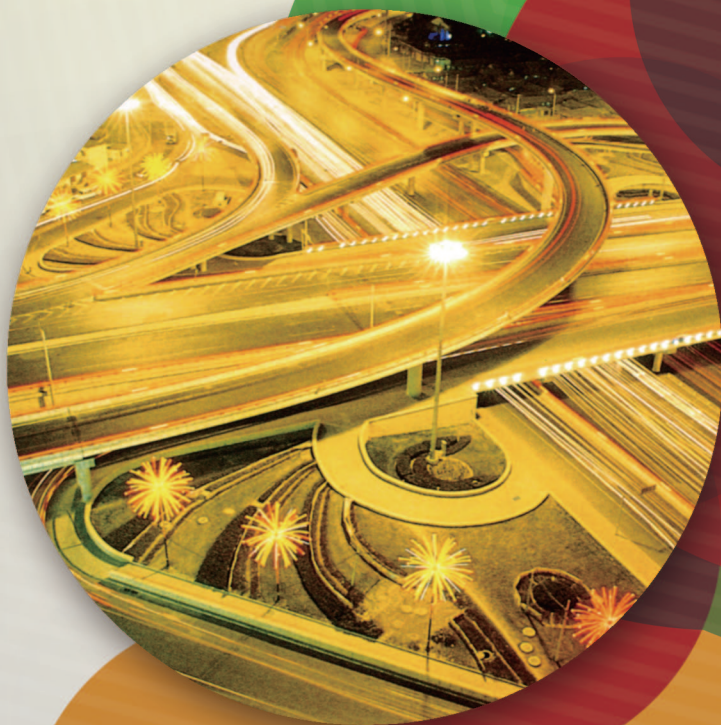




中国智能交通系统(控股)有限公司  
China ITS (Holdings) Co., Ltd.  
*(incorporated in the Cayman Islands with limited liability)*  
Stock Code: 1900

2015

INTERIM REPORT





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## Financial Highlights

- The amount of new contracts signed and orders secured for the six months ended June 30, 2015 was approximately RMB1,030.7 million, compared to approximately RMB1,108.8 million for the six months ended June 30, 2014, or an approximately 7.0% decrease.
- The amount of backlog as at June 30, 2015 was approximately RMB1,879.2 million, compared to approximately RMB1,976.9 million as at December 31, 2014, or an approximately 4.9% decrease.
- Revenue for the six months ended June 30, 2015 was approximately RMB1,121.6 million, compared to approximately RMB772.3 million for the six months ended June 30, 2014, or an approximately 45.2% increase.
- Gross profit for the six months ended June 30, 2015 was approximately RMB216.4 million, compared to approximately RMB177.0 million for the six months ended June 30, 2014, or an approximately 22.3% increase.
- Gross profit margin decreased from 22.9% for the first half of the prior year to approximately 19.3% for the first half of year 2015.
- The non-cash one-off expenses<sup>(1)</sup> for the six months ended June 30, 2015 was approximately RMB24.2 million, which was RMB19.8 million in the first half of 2014.
- Before deducting the non-cash one-off expenses, the adjusted loss attributable to the owners of the parent<sup>(2)</sup> for the six months ended June 30, 2015 was approximately RMB7.4 million, including the net financial expenses<sup>(3)</sup> and other non-cash expenses<sup>(4)</sup> which were approximately RMB43.3 million and RMB6.6 million respectively. The adjusted loss attributable to the owners of the parent before deducting the non-cash one-off expenses for the six months ended June 30, 2014 was RMB28.2 million.
- During the first half of 2015, the Group faced deterioration of performance in the urban traffic segment due to macro environmental factors, and the loss before tax of this segment was approximately RMB104.8 million. On the other hand, the Group remained robust in the railway segment in the first half of 2015, as the new contracts and orders secured and revenue from this segment all reached an all-time high, and the gross profit margin increased compared with that for the year of 2014. The profit before tax of the railway segment reached approximately RMB116.5 million. In the expressway segment, although the revenue and gross profit both fell because of lack of growth of overall environment, and changing of business, the profit before tax of this segment still reached approximately RMB38.5 million. In the second half of 2015, the Group believes the profitability of the Company will continue to recover.
- Loss attributable to owners of the parent of the Company for the six months ended June 30, 2015 was RMB31.6 million, compared to a loss of approximately RMB48.0 million for the six months ended June 30, 2014.

### Notes:

- (1) Non-cash one-off expenses include goodwill impairment, loss on disposal of subsidiaries and associates.
- (2) Adjusted loss attributable to the owners of the parent refers to loss attributable to the owners of the parent plus non-cash one-off expenses.
- (3) Net financial expenses refer to total finance cost minus finance income.
- (4) Other non-cash expenses include equity-settled share option expenses, amortisation of intangible assets arising from acquisitions.

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Liao Jie (*Chairman*)

Mr. Jiang Hailin (*Chief Executive Officer*)

### Non-executive Director

Mr. Tim Tianwei Zhang

### 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 2110, Block B, Tai Hang Terrace

5 Chun Fai Road

Jardine's Lookout

Hong Kong

## AUDIT COMMITTEE

Mr. Choi Onward (*Chairman*) (*FCCA, HKICPA*)

Mr. Zhou Chunsheng

Mr. Sun Lu

## REMUNERATION COMMITTEE

Mr. Sun Lu (*Chairman*)

Mr. Zhou Chunsheng

Mr. Choi Onward (*FCCA, HKICPA*)

## NOMINATION COMMITTEE

Mr. Zhou Chunsheng (*Chairman*)

Mr. Choi Onward (*FCCA, HKICPA*)

Mr. Sun Lu

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## HEAD OFFICE IN THE PRC

Unit 1801A, 18th Floor

West Tower, World Finance Centre

No. 1 East 3rd Ring Road Middle

Chaoyang District

Beijing 100020, China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1004

Tung Wah Mansion

199-203 Hennessy Road

## COMPANY WEBSITE

[www.its.cn](http://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

A18/F, Asia Orient Tower

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  
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 2015 (the “**Period**”), China ITS (Holdings) Co., Ltd. (the “**Company**”) and its subsidiaries (collectively the “**Group**”) recorded revenue of RMB1,121.6 million, representing an increase of 45.2% as compared to RMB772.3 million for the six months ended June 30, 2014. The new contracts signed and orders secured recorded RMB1,030.7 million, representing a decrease of 7.0% as compared to RMB1,108.8 million for the six months ended June 30, 2014. Backlog recorded RMB1,879.2 million as at June 30, 2015. The overall gross profit was RMB216.4 million, representing an increase of 22.3% compared with the first half year of 2014. Gross profit margin decreased from 22.9% to 19.3% as compared with the first half year of 2014. The loss attributable to owners of the parent of the Company for the period for the six months ended June 30, 2015 was RMB31.6 million, compared to a loss of RMB48.0 million for the six months ended June 30, 2014.

### CORE BUSINESS OF THE GROUP AND OPERATION THEREOF

#### (i) Expressway

For the six months ended June 30, 2015, the Group’s revenue from the expressway segment (“**Expressway**”) reached RMB332.9 million, representing a decrease of RMB39.2 million as compared to the six months ended June 30, 2014. The amount of new contracts signed and orders secured in the six months ended June 30, 2015 was RMB331.5 million, and the backlog amount as at June 30, 2015 was RMB933.2 million.

The overall decrease of the expressway segment was attributed to the lack of growth of overall environment and changing of business, which using BT or BOT business model to obtain more market shares. However, the Group proactively searching more business opportunities with some technology start-ups and strengthen company’s technologies.

In the first half of 2015, the major projects of Expressway contains Yunnan Da-Li (Dali — Lijiang) Expressway Project, Yunnan Chu-Guang (Chuxiong — Guangtong) Expressway Project, Liaoning Charging Reform Project.

#### (ii) Railway

Revenue from the railway segment (“**Railway**”) increased by RMB409.3 million to RMB700.8 million during the reporting period as compared to the six months ended June 30, 2014 and representing 62.5% of the Group’s total revenue. The amount of new contract signed and order secured in the six months ended June 30, 2015 was RMB690.4 million and the backlog amount as at June 30, 2015 was RMB708.6 million for the railway segment.

The strong growth was attributable to huge demand of China High Speed Railway construction and upgrading of existing railway. The Group will also provide value-added services to its customers in 2016.

In the first half of 2015, the major projects of Railway include Shenyang Data Network Reform Project, Harbin Data Network Reform Project and The South and North of Hunan OTN 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 RMB20.8 million to RMB87.9 million during the reporting period and representing 7.8% of the Group’s total revenue. The amount of new contracts signed and orders secured in the six months ended June 30, 2015 was RMB8.8 million and the backlog amount as at June 30, 2015 was RMB237.4 million for the urban traffic segment.

The decrease was due to cutting back on urban traffic investment of local government budget, which happened on 2014 and has not been improved in the first half of 2015. The Group is still seeking new opportunities on this segment.

In the first half of 2015, the major projects of Urban Traffic include Wuhai ITS Management System Project, Guangzhou Traffic Flow Project, Chongqing Subway Line 6 Project.

## PROSPECTS

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



# Management Discussion and Analysis

## Business and Financial Review

### REVENUE

#### By Industry Segment

The Group's overall revenue for the six months ended June 30, 2015 was RMB1,121.6 million, representing an increase of 45.2% from RMB772.3 million for the six months ended June 30, 2014. The increase was due to a 140.4% increase in the railway segment, which was partly offset by a 10.5% decrease in the expressway segment and a 19.2% decrease in the urban traffic segment. The following table sets out the revenue breakdown by industry segments:

	Six months ended June 30	
	2015 RMB'000	2014 RMB'000
Revenue by industry segments		
Expressway	<b>332,937</b>	372,105
Railway	<b>700,831</b>	291,540
Urban Traffic	<b>87,860</b>	108,672
Total	<b>1,121,628</b>	772,317

#### (i) Expressway

Revenue from the expressway segment for the six months ended June 30, 2015, was RMB332.9 million, representing a decrease of RMB39.2 million from RMB372.1 million for the six months ended June 30, 2014. The decrease was mainly due to the impact of the change in the expressway industry. Since 2014, the expressway industry entered a period of stable development, and the growth of the scale of industry investment was materially lower than that in 2012 and 2013. In order to maintain long-term sustained growth in the industry, the Group actively searched for new cooperative models with customers and invested manpower and resources to build up new product lines since 2014. For the six months ended June 30, 2015, new contract signed and order secured for the expressway segment amounted to RMB331.5 million while the amount of backlog as at June 30, 2015 was RMB933.2 million.

#### (ii) Railway

Revenue from the railway segment for the six months ended June 30, 2015, was RMB700.8 million, representing an increase of RMB409.3 million from RMB291.5 million for the six months ended June 30, 2014. Following the strong recovery in 2013 and 2014, the railway segment remained robust in 2015. During the six months ended June 30, 2015, the new contracts and orders secured amount for railway segment increased by approximately 35.1% as compared with the same time in 2014. Under the environment of increasing investment in railway construction in China during 2015, the railway segment captured this opportunity for development and maintained the momentum of high growth in traditional communication solutions, further consolidating its leading position in the traditional segment. It is worth mentioning that in 2015 China railway network reform, new contract signed and order secured for the Group amounted to more than RMB0.4 billion in the six months ended June 30, 2015, which on the one hand optimized the current performance, and on the other hand could lay the foundation for providing value-added services to the customers in the future. The Group believes that the railway segment will be able to seize more business opportunities relying on their own advantages. For the six months ended June 30, 2015, new contract signed and order secured for the railway segment amounted to RMB690.4 million while the amount of backlog as at June 30, 2015 was RMB708.6 million.

# Management Discussion and Analysis

## Business and Financial Review

### REVENUE (Continued)

#### By Industry Segment (Continued)

##### (iii) Urban Traffic

Revenue from the urban traffic segment for the six months ended June 30, 2015, was RMB87.9 million, representing a decrease of RMB20.8 million from RMB108.7 million for the six months ended June 30, 2014. Since late 2013, local government within China has cut back on their investment to urban traffic projects to different extent, this situation has been not improved in the first half of 2015. On the other hand, considering the large amount of capital investment in the implementation of urban traffic projects, the risk of the government delaying the payment schedule, the Group is more cautious in the selection of new projects. For the six months ended June 30, 2015, new contract signed and order secured for the urban traffic segment amounted to RMB8.8 million while the amount of backlog as at June 30, 2015 was RMB237.4 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 2014. This business pattern remained similar in 2015, but the backlog amount as at June 30, 2015 was RMB1,879.2 million which was lower than that as at December 31, 2014 because the new contract signed and order secured for the urban traffic segment was decreased.

During the Period, the Group has implemented more than 1,058 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 Yunnan Chu-Guang (Chuxiong-Guangtong) Expressway Project Liaoning Charging Reform Project
Railway:	Shenyang Data Network Reform Project Harbin Data Network Reform Project The South and North of Hunan OTN Project
Urban traffic:	Wuhai ITS Management System Project Guangzhou Traffic Flow Project Chongqing Subway Line 6 Project

# Management Discussion and Analysis

## Business and Financial Review

### BUSINESS PATTERN AND MAJOR PROJECTS (Continued)

#### By business sectors

For the six months ended June 30, 2015, the revenue from Turnkey Solution decreased by 11.4%, the revenue from Special Solution increased by 83.5%, and the revenue from Value-added Operation and Services decreased by 5.6%. The following table sets out the revenue breakdown by business sectors:

	Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
Revenue by business sectors		
TS	<b>305,556</b>	344,860
SS	<b>778,888</b>	424,443
VAOS	<b>43,903</b>	46,527
Elimination	<b>(6,719)</b>	(43,513)
Total	<b>1,121,628</b>	772,317

#### (i) Turnkey Solutions (“TS”)

Revenue from the TS business for the six months ended June 30, 2015, was RMB305.6 million, representing a decrease of RMB39.3 million from RMB344.9 million for the six months ended June 30, 2014. As mentioned in the industry segment section, due to the decrease in expressway and urban traffic industry, there was a 11.4% decrease in the revenue from the TS business in these two segments. The TS business as a whole accounted for 27.2% of the Group’s revenue for the six months ended June 30, 2015, representing a decrease from 44.7% as recorded for the six months ended June 30, 2014. For the six months ended June 30, 2015, new contract signed and order secured for the TS business amounted to RMB193.3 million while the amount of backlog as at June 30, 2015 was RMB887.2 million.

#### (ii) Special Solution (“SS”)

Revenue from the SS business for the six months ended June 30, 2015, was RMB778.9 million, representing an increase of RMB354.5 million from RMB424.4 million for the six months ended June 30, 2014. This significant increase was mainly due to the increase of railway segment. The SS business as a whole accounted for 68.8% of the Group’s revenue for the six months ended June 30, 2015, representing an increase from 49.3% as recorded for the six months ended June 30, 2014. For the six months ended June 30, 2015, new contract signed and order secured for the SS business amounted to RMB733.0 million while the amount of backlog as at June 30, 2015 was RMB873.0 million.

#### (iii) Value-added Operation and Services (“VAOS”)

Revenue from the VAOS business for the six months ended June 30, 2015, was RMB43.9 million, representing a decrease of RMB2.6 million from RMB46.5 million for the six months ended June 30, 2014. This decrease was mainly due to the decrease of VAOS in the expressway and urban traffic segment which was partly offset by the increase of VAOS in railway segment. The VAOS business as a whole accounted for 4.0% of the Group’s revenue for the six months ended June 30, 2015, representing a decrease from 6.0% as recorded for the six months ended June 30, 2014. For the six months ended June 30, 2015, new contract signed and order secured for the VAOS business amounted to RMB104.4 million while the amount of backlog as at June 30, 2015 was RMB119.0 million.

# 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. The cost of sales accounted for 80.7% of the Group's revenue for the six month ended June 30, 2015, representing an increase of 3.6% as compared to that of the six months ended June 30, 2014.

#### By Industry Segment

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Cost of sales by industry segments		
Expressway	<b>262,726</b>	288,509
Railway	<b>543,062</b>	216,504
Urban Traffic	<b>99,471</b>	90,344
Total	<b>905,259</b>	595,357
% of Revenue	<b>80.7%</b>	77.1%

(i) **Expressway**

The expressway segment decreased by RMB25.8 million to RMB262.7 million for six months ended June 30, 2015 as compare to RMB288.5 million for the six months ended June 30, 2014.

(ii) **Railway**

The railway segment increased by RMB326.6 million to RMB543.1 million for six months ended June 30, 2015 as compare to RMB216.5 million for the six months ended June 30, 2014.

(iii) **Urban Traffic**

The urban traffic segment increased by RMB9.2 million to RMB99.5 million for six months ended June 30, 2015 as compare to RMB90.3 million for the six months ended June 30, 2014.

# Management Discussion and Analysis

## Business and Financial Review

### COST OF SALES (Continued)

#### By business sectors

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Cost of sales by business sectors		
TS	<b>280,819</b>	297,284
SS	<b>604,470</b>	310,694
VAOS	<b>26,689</b>	30,892
Elimination	<b>(6,719)</b>	(43,513)
Total	<b>905,259</b>	595,357
% of Revenue	<b>80.7%</b>	77.1%

- (i) **TS**  
The cost of sales incurred for TS business accounted for 30.3% of the Group's cost of sales for the six months ended June 30, 2015, which was lower than that in the prior year, and was mainly due to the decrease in expressway and urban traffic segments.
- (ii) **SS**  
The cost of sales incurred for SS business accounted for 66.8% of the Group's cost of sales for the six months ended June 30, 2015, which was higher than that in the prior year because of the rapid increase of the revenue from railway segment.
- (iii) **VAOS**  
The cost of sales incurred for VAOS business accounted for 2.9% of the Group's cost of sales for the six months ended June 30, 2015, which was lower than that in the prior year.

# Management Discussion and Analysis

## Business and Financial Review

### GROSS PROFIT

Overall gross profit of the Group increased from RMB177.0 million for the six months ended June 30, 2014 to RMB216.4 million for the six months ended June 30, 2015. Gross profit margin has decreased from 22.9% for the six months ended June 30, 2014 to 19.3% for the six months ended June 30, 2015, primarily due to the decrease of gross profit margin of the urban traffic segment.

### By Industry Segment

	Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
Gross profit and gross profit margin by industry segments		
Expressway	<b>70,211</b>	83,596
Margin %	<b>21.1%</b>	22.5%
Railway	<b>157,769</b>	75,036
Margin %	<b>22.5%</b>	25.7%
Urban Traffic	<b>(11,611)</b>	18,328
Margin %	<b>(13.2%)</b>	16.9%
Total	<b>216,369</b>	176,960
Overall margin %	<b>19.3%</b>	22.9%

(i) **Expressway**

The expressway segment gross profit margin slightly decreased by 1.4% as compared to 22.5% for the six months ended June 30, 2014. The decrease was mainly because of the lower profit margin for specific major projects carried out in 2015, including Hebei Shi-An (Shijiazhuang – Linzhang) Expressway Project and Fujian Jing-Hai (Nanjing – Longhai) Project, under this segment.

(ii) **Railway**

The railway segment gross profit margin was lower to 25.7% for the six months ended June 30, 2014, and increased by 7% as compared to 15.5% for the year ended December 31, 2014. This change was mainly due to the growth in traditional and VAOS business under this segment. Especially the gross profit margin of VAOS is higher than the traditional and other new business, such as passenger service and video surveillance.

(iii) **Urban Traffic**

The urban traffic segment gross profit margin for the six months ended 30 June 2015 was -13.2% as compared to 16.9% for the six months ended June 30, 2014. The main reason for this change is the overall slowdown in the urban traffic industry in 2014 and 2015, leading to a significant decrease in new contracts and gross profit margin for the projects.

# Management Discussion and Analysis

## Business and Financial Review

### GROSS PROFIT (Continued)

#### By Business Sectors

	Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
Gross profit and gross profit margin by business sectors		
TS	<b>24,737</b>	47,576
Margin %	<b>8.1%</b>	13.8%
SS	<b>174,418</b>	113,749
Margin %	<b>22.4%</b>	26.8%
VAOS	<b>17,214</b>	15,635
Margin %	<b>39.2%</b>	33.6%
Total	<b>216,369</b>	176,960
Overall margin %	<b>19.3%</b>	22.9%

(i) TS

Gross profit margin for TS decreased by 5.7% as compared to 13.8% for the six months ended June 30, 2014, which was mainly due to the decrease in gross profit margin for the urban traffic segment.

(ii) SS

Gross profit margin for SS decreased by 4.4% as compared to 26.8% for the six months ended June 30, 2014, which was mainly due to the decrease in gross profit margin for the urban traffic segment.

(iii) VAOS

Gross profit margin for VAOS increased by 5.6% as compared to 33.6% for the six months ended June 30, 2014. The gross profit margin for VAOS is varied from project to project and normally is within a range from 30% to 60%. The Group believes VAOS will continue to bring higher quality of profit in the coming years.

### OTHER INCOME AND GAINS

Other income and gains mainly comprised (a) rental income from investment properties; and (b) government grants. The rental income from investment properties was related to the real estate rental rates in Beijing and was in line with the market growth trend.

### OTHER EXPENSES

Other expenses mainly comprised of goodwill impairment of Beijing STONE, which was approximately RMB20.0 million.

# Management Discussion and Analysis

## Business and Financial Review

### SELLING, GENERAL AND ADMINISTRATION EXPENSE

In the six months ended June 30, 2015, selling, general and administration expenses was approximately RMB179.7 million, representing an increase of RMB8.3 million as compared to approximately RMB171.4 million for the six months ended June 30, 2014. This increase was mainly due to impairment of assets which was approximately RMB33.8 million, which was RMB3.4 million for the six months ended June 30, 2014.

#### (i) Selling, general and administration expenses which was related to daily operational activities

For the six months ended June 30, 2015, selling, general and administration expenses which was related to daily operational activities (“**SG&A**”) was approximately RMB145.9 million, as a percentage of sales significantly decrease to 13.0% as compared to 22.2% for the six months ended June 30, 2014, which was mainly due to the increase of revenue.

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 RMB104.1 million in the six months ended June 30, 2014 to RMB88.7 million for the six months ended June 30, 2015 primarily attributable to the decrease in the Group's headcount from 932 full time employees as at 30 June 2014 to 788 full time employees as at 30 June 2015, representing a 14.7% decrease and accounting for 60.8% of the SG&A.

The rental expenses increased from RMB13.5 million for the six months ended June 30, 2014 to RMB17.8 million for the six months ended June 30, 2015. The rental expenses accounted for 12.2% of the total SG&A for the six months ended June 30, 2015, and increased 31.3% as compared to that of the corresponding period in 2014.

Research & Development expenses increased from RMB12.7 million for the six months ended June 30, 2014 to RMB14.3 million for the six months ended June 30, 2015, mainly as a result of the increase in the expenditure related to R&D on new segments, and new products.

#### (ii) Impairment of assets

Impairment of assets mainly represented one-off write-down expenses provided for trade receivables, other receivables, amounts due from construction contracts and advance to suppliers which the Group considered with no or minimal recoverability according to recognized criteria of bad debts on individual basis. Such expense were RMB33.8 million for the six months ended June 30, 2015, among which such expenses of the urban traffic segment were RMB32.3 million.



# Management Discussion and Analysis

## Business and Financial Review

### OTHER NON-CASH EXPENSES

Equity-settled share option expenses refer to the share options expenses related to the Company's pre-IPO share incentive scheme adopted on December 28, 2008 ("**Pre-IPO Share Incentive Scheme**") and the Share Option Scheme under which share options were granted on January 18, 2012. For the six months ended June 30, 2015, equity-settled share option expenses were RMB0.1 million, which was significantly less than RMB4.7 million for the six months ended June 30, 2014, as a result of the gradual reduction in the amount of the 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 RMB6.5 million for six months ended June 30, 2015, which was lower than the expenses of RMB8.8 million for six months ended June 30, 2014, because certain intangible assets from acquisition were already fully amortized in 2014.

### FINANCE INCOME AND FINANCE COST

Finance income comprised of mainly interest income and finance cost comprised of mainly interest expenses for interest-bearing bank loan, convertible bonds and guaranteed bonds. The net financial expenses represented the total finance cost minus finance revenue. This financial expense was RMB43.3 million for six months ended June 30, 2015, which represented an increase of RMB8.9 million as compared to RMB34.4 million for six months ended June 30, 2014. This increase was mainly due to the interest arising from the convertible bonds in the amount of HK\$200 million issued in late 2013.

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

Share of losses of investment entities for the six months ended June 30, 2015 was approximately RMB10.0 million, which represented a decrease of RMB13.2 million as compared to the gain of RMB3.2 million for the six months ended June 30, 2014. The investment loss was mainly derived from the share of losses of certain associates engaging the expressway and urban traffic segments, and the losses from disposal of an associate.

### INCOME TAX EXPENSES

The total income tax expenses for the six months ended June 30, 2015 was RMB19.7 million, which was higher than that for the six months ended June 30, 2014 because of the increase of taxable income.

### LOSS FOR THE YEAR

Before deducting the non-cash one-off expenses, the adjusted loss attributable to the owners of the parent for the six months ended June 30, 2015 was approximately RMB7.4 million compared to the adjusted loss of RMB28.2 million for the six months ended June 30, 2014.

Loss attributable to the owners of the parent for the six months ended June 30, 2015 was approximately RMB31.6 million, compared to a loss of approximately RMB48.0 million for the six months ended June 30, 2014.

### TRADE RECEIVABLES TURNOVER DAYS

The trade receivables turnover days in the six months ended June 30, 2015 was 192 days (in the six months ended June 30, 2014: 169 days).

# Management Discussion and Analysis

## Business and Financial Review

### NET CONSTRUCTION TURNOVER DAYS

The net amount due from contract customer turnover days in the six months ended June 30, 2015 was 55 days (in the six months ended June 30, 2014: 110 days).

### TRADE PAYABLES TURNOVER DAYS

The trade payables turnover days in the six months ended June 30, 2015 was 189 days (in the six months ended June 30, 2014: 198 days).

### INVENTORY TURNOVER DAYS

The inventories of the Group mainly comprised of raw materials, work-in-progress, finished goods and general merchandise for surveillances Specialized Solutions. The inventory turnover days in the six months ended June 30, 2015 was 4 days (in the six months ended June 30, 2014: 7 days).

### LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings, the proceeds from the Global Offering, and the proceeds from bond issued. As at June 30, 2015, the Group's current ratio (current assets divided by current liabilities) was 1.5 (as at December 31, 2014: 1.5). The Group's financial position remains healthy.

As at June 30, 2015, the Group was in a net negative cash of RMB428.5 million (as at December 31, 2014: net negative cash of RMB154.5 million) which included cash and cash equivalents of RMB414.3 million (as at December 31, 2014: RMB600.3 million), convertible borrowings of RMB82.4 million (as at December 31, 2014: RMB82.4 million), held-to-maturity investment of RMB17.5 million (as at December 31, 2014: RMB67.5 million), interest-bearing bank borrowings of RMB834.3 million (as at December 31, 2014: RMB642.7 million) as well as guaranteed bonds of RMB108.4 million (as at December 31, 2014: RMB107.6 million) and convertible bonds of nil (as at December 31, 2014: RMB154.4 million). As at June 30, 2015, the Group's gearing ratio was 9.9%, which has increased from 2.0% as at December 31, 2014, due to the increase of interest-bearing bank borrowing. Gearing ratio refers to adjusted cash (interest-bearing bank borrowings plus guaranteed bonds, convertible bonds, due to related parties minus pledged deposits, short-term deposits, convertible borrowings, held-to-maturity investment and cash and bank balances) divided by total equity.

### CONTINGENT LIABILITIES

As at June 30, 2015, the Group had no material contingent liability.

### CHARGES ON GROUP ASSETS

As at June 30, 2015, (i) the Group had secured deposits (current portion) of approximately RMB159.0 million (as at December 31, 2014: RMB79.7 million); (ii) the Group had secured deposits (non-current portion) of nil (as at December 31, 2014: RMB4.5 million); and (iii) the Group pledged its building having net book values of approximately RMB119.0 million (as at December 31, 2014: RMB119.0 million) and trade receivables with a total value of RMB186.9 million (as at December 31, 2014: RMB120.0 million) to banks to secure banking facilities granted to the Group. Save as disclosed above, as at June 30, 2015, 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 ASSOCIATES

#### Disposal of Shandong Yigou

In April 2015, Beijing RHY Technology Development Co., Ltd (“**RHY Technology**”), an indirect wholly-owned subsidiary of the Company, entered into equity transfer agreements in respect of the transfer of the entire equity interest in Shandong Yigou Software Technology Co., Ltd (“**Shandong Yigou**”) held by RHY Technology, with two independent third parties (the “**Shandong Yigou Purchasers**”). Pursuant to the equity transfer agreements, RHY Technology transferred 52.8% of the equity interest in Shandong Yigou to the Shandong Yigou Purchasers at a total consideration of RMB8.9 million, which was determined by reference to the net asset value as recorded in Shandong Yigou’s accounts as at February 28, 2015. The transfer generated a loss of RMB4.1 million. Prior to the transfer, Shandong Yigou was engaged in software development services in expressway industry. The Group planned to discontinue this business operation and as part of such plan, and the Group transferred 52.8% equity interest and all the businesses of Shandong Yigou to the Shandong Yigou Purchasers. The disposal of Shandong Yigou is consistent with the Company’s strategy of terminating the operation of the related business which is non-core to the Group’s overall business strategy. As each of the relevant percentage ratios in respect of this transaction is below 5% and the transaction did not involve any securities for which listing would be sought, the transaction did not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

#### Disposal of VA Holding

In June 2015, China ITS (Holding) Co., Ltd (“**Company**”), entered into an equity transfer agreement in respect of the transfer of 100% of the equity interest in China ITS VA Holding Co., Ltd. (“**VA Holding**”), a wholly-owned subsidiary of the Company, with an independent third party (the “**VA Holding Purchaser**”). Pursuant to the equity transfer agreement, the Company transferred 100% of the equity interest in VA Holding to the VA Holding Purchaser at a total consideration of RMB50,100, which was determined by reference to the negative net asset value of RMB77,300 as recorded in VA Holding’s accounts as at May 31, 2015. The transfer generated a profit of RMB127,400. Prior to the transfer, VA Holding did not engage in actual business. The Group transferred 100% equity interest and all the businesses of VA Holding to the VA Holding Purchaser. The disposal of VA Holding 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 Stock Exchange on July 15, 2010 with net proceeds from the global offering of the Company of approximately HK\$710.6 million (after deducting underwriting commissions and related expenses). The use of the net proceeds from the global offering had been fully utilised in accordance with the intended uses as disclosed in the prospectus of the Company as at June 30, 2015.

# 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, 2015.

## 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, 2015 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, 2015 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, 2015, 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 <sup>(7)</sup>	Approximate percentage of shareholdings as at June 30, 2015 <sup>(7)</sup>
Mr. Liao Jie <sup>(1)(2)</sup>	Beneficial owner/Interest of a controlled corporation	130,044,077 (L)	7.86% (L)
Mr. Jiang Hailin <sup>(1)(3)</sup>	Beneficial owner/Beneficiary of the Fino Trust	713,027,096 (L)	43.11% (L)
Mr. Choi Onward <sup>(4)</sup>	Beneficial owner	98,824 (L)	0.01% (L)
Mr. Sun Lu <sup>(5)</sup>	Beneficial owner	98,824 (L)	0.01% (L)
Mr. Zhou Chunsheng <sup>(6)</sup>	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 711,171,248 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 89,308,203 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 18,853,876 Shares, which are part of the 711,171,248 Shares in which Fino Trust is deemed to be interested.

- (4) 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.
- (5) 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.
- (6) 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.
- (7) (L) denotes long positions.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as otherwise disclosed in this interim report, at no time during the six months ended June 30, 2015, 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 spouses and children under the age of 18, had any right to subscribe for the securities of the Company, or has exercised any such right during such period.

# Directors' Report

## 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 sections 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, 2015, 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.

Movement of the options granted under the Pre-IPO Share Incentive Scheme during the six months ended June 30, 2015 is as follows:

Grantee	Grant date	Vesting start date	Expiry date	Outstanding as at January 1, 2015	Exercised during the six months ended June 30, 2015	Lapsed	Outstanding as at June 30, 2015	Exercise price per share (RMB)
						or cancelled during the six months ended June 30, 2015		
All	31/12/2008	31/12/2010	31/12/2015	1,962,575	–	–	1,962,575	2
	31/12/2008	30/06/2011	30/06/2016	6,878,054	–	–	6,878,054	2
	31/12/2008	31/12/2011	31/12/2016	3,031,452	–	–	3,031,452	3
	31/12/2008	30/06/2012	30/06/2017	5,890,702	–	–	5,890,702	3
	31/12/2008	31/12/2012	31/12/2017	4,747,502	–	–	4,747,502	4
	31/12/2008	30/06/2013	30/06/2018	7,927,257	–	–	7,927,257	4
TOTAL:				30,437,542	–	–	30,437,542	

# Directors' Report

## 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 exercising 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, 2015 is as follows:

Grantee	Grant date <sup>(1)</sup>	Vesting start date	Expiry date	Outstanding as at January 1, 2015	Exercised during the six months ended June 30, 2015	Lapsed or cancelled during the six months ended June 30, 2015	Outstanding as at June 30, 2015	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		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 <sup>(2)</sup> (Executive Director, Chairman, Substantial Shareholder)	18/01/2012	19 April 2012	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19 July 2012	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19 October 2012	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19 January 2013	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19 April 2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19 July 2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19 October 2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19 January 2014	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19 April 2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	19 July 2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	19 October 2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	19 January 2015	Note (2)	5,108,282	–	–	5,108,282	1.05
	Sub-total				40,735,874	–	–	40,735,874
Mr. 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



# Directors' Report

## PRE-IPO SHARE INCENTIVE SCHEME/SHARE OPTION SCHEME (Continued)

### 2. Share Option Scheme (Continued)

Grantee	Grant date <sup>(1)</sup>	Vesting start date	Expiry date	Outstanding as at January 1, 2015	Exercised during the six months ended June 30, 2015	Lapsed or cancelled during the six months ended June 30, 2015	Outstanding as at June 30, 2015	Exercise price per share (HK\$)
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	
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)	6,396,202	–	–	6,396,202	1.05
	18/01/2012	19 July 2012	Note (2)	6,396,202	–	–	6,396,202	1.05
	18/01/2012	19 October 2012	Note (2)	6,396,202	–	–	6,396,202	1.05
	18/01/2012	19 January 2013	Note (2)	6,396,202	–	–	6,396,202	1.05
	18/01/2012	19 April 2013	Note (2)	9,338,914	–	–	9,338,914	1.05
	18/01/2012	19 July 2013	Note (2)	9,338,914	–	–	9,338,914	1.05
	18/01/2012	19 October 2013	Note (2)	9,338,914	–	–	9,338,914	1.05
	18/01/2012	19 January 2014	Note (2)	9,338,914	–	–	9,338,914	1.05
	18/01/2012	19 April 2014	Note (2)	12,281,626	–	–	12,281,626	1.05
	18/01/2012	19 July 2014	Note (2)	12,281,626	–	–	12,281,626	1.05
	18/01/2012	19 October 2014	Note (2)	12,281,626	–	–	12,281,626	1.05
	18/01/2012	19 January 2015	Note (2)	12,326,464	–	–	12,326,464	1.05
Sub-total				112,111,806	–	–	112,111,806	
<b>TOTAL:</b>				<b>155,000,000</b>	<b>–</b>	<b>–</b>	<b>155,000,000</b>	

#### 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, 2015, 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 percent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity	Long position/ Short position	Number of Shares	Percentage to Company's issued share capital
Holdco <sup>(1)</sup>	Beneficiary owner	Long position	711,171,248	43.00%
Best Partners <sup>(2)</sup>	Interest of controlled corporation	Long position	711,171,248	43.00%
Fino Investments <sup>(3)</sup>	Interest of controlled corporation	Long position	711,171,248	43.00%
Tesco Investments <sup>(4)</sup>	Interest of controlled corporation	Long position	711,171,248	43.00%
Credit Suisse Trust Limited <sup>(3)(4)(5)</sup>	Trustee	Long position	631,893,161	38.20%
Pioneer Investments Management Limited	Investment manager	Long position	193,908,000	11.72%
Ampio International <sup>(5)</sup>	Interest of controlled corporation	Long position	133,310,061	8.06%
Pioneer Asset Management S.A.	Investment manager	Long position	131,681,000	7.96%
Penbay Investments Limited <sup>(6)</sup>	Beneficial owner	Long position	98,613,367	5.96%
Chen Qi <sup>(6)</sup>	Interest of controlled corporation	Long position	98,613,367	5.96%

Notes:

- (1) Holdco is wholly-owned by Best Partners. Two of our Directors Mr. Jiang Hailin and Mr. Liao Jie are also directors of Holdco.
- (2) 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. Two of our Directors Mr. Jiang Hailin and Mr. Liao Jie are also directors of Best Partners.
- (3) 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.
- (4) 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.
- (5) Ampio International Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Ampio Trust, namely Mr. Pan Jianguo and Mr. Jing Yang. The Ampio Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (6) Penbay Investments Limited was controlled by Mr. Chen Qi and therefore Mr. Chen Qi was deemed to be interested in the 98,613,367 shares of the Company beneficially owned by Penbay Investments Limited.

# Directors' Report

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)**

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, 2015, the Group had 788 full-time employees. The remuneration of the existing employees includes basic salaries, discretionary bonuses and social security contributions. 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 our 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 February 2015, the Company exercised its early redemption right to redeem its convertible bonds with an aggregate principal amount of HK\$200,000,000 due 2015 (the "**Convertible Bonds**") in full prior to their maturity. The Company settled the full amount of the redeemed principal of HK\$200,000,000 and the premium of approximately HK\$16,000,000 on February 26, 2015. The redemption was to minimize the Company's capital cost and optimize its capital structure and avoid potential equity dilution.

Save as disclosed above, during the six months ended June 30, 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

## **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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company has complied with the code provisions in the CG Code throughout the six months ended June 30, 2015.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "**Model Code**") as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2015.

# Directors' Report

## 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.

The audit committee has reviewed the accounting principles and practices and has also reviewed auditing, internal control and financial reporting matters, including the review of the interim results of the Group for the six months ended June 30, 2015 together with the management of the Company and external auditor, Ernst & Young.

## 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.

# Directors' Report

## CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes to information in respect of directors subsequent to the date of the 2014 annual report of the Company were set out as follows:

As disclosed in the announcement of the Company dated 3 February 2015, each of Mr. Wang Jing, Mr. Lu Xiao and Mr. Pan Jianguo resigned as executive directors of the Company with effect from 3 February 2015.

Mr. Jiang Hailin, an executive Director and the Chief Executive Officer, ceased to be the director of Beijing Bailian Zhida Technology Development Co., Ltd. since July 2014 and was appointed as the executive director of Zhihang Tuoyu Information Systems (Beijing) Co., Ltd. (智航拓宇信息系統(北京)有限公司), Beijing Zhixun Tiancheng Technology Co., Ltd. and Beijing Newcom Traffic Technology Co., Ltd. since October 2014, November 2014 and December 2014 respectively. All of the above-mentioned companies are the subsidiaries of the Company.

Mr. Zhou Chunsheng, an independent non-executive Director, ceased to be the independent non-executive director of Heilongjiang Interchina Water Treatment Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600187), since May 2015. Mr. Zhou has served as the independent director of Guangdong Huasheng Electrical Appliance Co., Ltd, a company listed on the Shenzhen Stock Exchange (stock code: 002670), since June 2015 and the independent director of Zhejiang Transfar Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002010), since July 2015.

Save for the information disclosed above, in the six months ended June 30, 2015, there were no changes to information related to Directors of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## USE OF PROCEEDS FROM LISTING

Details of the use of proceeds of the Company for the six months ended June 30, 2015 are set out with the same subtitle in the section headed "Management Discussion and Analysis" in this interim report.

By Order of the Board  
**China ITS (Holdings) Co., Ltd.**  
**Liao Jie**  
*Chairman*

Hong Kong, August 27, 2015

# 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 (together, “the Group”) set out on pages 29 to 70, which comprises the interim condensed consolidated statement of financial position as at June 30, 2015 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 the interim financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

**Ernst & Young**  
Certified Public Accountants  
Hong Kong

August 27, 2015

# Interim Condensed Consolidated Statement of Profit or Loss

For the six-month period ended June 30, 2015

	Notes	<b>For the six-month period ended June 30,</b>	
		<b>2015</b>	2014
		<b>RMB'000</b>	RMB'000
		<b>Unaudited</b>	Unaudited
<b>REVENUE</b>	4	<b>1,121,628</b>	772,317
Cost of revenue	5	<b>(905,259)</b>	(595,357)
Gross profit		<b>216,369</b>	176,960
Other income and gains	4	<b>11,360</b>	9,916
Selling, general and administrative expenses		<b>(179,677)</b>	(171,446)
Other expenses		<b>(20,181)</b>	(289)
<b>OPERATING PROFIT</b>		<b>27,871</b>	15,141
Finance income		<b>5,104</b>	5,644
Finance costs		<b>(48,364)</b>	(40,018)
Share of losses of joint ventures		<b>(1,967)</b>	(1,787)
Share of profits/(losses) of associates		<b>(8,001)</b>	4,974
Gain/(loss) on disposal of a subsidiary	27	<b>127</b>	(19,808)
<b>LOSS BEFORE TAX</b>	5	<b>(25,230)</b>	(35,854)
Income tax expense	6	<b>(19,721)</b>	(16,454)
<b>LOSS FOR THE PERIOD</b>		<b>(44,951)</b>	(52,308)
Attributable to:			
Owners of the parent		<b>(31,602)</b>	(47,999)
Non-controlling interests		<b>(13,349)</b>	(4,309)
		<b>(44,951)</b>	(52,308)
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic — For loss for the period	7	<b>RMB(0.02)</b>	RMB(0.03)
Diluted — For loss for the period	7	<b>RMB(0.02)</b>	RMB(0.03)

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended June 30, 2015

	<b>For the six-month period ended June 30, 2015 RMB'000 Unaudited</b>	2014 RMB'000 Unaudited
<b>LOSS FOR THE PERIOD</b>	<b>(44,951)</b>	(52,308)
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>907</b>	(7,125)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>907</b>	(7,125)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(44,044)</b>	(59,433)
Attributable to:		
Owners of the parent	<b>(30,695)</b>	(55,124)
Non-controlling interests	<b>(13,349)</b>	(4,309)
	<b>(44,044)</b>	(59,433)



# Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2015

	Notes	June 30, 2015 RMB'000 Unaudited	December 31, 2014 RMB'000 Audited
<b>NON-CURRENT ASSETS</b>			
Property and equipment	9	69,342	67,899
Investment properties		119,000	119,000
Prepaid land premium		13,322	13,471
Goodwill	10	333,782	353,782
Other intangible assets	11	35,688	42,184
Investments in joint ventures	12	38,538	52,452
Investments in associates	13	112,365	139,180
Available-for-sale investment		25,307	25,307
Deferred tax assets		5,112	5,030
Pledged deposits	20	–	4,500
Convertible borrowings	14	82,390	82,390
Other long-term assets	15	35,059	–
Total non-current assets		869,905	905,195
<b>CURRENT ASSETS</b>			
Inventories	16	22,109	20,721
Construction contracts	17	1,316,483	1,252,874
Trade and bills receivables	18	1,594,278	1,409,037
Prepayments, deposits and other receivables	19	1,604,863	1,332,641
Amounts due from related parties	28	113,139	84,895
Deferred cost		2,023	2,767
Held-to-maturity investment		17,504	67,530
Pledged deposits	20	159,015	79,716
Cash and cash equivalents	20	414,301	600,299
Total current assets		5,243,715	4,850,480
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	21	1,435,898	1,176,568
Other payables and accruals	22	244,564	271,555
Construction contracts	17	963,838	855,940
Interest-bearing bank borrowings	23	684,309	579,664
Amounts due to related parties	28	81,212	59,131
Income tax payable		17,104	13,132
Guaranteed bonds — current portion		108,410	107,516
Convertible bonds — current portion	24	–	154,426
Total current liabilities		3,535,335	3,217,932
<b>NET CURRENT ASSETS</b>		1,708,380	1,632,548
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,578,285	2,537,743

# Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2015

	Notes	June 30, 2015 RMB'000 Unaudited	December 31, 2014 RMB'000 Audited
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	23	150,000	63,000
Long-term payable		1,500	–
Deferred tax liabilities		27,208	31,235
Total non-current liabilities		178,708	94,235
Net assets		2,399,577	2,443,508
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	25	290	290
Equity component of convertible bonds		–	7,903
Reserves		2,397,342	2,420,021
		2,397,632	2,428,214
Non-controlling interests		1,945	15,294
Total equity		2,399,577	2,443,508

**Liao Jie**  
Director

**Jiang Hailin**  
Director

# Interim Condensed Consolidated Statement Of Changes In Equity

For the six-month ended June 30, 2015

Attributable to owners of the parent												
Notes	Equity component											Total
	Issued capital	Share premium	Statutory reserve	Capital reserve	convertible bonds	Asset revaluation reserve	Exchange fluctuation reserve	Retained earnings	Proposed final dividend	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2014</b>	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	26	-	-	4,743	-	-	-	-	-	4,743	-	4,743
Proposed final dividend	-	-	-	-	-	-	-	(152)	(15,532)	(15,684)	-	(15,684)
Transfer from retained earnings	-	-	46	-	-	-	-	(46)	-	-	-	-
<b>At June 30, 2014 (unaudited)</b>	289	1,071,966	126,354	628,753	7,903	7,782	(24,826)	745,813	-	2,564,034	34,977	2,599,011
<b>At January 1, 2015</b>	290	1,080,822*	134,080*	630,738*	7,903	7,782*	(24,982)*	591,581*	-	2,428,214	15,294	2,443,508
Loss for the period	-	-	-	-	-	-	-	(31,602)	-	(31,602)	(13,349)	(44,951)
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	907	-	-	907	-	907
Total comprehensive income for the period	-	-	-	-	-	-	907	(31,602)	-	(30,695)	(13,349)	(44,044)
Redemption of convertible bonds	-	7,903	-	-	(7,903)	-	-	-	-	-	-	-
Share-based payment transactions	26	-	-	113	-	-	-	-	-	113	-	113
Transfer from retained earnings	-	-	1,859	-	-	-	-	(1,859)	-	-	-	-
<b>At June 30, 2015 (unaudited)</b>	290	1,088,725*	135,939*	630,851*	-	7,782*	(24,075)*	558,120*	-	2,397,632	1,945	2,399,577

\* These reserve accounts comprise the consolidated reserves of RMB2,397,342,000 (December 31, 2014: RMB2,420,021,000) in the interim condensed consolidated statement of financial position.

# Interim Condensed Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2015

	Notes	For the six-month period ended June 30,	
		2015 RMB'000 Unaudited	2014 RMB'000 Unaudited
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>			
Loss before tax		(25,230)	(35,854)
Adjustments for:			
Depreciation and amortisation	5	13,708	18,542
Net loss/(gain) on disposal of items of property and equipment	5	(142)	84
Loss/(gain) on disposal of a subsidiary	27	(127)	19,808
Equity-settled share option expenses	5	113	4,743
Impairment of amounts due from construction contracts	5	12,019	–
Impairment of trade receivables	5	14,374	3,366
Impairment of other receivables	5	1,392	–
Impairment of advance to suppliers	5	6,000	–
Impairment of goodwill	5	20,000	–
Share of losses of joint ventures		1,967	1,787
Share of losses/(profits) of associates		8,001	(4,974)
Finance income		(5,104)	(5,644)
Finance costs		48,364	40,018
		<b>95,335</b>	41,876
Changes in assets and liabilities:			
Increase in inventories		(1,388)	(2,784)
Movements in construction contracts assets/liabilities		32,270	67,392
Increase in trade and bills receivables		(199,615)	(43,248)
Decrease/(increase) in prepayments, deposits and other receivables		(247,850)	78,182
Decrease/(increase) in amounts due from related parties		(28,460)	7,224
Increase in long-term assets		(35,059)	–
Decrease in deferred cost		744	996
Decrease in pledged deposits		8,201	4,030
Increase/(decrease) in trade and bills payables		259,330	(156,044)
Decrease in other payables and accruals		(28,369)	(17,738)
Increase/(decrease) in amounts due to related parties		22,081	(28,149)
Increase in long-term payable		1,500	–
Cash used in operations		(121,280)	(48,263)
Interest paid		(42,738)	(34,272)
Interest received		1,100	1,583
Income tax paid		(19,859)	(24,462)
<b>Net cash flows used in operating activities</b>		<b>(182,777)</b>	(105,414)

# Interim Condensed Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2015

	Notes	<b>For the six-month period ended June 30, 2015</b>	2014
		<b>RMB'000 Unaudited</b>	RMB'000 Unaudited
<b>Net cash flows used in operating activities</b>		<b>(182,777)</b>	(105,414)
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>			
Interest received		–	2,107
Proceeds from disposal of items of property and equipment		<b>710</b>	42
Proceeds from held-to-maturity investment		<b>50,000</b>	–
Proceeds from disposal of a joint venture		<b>2,000</b>	–
Disposal of a subsidiary	27	<b>(395)</b>	5,920
Dividends received		<b>2,584</b>	2,640
Purchases of items of property and equipment	9	<b>(9,073)</b>	(19,720)
Investment in convertible borrowings		–	(80,000)
Investment in associates		–	(22,442)
Acquisition of subsidiaries		–	(3,558)
Collection of prepayment related to an acquisition of an entity		–	22,662
Net cash flows from/(used in) investing activities		<b>45,826</b>	(92,349)
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Proceeds from interest-bearing bank borrowings		<b>683,674</b>	215,690
Repayment of interest-bearing bank borrowings		<b>(492,028)</b>	(196,935)
Redemption of convertible bonds		<b>(157,720)</b>	–
Increase in pledged deposits for bank loans		<b>(83,000)</b>	–
Proceeds from issue of convertible bonds		–	905
Repurchase of guaranteed bonds		–	(81,000)
Net cash flows used in financing activities		<b>(49,074)</b>	(61,340)
Net decrease in cash and cash equivalents		<b>(186,025)</b>	(259,103)
Effect of foreign exchange rate changes, net		<b>27</b>	(6,255)
Cash and cash equivalents at beginning of period		<b>600,299</b>	695,720
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	20	<b>414,301</b>	430,362

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 20, 2008. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The Company's principal place of business in Hong Kong is in Room 1004, Tung Wah Mansion, 199-203 Hennessy Road, Wanchai. 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 Group is a provider of transportation infrastructure technology solutions and services in the PRC. During the period, the Group was involved in the following principal activities:

- 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 — engaging in the provision of 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, 2015 have been prepared in accordance with International Accounting Standard ("IAS") 34 *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, 2014. The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

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

### **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, 2014, except for the adoption of new standards and interpretations/amendments as of January 1, 2015, as stated below:

#### **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. This amendment has no impact on the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

#### **Annual Improvements 2010–2012 Cycle**

These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

##### *IFRS 2 Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

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

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

#### Annual Improvements 2010–2012 Cycle (Continued)

##### *IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

##### *IFRS 8 Operating Segments*

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar";
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision makers, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in paragraph 12 of IFRS 8. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in note 3 in these financial statements as the reconciliation is reported to the chief operating decision makers for the purpose of their decision making.

##### *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

##### *IAS 24 Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.



# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

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

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

#### Annual Improvements 2011–2013 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

#### *IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Group has no joint arrangements, and thus this amendment has no impact to the Group and its subsidiaries.

#### *IFRS 13 Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

#### *IAS 40 Investment Property*

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In current period, the Group does not have acquisition transactions and thus, this amendment does not impact the accounting policy of the Group.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 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 the expressway industry;
- (b) Railway: Provides SS, and VAOS to customers in the railway industry;
- (c) Urban traffic: Provides TS, SS and VAOS to customers in the urban traffic industry;
- (d) Others: Provides SS to customers in other industries.

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/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit/(loss) 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, foreign exchange gains/(losses) as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude interest receivable, held-to-maturity investment, dividend receivable, investment properties, prepaid land premium, goodwill, investments in joint ventures, investments in associates, available-for-sale investment, convertible borrowings and deferred tax assets on a group basis.

Segment liabilities exclude interest payables, interest-bearing bank borrowings, income tax payable, guaranteed bonds, convertible bonds 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 attributed to Mainland China and all of the Group’s non-current assets excluding available-for-sale investment and investment in joint ventures are located in Mainland China.

### Information about a major customer

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 3. OPERATING SEGMENT INFORMATION (Continued)

Six-month period ended June 30, 2015	Expressway RMB'000	Railway RMB'000	Urban traffic RMB'000	Consolidated RMB'000
<b>Segment revenue</b>				
Sales to external customers	332,937	700,831	87,860	1,121,628
Intersegment sales	-	-	-	-
<i>Reconciliation:</i>	332,937	700,831	87,860	1,121,628
Elimination of intersegment sales				-
Revenue				1,121,628
<b>Segment results</b>	38,462	116,469	(104,828)	50,103
<i>Reconciliation:</i>				
Finance income				5,104
Finance costs				(48,364)
Share of losses of joint ventures				(1,967)
Share of losses of associates				(8,001)
Gain on disposal of a subsidiary				127
Foreign exchange losses				(172)
Corporate and other unallocated expenses				(22,060)
Loss before tax				(25,230)
<b>June 30, 2015</b>				
<b>Segment assets</b>	1,984,065	2,777,790	847,733	5,609,588
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(153,198)
Corporate and other unallocated assets				657,230
Total assets				6,113,620
<b>Segment liabilities</b>	652,991	1,509,813	679,648	2,842,452
<i>Reconciliation:</i>				
Elimination of intersegment payables				(153,198)
Corporate and other unallocated liabilities				1,024,789
Total liabilities				3,714,043

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 3. OPERATING SEGMENT INFORMATION (Continued)

### Six-month period ended June 30, 2014

	Expressway RMB'000	Railway RMB'000	Urban traffic RMB'000	Consolidated RMB'000
<b>Segment revenue</b>				
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
<b>Segment results</b>	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)
Foreign exchange gains				5,509
Corporate and other unallocated expenses				(18,403)
Loss before tax				(35,854)
<b>June 30, 2014</b>				
<b>Segment assets</b>	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
<b>Segment liabilities</b>	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, 2015

## 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, other income and gains is as follows:

	For the six-month period ended June 30,	
	2015	2014
	RMB'000	RMB'000
<b>Revenue</b>		
Implementation of projects	<b>1,078,807</b>	705,876
Sale of products	<b>10,987</b>	61,151
Rendering of services	<b>31,834</b>	5,290
	<b>1,121,628</b>	772,317
<b>Other income and gains</b>		
Gross rental income	<b>4,538</b>	4,091
Government grants*	<b>6,235</b>	233
Foreign exchange gains	<b>–</b>	5,509
Others	<b>587</b>	83
	<b>11,360</b>	9,916

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 5. LOSS BEFORE TAX

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

	<b>For the six-month period ended June 30,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Cost of services rendered for the implementation of projects	<b>881,358</b>	544,806
Cost of inventories sold	<b>6,789</b>	48,822
Cost of services provided	<b>17,112</b>	1,729
	<b>905,259</b>	595,357
Depreciation (note 9)	<b>7,062</b>	9,654
Amortisation of other intangible assets* (note 11)	<b>6,496</b>	8,783
Amortisation of prepaid land premium	<b>150</b>	105
	<b>13,708</b>	18,542
Minimum lease payments under operating leases	<b>17,877</b>	13,633
Auditors' remuneration	<b>1,619</b>	1,375
Wages and salaries	<b>37,297</b>	37,927
Pension scheme contributions (defined contribution scheme)	<b>5,267</b>	4,135
Social insurance costs and staff welfare	<b>9,488</b>	10,248
Equity-settled share option expenses (note 26)	<b>113</b>	4,743
Directors' and senior executives' remuneration (excluding equity-settled share option expenses)	<b>2,268</b>	1,870
	<b>54,433</b>	58,923
Impairment of trade receivables (note 18)	<b>14,374</b>	3,366
Impairment of other receivables (note 19)	<b>1,392</b>	–
Impairment of amounts due from construction contracts (note 17)	<b>12,019</b>	–
Impairment of advance to suppliers	<b>6,000</b>	–
Impairment of goodwill (note 10)	<b>20,000</b>	–
Rental income on investment properties	<b>(4,428)</b>	(2,998)
Net (gain)/loss on disposal of items of property and equipment (note 9)	<b>(142)</b>	84
Foreign exchange (gains)/losses, net	<b>172</b>	(5,509)
(Gain)/loss in disposal of a subsidiary (note 27)	<b>(127)</b>	19,808

\* 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, 2015

## 6. INCOME TAX

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% (2014: 25%) on their respective taxable income. During the current period, nine entities (2014: one entity) of the Group were 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, 2015 and 2014, 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 as follows:

	<b>For the six-month period ended June 30,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Current income tax:		
Current income tax charge in Mainland China	<b>23,831</b>	17,390
Deferred income tax:		
Relating to origination and reversal of temporary differences	<b>(4,110)</b>	(936)
Income tax expense reported in the interim condensed consolidated statement of profit or loss	<b>19,721</b>	16,454

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 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.

The calculation of the diluted earnings per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all the dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the six-month periods ended June 30, 2015 and 2014 in respect of a dilution as the impact of the share option scheme has an anti-dilutive effect on the basic loss per share amounts presented.

	<b>For the six-month period ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Earnings</b>		
Loss attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<b>(31,602)</b>	(47,999)
	<b>For the six-month period ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Shares</b>		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	<b>1,654,024,868</b>	1,646,513,072

## 8. DIVIDENDS PROPOSED

No interim dividend was proposed by the Company for the six-month period ended June 30, 2015.



# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 9. PROPERTY AND EQUIPMENT

During the six-month period ended June 30, 2015, the Group purchased equipment with a cost of RMB9.1 million (2014: RMB19.7 million).

The depreciation charged during the six-month period ended June 30, 2015 was RMB7.1 million (2014: RMB9.7 million).

Property and equipment with a net book value of RMB0.6 million was disposed of by the Group during the six-month period ended June 30, 2015 (2014: RMB0.1 million), resulting in a net gain on disposal of RMB142,000 (2014: net loss of RMB84,000).

## 10. GOODWILL

	<b>June 30, 2015</b>	December 31, 2014
	<b>RMB'000</b>	RMB'000
At January 1	<b>353,782</b>	406,135
Impairment provided during the period/year	<b>(20,000)</b>	(52,353)
Net carrying amount at period/year end	<b>333,782</b>	353,782

## 11. OTHER INTANGIBLE ASSETS

	<b>Technical know-how</b>	<b>Customer relationships</b>	<b>Contract backlog</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
Cost at January 1, 2015 net of accumulated amortisation	12,031	29,765	388	42,184
Amortisation provided during the period	(3,110)	(3,307)	(79)	(6,496)
At June 30, 2015	8,921	26,458	309	35,688
At June 30, 2015				
Cost	31,875	61,099	4,272	97,246
Accumulated amortisation	(22,954)	(34,641)	(3,963)	(61,558)
Net carrying amount	8,921	26,458	309	35,688

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 12. INVESTMENTS IN JOINT VENTURES

	<b>June 30, 2015 RMB'000</b>	December 31, 2014 RMB'000
Share of net assets	<b>38,538</b>	52,452

The Group's receivables due from and payables due to joint ventures are disclosed in note 28 to the financial statements.

Particulars of the joint ventures are as follows:

Name	Place of registration and business	Particulars of issued shares held	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
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 Zhida Weilute")	Mainland China	RMB15 million	51%	60%	51%	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
Nanjing Communication Information Co., Ltd. ("Nanjing Communication")	Mainland China	RMB10 million	50%	50%	50%	Intelligent transportation system specialised solutions

Other than GTECH-CIC which is directly held by the Company, all the above investments in joint ventures are held indirectly by the Company. The Group disposed of the investment in Anhui Yunlian Urban Transportation Information Co., Ltd. and Shandong Yigou Software Technology Co., Ltd. ("Shandong Yigou"), joint ventures of the Group, in January and April 2015, respectively.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 13. INVESTMENTS IN ASSOCIATES

	<b>June 30, 2015 RMB'000</b>	December 31, 2014 RMB'000
Share of net assets	<b>112,365</b>	139,180

The Group's receivables due from and payables due to associates are disclosed in note 28 to the financial statements.

Particulars of the associates are as follows:

Name	Place of registration and business	Particulars of issued shares held	Percentage of ownership interest	Principal activities
Guangzhou Communication Information Co., Ltd. ("Guangzhou Communication")	Mainland China	RMB50 million	45%	Intelligent transportation system
Xi'an Communication Information Co., Ltd. ("Xi'an Communication")	Mainland China	RMB20 million	50%	Intelligent transportation system
Beijing Zhineng Shixun Information Technology Co., Ltd. ("Zhineng Shixun")	Mainland China	RMB3 million	24.98%	Intelligent transportation system
武漢光谷智能交通科技有限公司 ("Wuhan Communication")	Mainland China	RMB30 million	25%	Intelligent transportation system
北京綠通暢達交通技術有限公司 ("Beijing Lvtong Changda")	Mainland China	RMB20 million	20%	Intelligent transportation system
Xinjiang Jiaojian Intelligent Communication Technology Co., Ltd. ("Xinjiang Jiaojian")	Mainland China	RMB10 million	40%	Intelligent transportation system
北京中智潤邦網絡科技有限公司	Mainland China	RMB10 million	25%	Commercial properties leasing

All the above investments in associates are held indirectly by the Company. Due to the disposal of China ITS VA Holding Co., Ltd., a wholly-owned subsidiary of the Group, in June 2015, Zhongzhixin Financial Leasing Co., Ltd. ("Zhongzhixin"), an associate of China ITS VA Holding Co., Ltd., had been disposed of accordingly.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 14. CONVERTIBLE BORROWINGS

In June 2014, the Group lent RMB80.0 million to a specialised solutions provider in the expressway and railway industry with a right of converting the debt into a certain percentage of the equity interest of the borrower at any business date during the borrowing period from June 26, 2014 to June 25, 2019. The convertible borrowings were revalued at fair value of RMB82.4 million as at June 30, 2015.

## 15. OTHER LONG-TERM ASSETS

Balance represents unsecured loans to other third party companies which are due over one year and are interest-free.

## 16. INVENTORIES

	<b>June 30, 2015 RMB'000</b>	December 31, 2014 RMB'000
Raw materials	<b>2,796</b>	2,804
Finished goods	<b>19,313</b>	17,917
	<b>22,109</b>	20,721

No impairment loss was provided for inventories for the six-month ended June 30, 2015 (2014: nil).

## 17. CONSTRUCTION CONTRACTS

	<b>June 30, 2015 RMB'000</b>	December 31, 2014 RMB'000
Gross amount due from contract customers	<b>1,316,483</b>	1,252,874
Gross amount due to contract customers	<b>(963,838)</b>	(855,940)
	<b>352,645</b>	396,934
Contract costs incurred plus recognised profits less recognised losses to date	<b>9,455,519</b>	8,259,966
Less: progress billings	<b>(9,102,874)</b>	(7,863,032)
	<b>352,645</b>	396,934

In the current period, RMB12.0 million of impairment loss has been provided for the amounts due from contract customers (2014: nil).

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 18. TRADE AND BILLS RECEIVABLE

	<b>June 30, 2015</b>	December 31, 2014
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>1,601,749</b>	1,353,485
Impairment	<b>(25,384)</b>	(11,010)
	<b>1,576,365</b>	1,342,475
Bills receivable	<b>17,913</b>	66,562
	<b>1,594,278</b>	1,409,037

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 receivable 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:

	<b>June 30, 2015</b>	December 31, 2014
	<b>RMB'000</b>	RMB'000
Less than 6 months	<b>644,720</b>	733,657
6 months to 1 year	<b>469,545</b>	294,392
1 year to 2 years	<b>232,560</b>	226,351
2 years to 3 years	<b>169,585</b>	89,363
Over 3 years	<b>77,868</b>	65,274
	<b>1,594,278</b>	1,409,037

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 18. TRADE AND BILLS RECEIVABLES (Continued)

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

	<b>June 30, 2015</b>	December 31, 2014
	<b>RMB'000</b>	RMB'000
At January 1	<b>11,010</b>	256
Impairment recognised	<b>14,374</b>	10,754
At period/year end	<b>25,384</b>	11,010

As at June 30, 2015, RMB186.9 million (December 31, 2014: RMB120.0 million) of trade receivables are secured for the current bank loans of RMB81.6 million (December 31, 2014: RMB50.0 million) (note 23).

## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	<b>June 30, 2015</b>	December 31, 2014
		<b>RMB'000</b>	RMB'000
Prepayments to suppliers for purchases of goods		<b>1,100,571</b>	833,304
Loans to other companies	(a)	<b>182,499</b>	174,924
Tender deposits		<b>26,436</b>	27,151
Contract deposits		<b>144,327</b>	167,925
Advances to staff		<b>30,803</b>	20,724
Interest receivable		<b>25,507</b>	21,514
Dividend receivable		<b>11,105</b>	29,899
Compensation due from strategic investor		–	20,380
Others		<b>89,033</b>	64,226
		<b>1,610,281</b>	1,360,047
Impairment		<b>(5,418)</b>	(27,406)
		<b>1,604,863</b>	1,332,641

(a) The balance represents unsecured loans to other third party companies which are due within one year. Among which a balance of RMB164.5 million is interest-free, a balance of RMB10.0 million bears interest at 10.0% per annum, and a balance of RMB8.0 million bears 115% of the 1-year benchmark interest rate announced by the People's Bank of China.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The movements in provision for impairment of other receivables are as follows:

	<b>June 30, 2015 RMB'000</b>	December 31, 2014 RMB'000
At January 1	<b>27,406</b>	1,716
Impairment recognised	<b>1,392</b>	26,106
Amount written off	<b>(23,380)</b>	(416)
At period/year end	<b>5,418</b>	27,406

## 20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<b>June 30, 2015 RMB'000</b>	December 31, 2014 RMB'000
Cash and bank balances	<b>414,301</b>	600,299
Pledged deposits		
– Current deposits	<b>159,015</b>	79,716
– Non-current deposits	<b>–</b>	4,500
	<b>573,316</b>	684,515
Less: Pledged deposits for		
– Letter of guarantee for projects	<b>(47,437)</b>	(57,698)
– Bills payables	<b>(5,946)</b>	(7,836)
– Interest-bearing bank borrowings	<b>(86,690)</b>	(10,345)
– Tenders	<b>(18,942)</b>	(8,337)
Cash and cash equivalents	<b>414,301</b>	600,299

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

The cash and bank balances and pledged deposits of the Group denominated in RMB totalled RMB561.0 million (RMB560.9 million is located in Mainland China and RMB0.1 million is located overseas) as at June 30, 2015 (December 31, 2014: RMB672.6 million in total). In Mainland China, the RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 21. TRADE AND BILLS PAYABLES

	<b>June 30, 2015 RMB'000</b>	December 31, 2014 RMB'000
Trade payables	<b>1,384,546</b>	1,136,210
Bills payable	<b>51,352</b>	40,358
	<b>1,435,898</b>	1,176,568

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:

	<b>June 30, 2015 RMB'000</b>	December 31, 2014 RMB'000
Current or less than 1 year	<b>943,272</b>	866,368
1 to 2 years	<b>437,847</b>	288,318
Over 2 years	<b>54,779</b>	21,882
	<b>1,435,898</b>	1,176,568

The Group's bills payable were secured by pledged deposits of the Group of RMB5.9 million as at June 30, 2015 (December 31, 2014: RMB7.8 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, 2015

## 22. OTHER PAYABLES AND ACCRUALS

	<b>June 30, 2015 RMB'000</b>	December 31, 2014 RMB'000
Advances from customers	<b>135,454</b>	113,211
Business advance deposits	<b>39,280</b>	31,118
Staff costs and welfare accruals	<b>16,447</b>	13,528
Other borrowings	<b>36,900</b>	21,950
Other taxes payable	<b>(12,063)</b>	59,354
Interest payables	<b>3,665</b>	2,287
Research and development funds	<b>2,889</b>	1,925
Others	<b>21,992</b>	28,182
	<b>244,564</b>	271,555

As of June 30, 2015, the above balances are non-interest-bearing, except for a borrowing amounted to RMB30.0 million (December 31, 2014: nil) which bears interest at 8% per annum.

## 23. INTEREST-BEARING BANK BORROWINGS

	<b>Contractual interest rate %</b>	<b>June 30, 2015 RMB'000</b>	December 31, 2014 RMB'000
<b>Current</b>			
Bank loans — secured and repayable within one year	5.8–7.3	423,632	172,754
Bank loans — guaranteed and repayable within one year	6.2–8.2	228,050	361,335
Bank loans — unsecured and repayable within one year	2.3	18,539	–
Bills receivable endorsed	–	14,088	45,575
		684,309	579,664
<b>Non-current</b>			
Bank loans — guaranteed and repayable within two years	7.5	150,000	–
Bank loans — secured and repayable within two years	6.6	–	63,000
		150,000	63,000
		834,309	642,664

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 23. INTEREST-BEARING BANK BORROWINGS (Continued)

Notes:

- (i) Bank loans of RMB173.2 million as at June 30, 2015 (December 31, 2014: RMB122.8 million) were secured by investment properties of RMB119.0 million (December 31, 2014: RMB119.0 million).
- (ii) Bank loans of RMB81.6 million as at June 30, 2015 (December 31, 2014: RMB50.0 million) were secured by trade receivables with a total amount of RMB186.9 million (December 31, 2014: RMB120.0 million).
- (iii) Bank loans of RMB164.3 million as at June 30, 2015 were secured by a bank deposit of RMB83.0 million by Beijing Zhixun Tiancheng Technology Co., Ltd. ("Zhixun Tiancheng"), a subsidiary of the Group (December 31, 2014: nil).
- (iv) Bank loans of RMB4.5 million as at June 30, 2015 (December 31, 2014: RMB63.0 million) were secured by a bank deposit of RMB3.7 million (December 31, 2014: RMB12.0 million), provided by Beijing Aproud Technology Co., Ltd. ("Aproud Technology"), a subsidiary of the Group.
- (v) The non-current bank loans of RMB150.0 million as at June 30, 2015 were guaranteed by Beijing RHY Technology Development Co., Ltd. ("RHY Technology"), a subsidiary of the Group (December 31, 2014: nil).
- (vi) Bank loans of RMB198.1 million as at June 30, 2015 (December 31, 2014: RMB185.0 million) were guaranteed by Aproud Technology, RHY Technology and Zhixun Tiancheng, subsidiaries of the Group.
- (vii) Bank loans of RMB30.0 million as at June 30, 2015 (December 31, 2014: RMB176.3 million) were guaranteed by the Company.

As at June 30, 2015, the Group had unutilised available bank borrowing facilities amounting to RMB1,081.0 million (December 31, 2014: RMB1,040.3 million).

As at June 30, 2015, the Group's bank loans of RMB446.2 million were charged at fixed interest rates and bank loans of RMB374.0 million were charged at floating interest rates based on the benchmark interest rates announced by the People's Bank of China. The carrying amounts of the Group's current borrowings approximate to their fair values.

## 24. CONVERTIBLE BONDS

On January 30, 2015, the Company exercised its early redemption right to redeem the convertible bonds due June 2015 in the full amount of HK\$200 million prior to their maturity. The Company settled the full amount of the redeemed principal of HK\$200 million and the premium of approximately HK\$16.0 million (equivalent to RMB12.6 million), which was recorded in finance cost, on February 20, 2015.

## 25. ISSUED CAPITAL

### Shares

	June 30, 2015 RMB'000	December 31, 2014 RMB'000
Authorised:		
1,900,000,000 ordinary shares of HK\$0.0002 each	335	335
Issued and fully paid:		
1,654,024,868 ordinary shares of HK\$0.0002 each	290	290

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 26. SHARE OPTION SCHEME

### Pre-IPO Share Incentive Scheme

On December 28, 2008, China ITS Co., Ltd., one of the controlling shareholders, 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.

No share option expenses were recognised during the six-month period ended June 30, 2015 and June 30, 2014.

There was no movement for the outstanding numbers of the share options during the six-month period ended June 30, 2015. The following table illustrates the numbers and weighted average exercise price ("WAEP") of the share options as at June 30, 2015:

	Number '000	WAEP RMB per share
Outstanding as at June 30, 2015	30,438	3.13
Exercisable as at June 30, 2015	30,438	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, 2015

## 26. SHARE OPTION SCHEME (Continued)

### Share Option Scheme (Continued)

The share option expenses recognised during the six-month period ended June 30, 2015 is as follows:

	<b>For the six-month period ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Equity-settled share option expenses	<b>113</b>	4,743

There was no movement for the outstanding numbers of the share options during the six-month period ended June 30, 2015. The following table illustrates the numbers and WAEP of the share options as at June 30, 2015:

	<b>Number '000</b>	<b>WAEP RMB per share</b>
Outstanding as at June 30, 2015	<b>155,000</b>	<b>1.05</b>
Exercisable as at June 30, 2015	<b>155,000</b>	<b>1.05</b>

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 27. DISPOSAL OF A SUBSIDIARY

On June 29, 2015, the Group disposed of China ITS VA Holding Co., Ltd., a wholly-owned subsidiary of the Group, at a consideration of HK\$64,000 (equivalent to RMB50,000).

<b>Net assets disposed of:</b>	RMB'000
Cash and bank balances	395
Investment in an associate	18,339
Other payables and accruals	(18,811)
Net assets	(77)
Satisfied by cash	–
Cash consideration recorded in other receivables	50
Gain on disposal of a subsidiary	127

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

	RMB'000
Cash consideration	–
Cash and bank balances disposed of	395
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(395)

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 27. DISPOSAL OF A SUBSIDIARY (Continued)

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.

<b>Net assets disposed of:</b>	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)
<b>Net assets</b>	<b>43,808</b>
Satisfied by cash	6,000
Cash consideration recorded in other receivables	18,000
	24,000
<b>Loss on disposal of a subsidiary</b>	<b>(19,808)</b>

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)
<b>Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary</b>	<b>5,920</b>

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 28. 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, 2015:

	Notes	For the six-month period ended June 30,	
		2015 RMB'000	2014 RMB'000
<b>Sales to related parties:</b>			
Wuhan Communication	(a)	1,590	–
Guangzhou Communication	(a)	847	2,745
Nanjing Communication	(b)	600	1,488
Wuhan Chenguang	(b)	354	–
Xi'an Communication	(a)	–	1,466
		<b>3,391</b>	5,699
<b>Purchases from related parties:</b>			
Wuhan Communication	(a)	11,274	2,955
Xi'an Communication	(a)	2,973	4,985
無錫智通潤邦信息科技有限公司	(d)	2,650	–
Nanjing Communication	(b)	2,242	–
Wuhan Chenguang	(b)	1,880	–
Beijing Lvtong Changda	(a)	1,551	–
北京鑫虹智顯科技發展有限公司	(c)	578	–
Beijing Bailian Youli Information Technology Co., Ltd.	(e)	–	755
Shandong Yigou	(f)	–	4,147
		<b>23,148</b>	12,842

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 a key management personnel of the Group.
- (d) The entity is joint-controlled by a key management personnel of the Group.
- (e) The entity is 100% owned by Bailian Youli (Beijing) Investment Co., Ltd., which is controlled by certain directors of the Company.
- (f) The entity was a joint venture of the Group and was disposed of in April 2015.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 28. RELATED PARTY TRANSACTIONS (Continued)

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 related parties and the Group.

	Notes	June 30, 2015 RMB'000	December 31, 2014 RMB'000
<b>Due from related parties:</b>			
<i>Trade related</i>			
Guangzhou Communication	(a)	<b>26,840</b>	27,695
北京鑫虹智顯科技發展有限公司	(f)	<b>17,485</b>	–
Xi'an Communication	(a)	<b>14,236</b>	18,641
無錫智通潤邦信息科技有限公司	(g)	<b>8,066</b>	–
Wuhan Communication	(a)	<b>1,329</b>	–
Nanjing Communication	(b)	<b>1,130</b>	5,006
Beijing Lvtong Changda	(a)	<b>529</b>	–
Wuhan Chenguang	(b)	<b>438</b>	–
Chengdu Zhida Weilute	(b)	<b>68</b>	68
Shandong Yigou	(c)	<b>–</b>	77
		<b>70,121</b>	51,487
<i>Non-trade related</i>			
Wuhan Chenguang	(b)	<b>19,006</b>	19,020
GTECH-CIC	(b)	<b>8,675</b>	–
北京鑫虹智顯科技發展有限公司	(f)	<b>5,953</b>	–
北京瑞瀾聯合通信技術有限公司	(e)	<b>3,000</b>	3,000
RHY Holdings Ltd.	(d)	<b>3,000</b>	3,000
無錫智通潤邦信息科技有限公司	(g)	<b>1,892</b>	–
Guangzhou Communication	(a)	<b>1,283</b>	1,283
Xi'an Communication	(a)	<b>163</b>	180
Zhineng Shixun	(a)	<b>46</b>	46
Zhongzhixin	(h)	<b>–</b>	6,879
		<b>43,018</b>	33,408
		<b>113,139</b>	84,895

Notes:

- (a) The entity is an associate of the Group.
- (b) The entity is a joint venture of the Group.
- (c) The entity was a joint venture of the Group and was disposed of in April 2015.
- (d) RHY Holdings Ltd. is 59% owed by a director of the Company.
- (e) The entity is 58% owned by RHY Holding Ltd..
- (f) The entity is controlled by a key management personnel of the Group.
- (g) The entity is joint-controlled by a key management personnel of the Group.
- (h) The entity was an associate of the Group and was disposed of in June 2015.



# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 28. RELATED PARTY TRANSACTIONS (Continued)

	Notes	June 30, 2015 RMB'000	December 31, 2014 RMB'000
<b>Due to related parties:</b>			
<i>Trade related</i>			
GTECH-CIC	(b)	<b>36,272</b>	29,394
Wuhan Communication	(a)	<b>15,883</b>	8,433
Wuhan Chenguang	(b)	<b>8,487</b>	6,818
無錫智通潤邦信息科技有限公司	(d)	<b>8,241</b>	–
北京鑫虹智顯科技發展有限公司	(c)	<b>4,160</b>	–
Nanjing Communication	(b)	<b>1,182</b>	819
Guangzhou Communication	(a)	<b>1,034</b>	–
Chengdu Zhida Weilute	(b)	<b>696</b>	696
Xinjiang Jiaojian	(a)	<b>359</b>	591
Xi'an Communication	(a)	–	3,294
Shandong Yigou	(e)	–	1,497
Beijing Lvtong Changda	(a)	–	458
		<b>76,314</b>	52,000
<i>Non-trade related</i>			
Chengdu Zhida Weilute	(b)	<b>3,153</b>	3,160
Beijing Lvtong Changda	(a)	<b>1,036</b>	2,000
Xi'an Communication	(a)	<b>378</b>	–
Wuhan Communication	(a)	<b>286</b>	286
無錫智通潤邦信息科技有限公司	(d)	<b>45</b>	–
Shandong Yigou	(e)	–	1,685
		<b>4,898</b>	7,131
		<b>81,212</b>	59,131

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 a key management personnel of the Group.
- (d) The entity is joint controlled by a key management personnel of the Group.
- (e) The entity was a joint venture of the Group and was disposed of in April 2015.

The above balances as at June 30, 2015 and December 31, 2014 were unsecured and interest-free. There were no fixed terms of repayment. 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, 2015

## 28. RELATED PARTY TRANSACTIONS (Continued)

### Compensation of key management personnel of the Group

	For the six-month period ended June 30,	
	2015 RMB'000	2014 RMB'000
Equity-settled share option expense	21	2,762
Salaries, bonuses, allowances and benefits in kind	2,222	2,061
Pension plan contributions	46	70
Total compensation paid to key management personnel	2,289	4,893

## 29. PLEDGE OF ASSETS

Details of pledged assets are included in notes 18, 20, 21 and 23 to the financial statements.

## 30. OPERATING LEASE COMMITMENTS

### As lessor

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

	June 30, 2015 RMB'000	December 31, 2014 RMB'000
Within one year	11,932	11,147
In the second to fifth years, inclusive	13,521	6,738
	25,453	17,885

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 30. OPERATING LEASE COMMITMENTS (Continued)

### As lessee

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

At June 30, 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>June 30, 2015 RMB'000</b>	December 31, 2014 RMB'000
Within one year	<b>20,116</b>	33,070
In the second to fifth years, inclusive	<b>4,984</b>	8,402
	<b>25,100</b>	41,472

## 31. CAPITAL COMMITMENTS

As at June 30, 2015, the Group had no significant capital commitments (December 31, 2014: nil).

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 32. 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, 2015

	Designated as Financial assets at fair value through profit or loss upon initial recognition RMB'000	Held-to- maturity investment RMB'000	Loans and receivables RMB'000	Available- for-sale investment RMB'000	Total RMB'000
Available-for-sale investment	-	-	-	25,307	25,307
Convertible borrowings	82,390	-	-	-	82,390
Other long-term assets	-	-	35,059	-	35,059
Trade and bills receivables	-	-	1,594,278	-	1,594,278
Financial assets included in prepayments, deposits and other receivables	-	-	473,477	-	473,477
Amounts due from related parties	-	-	113,139	-	113,139
Held-to-maturity investment	-	17,504	-	-	17,504
Pledged deposits — current	-	-	159,015	-	159,015
Cash and cash equivalents	-	-	414,301	-	414,301
	82,390	17,504	2,789,269	25,307	2,914,470

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 32. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

### Financial assets (Continued)

December 31, 2014

	Designated as financial assets at fair value through profit or loss upon initial recognition RMB'000	Held-to- maturity investment RMB'000	Loans and receivables RMB'000	Available- for-sale investment RMB'000	Total RMB'000
Available-for-sale investment	–	–	–	25,307	25,307
Pledged deposits — non-current	–	–	4,500	–	4,500
Convertible borrowings	82,390	–	–	–	82,390
Trade and bills receivables	–	–	1,409,037	–	1,409,037
Financial assets included in prepayments, deposits and other receivables	–	–	478,613	–	478,613
Amounts due from related parties	–	–	84,895	–	84,895
Held-to-maturity investment	–	67,530	–	–	67,530
Pledged deposits	–	–	79,716	–	79,716
Cash and cash equivalents	–	–	600,299	–	600,299
	82,390	67,530	2,657,060	25,307	2,832,287

### Financial liabilities

	June 30, 2015 Financial liabilities at amortised cost RMB'000	December 31, 2014 Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,435,898	1,176,568
Financial liabilities included in other payables and accruals	80,894	55,355
Interest-bearing bank borrowings — current	684,309	579,664
Amounts due to related parties	81,212	59,131
Guaranteed bonds within one year	108,410	107,516
Convertible bonds within one year	–	154,426
Interest-bearing bank borrowings — non-current	150,000	63,000
Long-term payable	1,500	–
	2,542,223	2,195,660

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments are reasonably approximate to their fair values.

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 held-to-maturity investment approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

The fair values of the other long-term assets, held-to-maturity investment, guaranteed bonds, interest-bearing bank borrowings and long-term payable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for other long-term assets, guaranteed bonds, interest-bearing bank borrowings and long-term payable as at June 30, 2015 was assessed to be insignificant.

The fair values of convertible borrowings 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, 2015 and December 31, 2014

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets				
Convertible borrowings	–	–	82,390	82,390

Fair value measurement has no change in Level 3 during the period.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## 33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at June 30, 2015 and December 31, 2014.

Liabilities for which fair values are disclosed:

*As at June 30, 2015*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank borrowings — current	—	684,309	—	684,309
Guaranteed bonds within one year	—	—	108,410	108,410
Interest-bearing bank borrowings — non-current	—	150,000	—	150,000
Long-term payable	—	1,500	—	1,500
	—	835,809	108,410	944,219

*As at December 31, 2014*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank borrowings — current	—	579,664	—	579,664
Guaranteed bonds	—	—	107,516	107,516
Convertible bonds	—	—	154,426	154,426
Interest-bearing bank borrowings — non-current	—	63,000	—	63,000
	—	642,664	261,942	904,606

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2015

## **34. EVENT AFTER THE REPORTING PERIOD**

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

## **35. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on August 27, 2015.