Group decided to change its original acquisition plan and has agreed with the counterparty that the counterparty shall subscribe for certain equity interests in a wholly owned subsidiary of the Group in the related business. As at June 30, 2014, RMB29.0 million was unsettled by the counterparty and the balance was reclassified to other receivables in the Group's financial statements.

14. Convertible Borrowings

In June 2014, the Group lent RMB80.0 million to a company which is a specialised solutions provider in expressway industry with the conversion right at any business day during the borrowing period.

15. Inventories

	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Raw materials	664	2,753
Finished goods	23,042	19,556
	23,706	22,309
Impairment	-	(1,387)
	23,706	20,922

16. Construction Contracts

	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Gross amount due from contract customers	1,203,134	1,294,760
Gross amount due to contract customers	(770,524)	(728,324)
	432,610	566,436
Contract costs incurred plus recognised profits less recognised losses to date	6,761,069	6,309,916
Less: progress billings	(6,328,459)	(5,743,480)
	432,610	566,436

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

17. Trade and Bills Receivables

	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Trade receivables	1,130,573	1,093,082
Impairment	(3,622)	(256)
	1,126,951	1,092,826
Bills receivables	28,789	23,032
	1,155,740	1,115,858

Trade and bills receivables, which are non-interest-bearing, are recognised and carried at the original invoiced amount less any impairment loss. An estimate for doubtful debts is made when there is objective evidence that an impairment loss on receivables has been incurred. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances.

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:

	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Less than 6 months	520,027	546,802
6 months to 1 year	222,806	226,791
1 year to 2 years	276,710	199,469
2 years to 3 years	72,239	111,118
Over 3 years	63,958	31,678
	1,155,740	1,115,858

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

	June 30, 2014 RMB'000	December 31, 2013 RMB'000
At January 1	256	1,690
Impairment recognised	3,366	-
Amount written off as disposal of a subsidiary	-	(1,434)
At June 30	3,622	256

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

18. Prepayments, Deposits and Other Receivables

	Note	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Prepayments to suppliers for purchases of goods		847,829	882,275
Loans to other companies	(a)	131,494	165,002
Tender deposits		15,083	31,315
Contract deposits		157,484	133,587
Advances to staff		35,047	25,856
Interest receivable		17,623	15,673
Dividend receivable		29,899	28,990
Compensation due from strategic investor		20,506	20,310
Others		106,249	74,366
		1,361,214	1,377,374
Impairment		(1,716)	(1,716)
		1,359,498	1,375,658

- (a) Balance represents unsecured loans to other third party companies which are due within one year. Among which a balance of RMB110,051,000 is interest-free, a balance of RMB8,443,000 bears interest at 10.0% per annum, a balance of RMB5,000,000 bears interest at 8.0% per annum and a balance of RMB8,000,000 bears 115% of the 1-year benchmark interest rate announced by the People's Bank of China,

19. Pledged Deposits, Cash and Cash Equivalents

	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Cash and bank balances	430,362	695,720
Pledged deposits		
— Current deposits	76,609	80,639
— Non-current deposits	4,500	4,500
	511,471	780,859
Less: Pledged deposits for		
— Letter of guarantee for projects	(46,887)	(40,812)
— Bills payables	(8,638)	(6,284)
— Interest-bearing bank borrowings	(12,037)	(12,016)
— Tenders	(13,547)	(26,027)
Cash and cash equivalents	430,362	695,720

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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

19. Pledged Deposits, Cash and Cash Equivalents (Continued)

The cash and cash equivalents and pledged deposits of the Group denominated in RMB amounted to RMB477,895,000 (December 31, 2013: RMB642,300,000) as at June 30, 2014. The balance denominated in RMB includes RMB475,570,000 (December 31, 2013: RMB642,000,000) located in Mainland China and RMB2,325,000 (December 31, 2013: RMB300,000) located in overseas. The RMB is not freely convertible into other currencies in Mainland China, 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.

20. Trade and Bills Payables

	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Trade payables	829,621	1,015,152
Bills payables	45,189	31,422
	874,810	1,046,574

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

	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Current or less than 1 year	684,076	732,776
1 to 2 years	142,173	267,536
Over 2 years	48,561	46,262
	874,810	1,046,574

The Group's bills payables were secured by pledged deposits of the Group of RMB8.6 million as at June 30, 2014 (December 31, 2013: RMB6.3 million).

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

21. Other Payables and Accruals

	June 30, 2014	December 31, 2013
	RMB'000	RMB'000
Other taxes payable	72,007	145,488
Advances from customers	69,083	31,860
Business advance deposits	26,471	53,587
Staff costs and welfare accruals	15,768	16,739
Research and development funds	869	1,299
Interest payable	2,246	3,882
Dividend payable	15,684	–
Others	22,704	30,245
	224,832	283,100

The above balances are non-interest-bearing.

22. Interest-Bearing Bank Borrowings

	Contractual interest rate	June 30, 2014	December 31, 2013
	%	RMB'000	RMB'000
Current			
Bank loans — secured and repayable within one year	6.4–7.8	240,237	208,000
Bank loans — guaranteed and repayable within one year	6.2–8.2	270,124	276,230
Bank loans — unsecured and repayable within one year	HIBOR/ LIBOR+2.6	18,468	18,292
Bills receivables endorsed	–	14,487	18,039
		543,316	520,561
Non-current			
Bank loans — secured and repayable within three years	6.6	83,000	87,000

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

22. Interest-Bearing Bank Borrowings (Continued)

Notes:

- (i) Bank loans of RMB90.0 million as at June 30, 2014 (December 31, 2013: RMB58.0 million) were secured by investment properties of RMB39.5 million (December 31, 2013: RMB39.5 million).
- (ii) Bank loans of RMB233.0 million (including non-current bank loans of RMB83.0 million) as at June 30, 2014 (December 31, 2013: RMB237.0 million) were secured by RMB12.0 million (December 31, 2013: RMB12.0 million) bank deposits provided by Beijing Aproud Technology Co., Ltd. ("Aproud Technology"), a subsidiary of the Company.
- (iii) Bank loans of RMB36.0 million as at June 30, 2014 were guaranteed by Aproud Technology, a subsidiary of the Company (December 31, 2013: RMB6.6 million).
- (iv) Bank loans of RMB80.5 million as at June 30, 2014 were guaranteed by Beijing RHY Technology Development Co., Ltd. ("RHY Technology"), a subsidiary of the Company (December 31, 2013: RMB120.5 million).
- (v) Bank loans of RMB10.0 million as at June 30, 2014 were guaranteed by Aproud Technology and RHY Technology, subsidiaries of the Company (December 31, 2013: RMB0.5 million).
- (vi) Bank loans of RMB20.0 million as at December 31, 2013 were guaranteed by Beijing Zhixun Tiancheng Technology Co., Ltd., a subsidiary of the Company. There was no such arrangement as at June 30, 2014.
- (vii) Bank loans of RMB20.0 million as at June 30, 2014 were guaranteed by Mr. Guan Jizhen, a non-controlling shareholder of a non-wholly owned subsidiary of the Company (December 31, 2013: RMB20.0 million).
- (viii) Bank loans of RMB123.6 million as at June 30, 2014 were guaranteed by the Company (December 31, 2013: RMB108.6 million).
- (ix) Bank loans of US\$3.0 million (equivalent to RMB18.5 million) as at June 30, 2014 were unsecured (December 31, 2013: RMB18.3 million).

As at June 30, 2014, the Group had unutilised available bank borrowing facilities amounting to RMB340.0 million (December 31, 2013: RMB491.4 million).

The Group's bank loans are denominated in RMB and US\$ respectively. Bank loans of RMB20.0 million bear fixed interest rates and bank loans of RMB573.3 million (including non-current bank loans of RMB83.0 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 RMB18.5 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.

23. Guaranteed Bonds

The Company issued RMB210.0 million of guaranteed bonds in November 2012 with an interest rate per annum of 10%, due 2015. In current period, RMB81.0 million of principal was repurchased, in order to reduce the Group's future financial expenses.

24. Issued Capital

Shares

	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Authorised:		
1,900,000,000 ordinary shares of HK\$0.0002 each	335	335
Issued and fully paid:		
1,645,608,261 ordinary shares of HK\$0.0002 each	289	289

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

25. Share Option Scheme

Pre-IPO Share Incentive Scheme

On December 28, 2008, China ITS Co., Ltd. launched a share option scheme. Pursuant to the scheme, China ITS Co., Ltd. granted 116,653,105 options to the eligible employees of the Group and directors of the Company, of which 58,170,393 share options were vested on the grant date and the remaining 58,482,712 share options would be vested over six equal semi-annual 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 RMB0.6 per share for the first batch, RMB2.0 for the second and third batches, RMB3.0 for the fourth and fifth batches and RMB4.0 for the last two batches. There are no cash settlement alternatives.

The share option expenses recognised during the six-month period ended June 30, 2014 is as follows:

	For the six-month period ended June 30,	
	2014 RMB'000	2013 RMB'000
Equity-settled share option expenses	-	129

There was no movement for the outstanding numbers of the share options during the six-month period ended June 30, 2014. The following table illustrates the numbers and weighted average exercise price ("WAEP") of the share options as at June 30, 2014:

	Number '000	WAEP RMB per share
Outstanding as at June 30, 2014	30,348	3.13
Exercisable as at June 30, 2014	30,348	3.13

Share Option Scheme

On January 18, 2012, the board of directors resolved to grant share options under the share option scheme adopted by the Company on June 18, 2010 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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

25. Share Option Scheme (Continued)

Share Option Scheme (Continued)

The share option expenses recognised during the six-month period ended June 30, 2014 is as follows:

	For the six-month period ended June 30,	
	2014 RMB'000	2013 RMB'000
Equity-settled share option expenses	4,743	11,136

There was no movement for the outstanding numbers of the share options during the six-month period ended June 30, 2014. The following table illustrates the numbers and WAEP of the share options as at June 30, 2014:

	Number '000	WAEP RMB per share
Outstanding as at June 30, 2014	155,000	1.05
Exercisable as at June 30, 2014	102,047	1.05

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

26. Disposal of a Subsidiary

On May 10, 2014, the Group disposed of Jiangsu Yijie Technology Co., Ltd., a wholly owned subsidiary of the Group, at a consideration of RMB24.0 million.

Net assets disposed of:	RMB'000
Cash and bank balances	80
Amounts due from contract customers	111,834
Prepayments, deposits and other receivables	8,137
Property and equipment	2
Investment in a joint venture	5,428
Amount due to contract customers	(400)
Trade payables	(15,719)
Other payables and accruals	(43,212)
Tax payables	(19,793)
Deferred tax liabilities	(2,549)
Net assets	43,808
Satisfied by cash	6,000
Cash consideration recorded in other receivables	18,000
	24,000
Loss on disposal of a subsidiary	(19,808)

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

26. 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:

	RMB'000
Cash consideration	6,000
Cash and bank balances disposed of	(80)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	5,920

27. Related Party Transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following major transactions with related parties during the six months period ended June 30, 2014:

	Notes	For the six-month period ended June 30,	
		2014 RMB'000	2013 RMB'000
Sales to related parties:			
GCI	(a)	2,745	16,475
NCI	(b)	1,488	9,359
XCI	(a)	1,466	9,890
Total		5,699	35,724
Purchases from related parties:			
XCI	(a)	4,985	–
Wuhan Communication	(a)	2,955	–
Beijing Bailian Youli Information Technology Co., Ltd.	(c)	755	–
Shandong Yigou	(b)	4,147	–
NCI	(b)	–	6,129
		12,842	6,129

Notes:

- (a) The entity is an associate of the Group.
- (b) The entity is a joint venture of the Group.
- (c) The entity is controlled by certain directors of the Group.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

27. Related Party Transactions (Continued)

	Notes	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Due from related parties:			
<i>Trade related</i>			
GCI	(a)	57,582	60,511
XCI	(a)	23,080	24,065
Chengdu Weilute	(b)	7,089	7,089
Zhongzhixin	(a)	6,879	–
NCI	(b)	4,493	9,540
Wuhan Chenguang	(b)	678	–
Wuhan Communication	(a)	128	135
Shandong Yigou	(b)	34	77
Beijing Lvtong Changda	(a)	26	–
Wuxi Runbang		–	9,373
		99,989	110,790
<i>Non-trade related</i>			
Wuhan Chenguang	(b)	13,432	13,638
Shandong Yigou	(b)	6,327	–
北京瑞瀾聯合通信技術有限公司	(c)	3,000	4,300
北京漢華易美圖片有限公司	(d)	3,000	–
Chengdu Weilute	(b)	1,790	–
XCI	(a)	559	–
Zhineng Shixun	(a)	46	46
Shandong Yigou		–	3,327
RAY Holdings Ltd.		–	1,694
Bailian Youli (Beijing) Investment Co., Ltd.		–	986
Wuxi Runbang		–	351
Beijing Bailian Youli Information Technology Co., Ltd.		–	231
Bailian Heli Investment Co., Ltd.		–	4
		28,154	24,577
		128,143	135,367

Notes:

- (a) The entity is an associate of the Group.
- (b) The entity is a joint venture of the Group.
- (c) The entity is controlled by RAY Holdings Ltd, which is 59% owned by a director of the Group.
- (d) The entity is jointly controlled by certain directors of the Group.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

27. Related Party Transactions (Continued)

	Notes	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Due to related parties:			
<i>Trade related</i>			
Shandong Yigou	(b)	6,343	2,527
XCI	(a)	3,294	–
Beijing Lvtong Changda	(a)	1,287	1,287
Wuhan Chenguang	(b)	1,650	2,088
GTECH-CIC	(b)	1,543	14,357
NCI	(b)	1,090	6,085
Chengdu Weilute	(b)	696	696
Wuxi Runbang		–	9,307
Wuhan Communication		–	2,898
		15,903	39,245
<i>Non-trade related</i>			
Chengdu Weilute	(b)	4,950	3,160
Beijing Lvtong Changda	(a)	2,000	2,000
Wuhan Communication	(a)	1,106	2,154
Beijing Bailian Youli Information Technology Co., Ltd.		–	5,000
XCI		–	384
Shandong Yigou		–	120
Wuxi Runbang		–	45
		8,056	12,863
		23,959	52,108

Notes:

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

The above balances as at June 30, 2014 and December 31, 2013 were unsecured and interest-free. There were no fixed terms of repayment and settlement will be in cash. There were no guarantees provided or received for any related party receivables or payables.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

27. Related Party Transactions (Continued)

Compensation of key management personnel of the Group

	For the six-month period ended June 30,	
	2014 RMB'000	2013 RMB'000
Equity-settled share option expense	2,762	5,949
Salaries, bonuses, allowances and benefits in kind	2,061	2,234
Pension plan contributions	70	68
Total compensation paid to key management personnel	4,893	8,251

28. Pledge of Assets

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

29. Operating Lease Commitments

Group as lessee

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

	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Within one year	13,929	18,746
In the second to fifth years, inclusive	4,932	12,769
	18,861	31,515

Group as lessor

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

	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Within one year	6,332	6,275
In the second to fifth years, inclusive	–	1,877
	6,332	8,152

30. Capital Commitments

As at June 30, 2014, the Group had no significant capital commitments (December 31, 2013: Nil).

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

31. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets June 30, 2014

	Financial assets at fair value through profit or loss RMB'000	Held-to-maturity investment RMB'000	Loans and receivables RMB'000	Available-for-sale investment RMB'000	Total RMB'000
Available-for-sale investment	-	-	-	25,307	25,307
Pledged deposits — non-current	-	-	4,500	-	4,500
Convertible borrowings	80,000	-	-	-	80,000
Trade and bills receivables	-	-	1,155,740	-	1,155,740
Financial assets included in prepayments, deposits and other receivables	-	-	465,952	-	465,952
Due from related parties	-	-	128,143	-	128,143
Held-to-maturity investment	-	67,949	-	-	67,949
Pledged deposits — current	-	-	76,609	-	76,609
Cash and cash equivalents	-	-	430,362	-	430,362
Other financial assets	16,815	-	-	-	16,815
	96,815	67,949	2,261,306	25,307	2,451,377

December 31, 2013

	Financial assets at fair value through profit or loss RMB'000	Held-to-maturity investment RMB'000	Loans and receivables RMB'000	Available-for-sale investment RMB'000	Total RMB'000
Available-for-sale investment	-	-	-	25,307	25,307
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

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

31. Financial Instruments by Category (Continued)

Financial liabilities

	June 30, 2014	December 31, 2013
	Financial liabilities at amortised cost RMB'000	Financial liabilities at amortised cost RMB'000
Trade and bills payables	874,810	1,046,574
Financial liabilities included in other payables and accruals	51,301	57,469
Interest-bearing bank borrowings — current	543,316	520,561
Due to related parties	23,959	52,108
Guaranteed bonds	106,789	184,918
Convertible bonds within one year	151,574	—
Convertible bonds — non-current	—	146,033
Interest-bearing bank borrowings — non-current	83,000	87,000
Long-term payable	—	3,067
	1,834,749	2,097,730

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

32. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	June 30, 2014 RMB'000	December 31, 2013 RMB'000	June 30, 2014 RMB'000	December 31, 2013 RMB'000
Financial assets				
Pledged deposits — non-current	4,500	4,500	4,500	4,500
Convertible borrowings	80,000	—	80,000	—
Other long-term assets	—	20,000	—	20,000
Other financial assets	16,815	16,815	16,815	16,815
	101,315	41,315	101,315	41,315
Financial liabilities				
Interest-bearing bank borrowings — current	543,316	520,561	543,316	520,561
Guaranteed bonds	106,789	184,918	106,789	184,918
Convertible bonds within one year	151,574	—	151,574	—
Convertible bonds — non-current	—	146,033	—	146,033
Interest-bearing bank borrowings — non-current	83,000	87,000	83,000	87,000
Long-term payable	—	3,067	—	3,067
	884,679	941,579	884,679	941,579

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties 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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

32. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

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

The fair values of the non-current portion of pledged deposit, other long-term assets, guaranteed bonds and interest-bearing bank borrowings 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, and interest-bearing bank borrowings as at June 30, 2014 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 convertible borrowings and 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 As at June 30, 2014

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Convertible borrowings	-	-	80,000	80,000
Other financial assets	-	-	16,815	16,815
	-	-	96,815	96,815

As at December 31, 2013

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Other financial assets	-	-	16,815	16,815

Fair value measurement increased by RMB80.0 million for the convertible borrowings in Level 3 during the period (six-month period ended June 30, 2013: Nil).

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

32. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at June 30, 2014 and December 31, 2013.

Assets for which fair values are disclosed:

As at June 30, 2014

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Pledged deposits — non-current	—	4,500	—	4,500

As at December 31, 2013

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Pledged deposits — non-current	—	4,500	—	4,500
Other long-term assets	—	20,000	—	20,000
	—	24,500	—	24,500

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2014

32. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at June 30, 2014

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank borrowings				
— current	—	543,316	—	543,316
Convertible bonds within one year	—	—	151,574	151,574
Guaranteed bonds	—	—	106,789	106,789
Interest-bearing bank borrowings				
— non-current	—	83,000	—	83,000
	—	626,316	258,363	884,679

As at December 31, 2013

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank borrowings				
— current	—	520,561	—	520,561
Guaranteed bonds	—	—	184,918	184,918
Convertible bonds — non-current	—	—	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

33. Event after the Reporting Period

There were no subsequent events that require adjustments to or disclosures in the interim condensed consolidated financial statements.

34. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on August 28, 2014.