



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



2016  
Interim Report





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# Financial Highlights

## HIGHLIGHTS OF 2016 INTERIM RESULTS

- The amount of new contracts signed and orders secured for the six months ended June 30, 2016 was approximately RMB1,171.1 million, compared to approximately RMB1,030.7 million for the six months ended June 30, 2015, or an approximately 13.6% increase.
- The amount of backlog as at June 30, 2016 was approximately RMB2,147.8 million, compared to approximately RMB2,193.1 million as at December 31, 2015, or an approximately 2.0% decrease.
- Revenue for the six months ended June 30, 2016 was approximately RMB1,061.9 million, compared to approximately RMB1,121.6 million for the six months ended June 30, 2015, or an approximately 5.3% decrease.
- Gross profit for the six months ended June 30, 2016 was approximately RMB210.4 million, compared to approximately RMB216.4 million for the six months ended June 30, 2015, or an approximately 2.7% decrease.
- Gross profit margin for the six months ended June 30, 2016 was 19.8% which was similar to 19.3% for the six months ended June 30, 2015.
- Profit attributable to owners of the parent of the Company for the six months ended June 30, 2016 was RMB45.6 million, compared to a loss of approximately RMB31.6 million for the six months ended June 30, 2015.
- Earnings per share<sup>(1)</sup> for the six months ended June 30, 2016 was approximately RMB0.03 per share.

### Notes:

- (1) Earnings per share refers to profit attributable to owners of the parent divided by weighted average number of shares in issue, during the six months ended June 30, 2016.

# 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. Ye Zhou

## 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  
Jadine's Lookout  
Hong Kong

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## REGISTERED OFFICE

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

## HEAD OFFICE IN THE PRC

Building 204, No. A10  
Jiuxianqiao North Road  
Chaoyang District  
Beijing 100015, China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1004  
Tung Wah Mansion  
199-203 Hennessy Road  
Hong Kong

## 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  
Suites 3301-04, 33/F  
Two Chinachem Exchange Square  
338 King's Road  
North Point  
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)  
43rd Floor, Gloucester Tower  
The Landmark  
15 Queen's Road, Central  
Hong Kong

## LISTING EXCHANGE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited  
Stock code: 1900  
Board lot: 1,000 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  
Shengjing Bank Beijing Branch Guanyuan sub-branch  
China Minsheng Banking Corp., Ltd. Beijing Branch Wangjing Science and Technology Park sub-branch  
Ping An Bank Co., Ltd. Beijing Guomao sub-branch

# Management Discussion and Analysis Overview

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

In the first half of 2016 (the “**Period**”), China ITS (Holdings) Co., Ltd. (the “**Company**”) and its subsidiaries (collectively the “**Group**”) recorded revenue of RMB1,061.9 million, representing a decrease of 5.3% as compared to RMB1,121.6 million for the six months ended June 30, 2015. The new contracts signed and orders secured recorded RMB1,171.1 million, representing an increase of 13.6% as compared to RMB1,030.7 million for the six months ended June 30, 2015. Backlog recorded RMB2,147.8 million as at June 30, 2016. The overall gross profit for the Period was RMB210.4 million, representing a decrease of 2.7% compared with the first half year of 2015. Gross profit margin for the Period increased from 19.3% to 19.8% as compared with the first half year of 2015. The profit attributable to owners of the parent of the Company for the six months ended June 30, 2016 was RMB45.6 million, compared to a loss of RMB31.6 million for the six months ended June 30, 2015.

## CORE BUSINESS OF THE GROUP AND OPERATION THEREOF

### 1. Expressway

For the six months ended June 30, 2016, the Group’s revenue from the Expressway segment (“Expressway”) reached RMB285.8 million, representing a decrease of RMB47.1 million as compared to six months ended June 30, 2015. Since 2014, the expressway industry entered into a period of stable development, and the growth of the scale of industry investment was obviously lower than that in 2012 and 2013. The amount of the new contracts signed and orders secured in the six months ended June 30, 2016 was RMB367.1 million.

In the first half of 2016, the major projects of Expressway contains Yunnan Da-Li (Dali — Lijiang) Expressway Project, Hubei Macheng — Zhuxi Expressway Project, Hunan Expressway Information Construction Project.

### 2. Railway

For the six months ended June 30, 2016, the Group’s revenue from the Railway segment (“Railway”) reached RMB727.1 million, representing an increase of RMB26.3 million as compared to six months ended June 30, 2015. The amount of the new contracts signed and orders secured in the six months ended June 30, 2016 was RMB707.9 million.

Under the environment of increasing investment in railway construction in China during 2016, 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.

In the first half of 2016, the major projects of Railway contains Harbin Data Network Reform Project, Nanchang Data Network Reform Project, Wuhan Data Network Reform Project.

### 3. Urban Traffic

For the six months ended June 30, 2016, the Group’s revenue from the Urban Traffic segment (“**Urban Traffic**”) reached RMB49.1 million, representing a decrease of RMB38.8 million as compared to six months ended June 30, 2015. The amount of the new contracts signed and orders secured in the six months ended June 30, 2016 was RMB96.0 million.

In the first half of 2016, the major projects of Urban Traffic contains Wuhai ITS Management System Project, Nanhai District ITS Management Project, Weifang ITS Management System Project.



# Management Discussion and Analysis

## Business And Financial Review

### REVENUE

#### By Industry Segment

The Group's overall revenue for the six months ended June 30, 2016, was RMB1,016.9 million, representing a decrease of 5.3% from RMB1,121.6 million for the six months ended June 30, 2015. The decrease was due to a 14.2% decrease in the Expressway segment and a decrease of 44.1% in the Urban Traffic segment, which was partly offset by a 3.7% increase in the Railway segment. The following table sets out the revenue breakdown by industry segments:

	Six months ended June 30,	
	2016 RMB'000	2015 RMB'000
Revenue by industry segments		
Expressway	<b>285,769</b>	332,937
Railway	<b>727,072</b>	700,831
Urban Traffic	<b>49,076</b>	87,860
<b>Total</b>	<b>1,061,917</b>	1,121,628

#### (i) Expressway

Revenue from the Expressway segment for the six months ended June 30, 2016 was RMB285.8 million, representing a decrease of RMB47.1 million from RMB332.9 million for the six months ended June 30, 2015. Since 2014, the expressway industry entered into a period of stable development, and the growth of the scale of industry investment was obviously lower than that in 2012 and 2013. For the six months ended June 30, 2016, new contracts signed and orders secured for the Expressway segment amounted to RMB367.1 million, representing an increase of RMB35.6million from RMB331.5 million for the six months ended June 30, 2015, while the amount of backlog as at June 30, 2016 was RMB986.4 million, representing a decrease of RMB72.9 million from RMB1,059.3 million as at December 31, 2015.

#### (ii) Railway

Revenue from the Railway segment for the six months ended June 30, 2016 was RMB727.1 million, representing an increase of RMB26.3 million from RMB700.8 million for the six months ended June 30, 2015. Following the strong recovery of the Railway segment in 2014 and 2015, aggregate new contract amount for the Railway segment reached a new height at RMB707.9 million in the first half of 2016, representing a slightly increase compared with that of the same period of 2015. According to the plan stipulated by China Railway Corp, the investment of total fixed assets of China Railway sector amounts to RMB800 billion in 2016, which is in line with that of 2015. To firmly capture this opportunity, rely on their own advantages, expand their product lines and reduce operational risks, in the first half of 2016, the Railway segment continued to maintain its leading position in the communication service segment, as well as increased its investment in manpower and resources and enhanced its research & development activities in various areas such as railway alarming system, railway electronic intelligent operation and management system, passenger service and video surveillance, etc. Currently, some of the Group's products in these areas have been put to trial. Once in operation, these products are expected to create enormous business opportunities in various areas such as railway alarming, intelligent railway communications, and passenger security. For the six months ended June 30, 2016, new contracts signed and orders secured for the Railway segment amounted to RMB707.9 million while the amount of backlog as at June 30, 2016 was RMB970.1 million, representing a decrease of RMB19.2 million from RMB989.3 million as at December 31, 2015.



# 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, 2016 was RMB49.1 million, representing a decrease of RMB38.8 million from RMB87.9 million for the six months ended June 30, 2015. On the one hand, since late 2013, local government within China has cut back on their investment to urban traffic projects to different extends, this situation has not improved in the first half of 2016. On the other hand, considering the large amount of capital investment in the implementation of urban traffic projects, the non-controlling project risk and other factors, the Group is more cautious in the selection of new projects, which also led to a decrease in the new contracts signed, and this situation is expected to continue in the short term. For the six months ended June 30, 2016, new contracts signed and orders secured for the Urban Traffic segment amounted to RMB96.0 million while the amount of backlog as at June 30, 2016 was RMB191.3 million, representing an increase of RMB46.8 million from RMB144.5 million as at December 31, 2015.

### BUSINESS PATTERN AND MAJOR PROJECTS

During the Period, the Group has implemented more than 954 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 Hubei Macheng — Zhuxi Expressway Project Hunan Expressway Information Construction project
Railway:	Nanchang Data Network Reform Project Harbin Data Network Reform Project Wuhan Data Network Reform Project
Urban traffic:	Wuhai ITS Management System Project Nanhai District ITS Management Project Weifang ITS Management System 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, 2016, the revenue from Turnkey Solutions decreased by 18.3%, the revenue from Special Solution decreased by 1.0%, and the revenue from Value-added Operation and Services decreased by 5.9%. The following table sets out the revenue breakdown by business sectors:

	Six months ended June 30,	
	2016 RMB'000	2015 RMB'000
Revenue by business sectors		
TS	249,688	305,556
SS	771,204	778,888
VAOS	41,326	43,903
Elimination	(301)	(6,719)
Total	1,061,917	1,121,628

#### (i) Turnkey Solutions (“TS”)

Revenue from the TS business for the six months ended June 30, 2016 was RMB249.7 million, representing a decrease of RMB55.9 million from RMB305.6 million for the six months ended June 30, 2015. As mentioned in the industry segment section, due to the decrease in expressway and urban traffic industry, there was a 18.3% decrease in the revenue from the TS business in these two segments. The TS business as a whole accounted for 23.5% of the Group’s revenue for the six months ended June 30, 2016, representing a decrease from 27.2% as recorded for the six months ended June 30, 2015. For the six months ended June 30, 2016, new contracts signed and orders secured for the TS business amounted to RMB370.0 million while the amount of backlog as at June 30, 2016 was RMB954.2 million.

#### (ii) Specialised Solution (“SS”)

Revenue from the SS business for the six months ended June 30, 2016 was RMB771.2 million, representing a decrease of RMB7.7 million from RMB778.9 million for the six months ended June 30, 2015. This decrease was mainly due to the decrease of Expressway and Urban Traffic segments. The SS business as a whole accounted for 72.6% of the Group’s revenue for the six months ended June 30, 2016, representing an increase of 3.8% from 68.8% as recorded for the six months ended June 30, 2015. For the six months ended June 30, 2016, new contracts signed and orders secured for the SS business amounted to RMB762.7 million while the amount of backlog as at June 30, 2016 was RMB1,087.1 million.

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

Revenue from the VAOS business for the six months ended June 30, 2016 was RMB41.3 million, representing a slightly decrease of RMB2.6 million from RMB43.9 million for the six months ended June 30, 2015. The VAOS business as a whole accounted for 3.9% of the Group’s revenue for the six months ended June 30, 2016, which was similar to the 4.0% for the six months ended June 30, 2015. For the six months ended June 30, 2016, new contracts signed and orders secured for the VAOS business amounted to RMB38.4 million while the amount of backlog as at June 30, 2016 was RMB106.5 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 80.2% of the Group's revenue for the six months ended June 30, 2016, representing a decrease of 0.5% compared to that for the six months ended June 30, 2015.

### By Industry Segment

	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
Cost of sales by industry segments		
Expressway	<b>218,314</b>	262,726
Railway	<b>582,074</b>	543,062
Urban Traffic	<b>51,089</b>	99,471
<b>Total</b>	<b>851,477</b>	905,259
% of Revenue	<b>80.2%</b>	80.7%

(i) **Expressway**

The cost of sales incurred for the Expressway segment decreased by RMB44.4 million to RMB218.3 million for six months ended June 30, 2016 as compare to RMB262.7 million for six months ended June 30, 2015.

(ii) **Railway**

The cost of sales incurred for the Railway segment increased by RMB39.0 million to RMB582.1 million for six months ended June 30, 2016 as compare to RMB543.1 million for six months ended June 30, 2015.

(iii) **Urban Traffic**

The cost of sales incurred for the Urban Traffic segment decreased by RMB48.4 million to RMB51.1 million for six months ended June 30, 2016 as compare to RMB99.5 million for six months ended June 30, 2015.

# Management Discussion and Analysis

## Business And Financial Review

### COST OF SALES (Continued)

#### By business sectors

	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
Cost of sales by business sectors		
TS	<b>201,373</b>	280,819
SS	<b>621,301</b>	604,470
VAOS	<b>29,104</b>	26,689
Elimination	<b>(301)</b>	(6,719)
Total	<b>851,477</b>	905,259
% of Revenue	<b>80.2%</b>	80.7%

(i) TS

The cost of sales incurred for TS business accounted for 23.6% of the Group's cost of sales for the six months ended June 30, 2016, which was lower than that in the prior year.

(ii) SS

The cost of sales incurred for SS business accounted for 73.0% of the Group's cost of sales for the six months ended June 30, 2016, which was higher than that in the prior year.

(iii) VAOS

The cost of sales incurred for VAOS business accounted for 3.4% of the Group's cost of sales for the six months ended June 30, 2016, which was higher than that in the prior year.



# Management Discussion and Analysis

## Business And Financial Review

### GROSS PROFIT

Overall gross profit of the Group decreased from RMB216.4 million for the six months ended June 30, 2015 to RMB210.4 million for the six months ended June 30, 2016. Gross profit margin has increased from 19.3% for the six months ended June 30, 2015 to 19.8% for the six months ended June 30, 2016.

### By Industry Segment

	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
Gross profit and gross profit margin by industry segments		
Expressway	<b>67,455</b>	70,211
Margin %	<b>23.6%</b>	21.1%
Railway	<b>144,998</b>	157,769
Margin %	<b>19.9%</b>	22.5%
Urban Traffic	<b>(2,013)</b>	(11,611)
Margin %	<b>(4.1%)</b>	(13.2%)
Total	<b>210,440</b>	216,369
Overall margin %	<b>19.8%</b>	19.3%

(i) **Expressway**

The Expressway segment gross profit margin increased by 2.5% to 23.6% as compared to 21.1% for the six months ended June 30, 2015. The increase was mainly due to that the gross profit margin of some projects which implemented in 2016 was higher than the average level.

(ii) **Railway**

The Railway segment gross profit margin was 19.9% which was lower than 22.5% for the six months ended June 30, 2015. This change was mainly due to that the gross profit margin of some contracts which implemented in Railway segment was lower than the average level so as to maintain its market share in the communication service segment after taking into consideration the strategic layout of the national railway network.

(iii) **Urban Traffic**

The Urban Traffic segment gross profit margin was -4.1% for the six months ended June 30, 2016.

# Management Discussion and Analysis

## Business And Financial Review

### GROSS PROFIT (Continued)

#### By Business Sectors

	Six months ended June 30,	
	2016 RMB'000	2015 RMB'000
Gross profit and gross profit margin by business sectors		
TS	<b>48,315</b>	24,737
Margin %	<b>19.4%</b>	8.1%
SS	<b>149,903</b>	174,418
Margin %	<b>19.4%</b>	22.4%
VAOS	<b>12,222</b>	17,214
Margin %	<b>29.6%</b>	39.2%
Total	<b>210,440</b>	216,369
Overall margin %	<b>19.8%</b>	19.3%

(i) TS

Gross profit margin for TS increased by 11.3% as compared to 8.1% for the six months ended June 30, 2015, which was mainly due to that the gross profit margins of some projects implemented in 2016 in the Expressway segment for TS were higher than average.

(ii) SS

Gross profit margin for SS decreased by 3.0% as compared to 22.4% for the six months ended June 30, 2015, which was mainly due to the decrease in gross profit margin for the Expressway segment and Railway segment for SS which has mentioned in "gross profit by industry segment".

(iii) VAOS

Gross profit margin for VAOS decreased by 9.6% as compared to 39.2% for the six months ended June 30, 2015. 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.

# Management Discussion and Analysis

## Business And Financial Review

### OTHER INCOME AND GAINS

Other income and gains mainly comprised of rental income from investment properties. The rental income from investment properties was related to the real estate price in Beijing and was in line with the market growth trend.

### SELLING, GENERAL AND ADMINISTRATION EXPENSE

For the six months ended June 30, 2016, selling, general and administration expenses was approximately RMB144.4 million, representing a decrease of RMB35.3 million as compared to approximately RMB179.7 million for the six months ended June 30, 2015. This was mainly due to the decrease of bad debts expenses which was approximately RMB5.7 million for the six months ended June 30, 2016 compared to RMB33.8 million for the six months ended June 30, 2015.

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

For the six months ended June 30, 2016, selling, general and administration expenses which was related to daily operational activities (“**SG&A**”) was approximately RMB138.7 million, as a percentage of sales was 13.1% which was similar to 13.0% for the six months ended June 30, 2015.

Staff costs remained as a large component of the Group’s SG&A while 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 increased from RMB88.7 million in the six months ended June 30, 2015 to RMB97.4 million for the six months ended June 30, 2016, representing a 9.8% increase and accounting for 70.2% of the SG&A. This fluctuation was mainly due to that the Group had put more and more efforts in developing new business opportunities through the following ways: (a) hired talent people; (b) adjusted salary rate in order to retain loyal employees. Management believed the expenditure in human resource will yield higher profits for the Group in the coming future.

Rental expenses decreased from RMB17.8 million for the six months ended June 30, 2015 to RMB6.0 million for the six months ended June 30, 2016 because of the Beijing office having become the property owned by the Company since November 2015.

Research & Development expenses decreased from RMB14.3 million for the six months ended June 30, 2015 to RMB8.2 million for the six months ended June 30, 2016. In addition, in the first half of 2016, the Group has invested RMB4.6 million to develop intangible assets and spent RMB1.4 million to purchase intangible asset.

#### (ii) Bad debts expenses

Bad debts expenses mainly represented one-off write-down expenses provided for receivables which the Group considered to be with no or minimal recoverability according to recognised criteria of bad debts on individual basis. Such expenses were RMB5.7 million for the six months ended June 30, 2016 which were RMB33.8 million for the six months ended June 30, 2015.

# Management Discussion and Analysis

## Business And Financial Review

### FINANCE REVENUE AND FINANCE COST

Finance revenue comprised of mainly interest income and finance cost comprised of mainly interest expenses for interest-bearing bank loans. The net financial expenses represented the total finance cost minus finance revenue. This financial expense was RMB20.5 million for six months ended June 30, 2016, which represented a decrease of RMB22.8 million as compared to RMB43.3 million for six months ended June 30, 2015.

### SHARE OF LOSSES OF JOINT VENTURE/ASSOCIATES

Share of losses of investment entities for the six months ended June 30, 2016 was approximately RMB4.1 million, as compared to the loss of RMB10.0 million for the six months ended June 30, 2015. The investment income was mainly derived from the share of profit of certain associates engaging the expressway and urban traffic segments.

### INCOME TAX EXPENSES

The total income tax expenses for the six months ended June 30, 2016 was RMB19.5 million, which was similar to that for the six months ended June 30, 2015.

### PROFIT FOR THE YEAR

Profit attributable to the owners of the parent for the six months ended June 30, 2016 was approximately RMB45.6 million, compared to a loss of approximately RMB31.6 million for the six months ended June 30, 2015.

### TRADE RECEIVABLES TURNOVER DAYS

The trade receivables turnover days in the six months ended June 30, 2016 was 282 days (in the six months ended June 30, 2015: 192 days).

### NET CONSTRUCTION TURNOVER DAYS

The net amount due from contract customer turnover days in the six months ended June 30, 2016 was 38 days (in the six months ended June 30, 2015: 55 days).

### TRADE PAYABLES TURNOVER DAYS

The trade payables turnover days in the six months ended June 30, 2016 was 253 days (in the six months ended June 30, 2015: 189 days).

### INVENTORY TURNOVER DAYS

The inventories of the Group mainly comprised of raw materials, finished goods and general merchandise for surveillances Specialized Solutions. The inventory turnover days in the six months ended June 30, 2016 was 5 days (in the six months ended June 30, 2015: 4 days).



# Management Discussion and Analysis

## Business And Financial Review

### LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings, the proceeds from the Global Offering, and the proceeds from bond issued. As at June 30, 2016, the Group's current ratio (current assets divided by current liabilities) was 1.4 (as at December 31, 2015: 1.4). The Group's financial position remains healthy.

As at June 30, 2016, the Group was in a net negative cash of RMB543.7 million (as at December 31, 2015: net negative cash of RMB367.5 million) which included cash and cash equivalents of RMB452.8 million (as at December 31, 2015: RMB736.1 million), convertible borrowings of RMB82.3 million (as at December 31, 2015: RMB82.3 million), interest-bearing bank borrowings of RMB1,078.8 million (as at December 31, 2015: RMB1,185.9 million). As at June 30, 2016, the Group's gearing ratio was 13.6%, which has increased from 5.3% as at December 31, 2015, due to the decrease of cash and cash equivalents which were used in daily operations and to repay bank loans. Gearing ratio refers to adjusted cash (interest-bearing bank borrowings plus due to related parties minus pledged deposits, short-term deposits, convertible borrowings and cash and bank balances) divided by total equity.

### CONTINGENT LIABILITIES

As at June 30, 2016, the Group had no material contingent liability.

### CHARGES ON GROUP ASSETS

As at June 30, 2016, except for the secured deposits (current portion) of approximately RMB218.5 million (as at December 31, 2015: RMB232.7 million), the Group pledged its building with a carrying amount of approximately RMB125.8 million (as at December 31, 2015: RMB125.8 million) and trade receivables with a total carrying amount of RMB36.0 million (as at December 31, 2015: RMB41.9 million) and its equity interests in a subsidiary with a carrying amount of RMB227.0 million (as at December 31, 2015: RMB227.0 million) to banks to secure banking facilities granted to the Group. Save as disclosed above, as at June 30, 2016, the Group had no other asset charged to financial institution.

### MATERIAL DISPOSALS OF SUBSIDIARIES

As disclosed in the announcement of the Company dated February 17, 2016 and the circular of the Company dated March 24, 2016, on February 17, 2016, the Company and King Victory Holdings Limited ("**Purchaser**") entered into a master sale and purchase agreement (the "**Master SPA**"), pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of each of Hugecom Limited, China Traffic Holding Limited, China Expressway Intelligent Transportation Technology Group Ltd., Beijing RHY Technology Development Co., Ltd. and certain amounts receivable by the Company from China Traffic Holding Limited and China Toprise Limited for a total consideration of RMB979,840,000 (subject to adjustment) (the "**Disposal**"). Please refer to the announcement of the Company dated February 17, 2016 and the circular of the Company dated March 24, 2016 for further details of the Disposal.

The Disposal and certain other matters in connection to it have been approved by the independent shareholders of the Company at extraordinary general meeting held on April 27, 2016. As at the Latest Practicable Date, completion of the Disposal is pending satisfaction of certain other conditions precedent, and the Company currently expects that the Disposal will be completed by the end of 2016.

# Management Discussion and Analysis

## Business And Financial Review

### CONNECTED TRANSACTIONS

1. Reference is made to the section headed “Management Discussion and Analysis — Material Disposals of Subsidiaries” in this interim report. Since the Purchaser is a connected person of the Company, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated February 17, 2016 and the circular of the Company dated March 24, 2016 for further details of the Disposal.
2. During the six months ended June 30, 2016, pursuant to an equity transfer agreement between the Company and Mr. Lv Xilin, the Company transferred 50% of the equity interest in Xinjiang XinRui JiYe Intelligent Technology Co., Ltd. (“**XinRui Jiye**”) to Mr. Lv Xilin, a director of Beijing Haotian Jiajie Technology Co., Ltd. at a total consideration of RMB5.3 million, which was determined by reference to the carrying amount of the net assets of XinRui Jiye as recorded in XinRui JiYe’s accounts as at December 31, 2015 (the “**XinRui Jiye Disposal**”). Since the XinRui Jiye Disposal was conducted on normal commercial terms, each of the relevant the percentage ratios of the XinRui Jiye Disposal is less than 1%, and the counterparty, Mr. Lv Xilin, is a connected person at the subsidiary level of the Company, the XinRui Jiye Disposal is fully exempt from shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76 of the Listing Rules.

# 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, 2016.

## 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, 2016 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, 2016 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, 2016, 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>(5)</sup>	Approximate percentage of shareholdings as at June 30, 2016 <sup>(5)</sup>
Mr. Liao Jie <sup>(1)</sup>	Beneficial owner/Interest of a controlled corporation	130,044,077 (L)	7.86% (L)
Mr. Jiang Hailin <sup>(2)</sup>	Beneficial owner/Beneficiary of the Fino Trust	711,447,096 (L)	43.01% (L)
Mr. Choi Onward <sup>(3)</sup>	Beneficial owner	98,824 (L)	0.01% (L)
Mr. Zhou Chunsheng <sup>(4)</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) 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.
- (2) 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 711,447,096 Shares.
- (3) 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.
- (4) 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.
- (5) (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, 2016, was the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.



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

### 1. Pre-IPO Share Incentive Scheme

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

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

As at June 30, 2016, a total of 21,596,913 Shares which were held by Holdco may be transferred to the relevant grantees upon exercise of all options which had been granted under the Pre-IPO Share Incentive Scheme. Upon exercise of such options, Holdco transfers the relevant number of Shares to the grantee of the options. There is therefore no dilutive effect on the Shareholders resulting from the exercise of the options under the Pre-IPO Share Incentive Scheme.

Movement of the options granted under the Pre-IPO Share Incentive Scheme during the six months ended June 30, 2016 is as follows:

Grantee	Grant date	Vesting start date	Expiry date	Outstanding as at January 1, 2016	Exercised during the six months ended June 30, 2016	Lapsed or cancelled during the six months ended June 30, 2016	Outstanding as at June 30, 2016	Exercise price per share (RMB)
All	31/12/2008	31/12/2010	31/12/2015	0	–	–	0	2
	31/12/2008	30/06/2011	30/06/2016	6,878,054	–	6,878,054	0	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
<b>TOTAL:</b>				28,474,967	–	6,878,054	21,596,913	

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

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

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

# Directors' Report

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

### 2. Share Option Scheme (Continued)

Movement of the options granted under the Share Option Scheme during the six months ended June 30, 2016 is as follows:

Grantee	Grant date <sup>(1)</sup>	Vesting start date	Expiry date	Outstanding as at January 1, 2016	Exercised during the six months ended June 30, 2016	Lapsed or cancelled during the six months ended June 30, 2016	Outstanding as at June 30, 2016	Exercise price per share (HK\$)
Mr. Jiang Hailin (Executive Director, Chief Executive Officer)	18/01/2012	19/04/2012	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19/07/2012	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19/10/2012	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19/01/2013	Note (2)	77,203	–	–	77,203	1.05
	18/01/2012	19/04/2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19/07/2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19/10/2013	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19/01/2014	Note (2)	154,592	–	–	154,592	1.05
	18/01/2012	19/04/2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	19/07/2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	19/10/2014	Note (2)	231,981	–	–	231,981	1.05
	18/01/2012	19/01/2015	Note (2)	232,725	–	–	232,725	1.05
	Sub-total				1,855,848	–	–	1,855,848
Mr. Liao Jie <sup>(3)</sup> (Executive Director, Chairman)	18/01/2012	19/04/2012	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19/07/2012	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19/10/2012	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19/01/2013	Note (2)	1,694,612	–	–	1,694,612	1.05
	18/01/2012	19/04/2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19/07/2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19/10/2013	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19/01/2014	Note (2)	3,393,298	–	–	3,393,298	1.05
	18/01/2012	19/04/2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	19/07/2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	19/10/2014	Note (2)	5,091,984	–	–	5,091,984	1.05
	18/01/2012	19/01/2015	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	19/04/2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/07/2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/10/2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/01/2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/04/2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/07/2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/10/2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/01/2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/04/2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/07/2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/10/2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/01/2015	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, 2016	Exercised during the six months ended June 30, 2016	Lapsed or cancelled during the six months ended June 30, 2016	Outstanding as at June 30, 2016	Exercise price per share (HK\$)
Mr. Zhou Chunsheng (Independent Non-Executive Director)	18/01/2012	19/04/2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/07/2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/10/2012	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/01/2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/04/2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/07/2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/10/2013	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/01/2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/04/2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/07/2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/10/2014	Note (2)	8,232	–	–	8,232	1.05
	18/01/2012	19/01/2015	Note (2)	8,272	–	–	8,272	1.05
	Sub-total				98,824	–	–	98,824
Others	18/01/2012	19/04/2012	Note (2)	6,404,434	–	–	6,404,434	1.05
	18/01/2012	19/07/2012	Note (2)	6,404,434	–	–	6,404,434	1.05
	18/01/2012	19/10/2012	Note (2)	6,404,434	–	–	6,404,434	1.05
	18/01/2012	19/01/2013	Note (2)	6,404,434	–	–	6,404,434	1.05
	18/01/2012	19/04/2013	Note (2)	9,347,146	–	–	9,347,146	1.05
	18/01/2012	19/07/2013	Note (2)	9,347,146	–	–	9,347,146	1.05
	18/01/2012	19/10/2013	Note (2)	9,347,146	–	–	9,347,146	1.05
	18/01/2012	19/01/2014	Note (2)	9,347,146	–	–	9,347,146	1.05
	18/01/2012	19/04/2014	Note (2)	12,289,858	–	–	12,289,858	1.05
	18/01/2012	19/07/2014	Note (2)	12,289,858	–	–	12,289,858	1.05
	18/01/2012	19/10/2014	Note (2)	12,289,858	–	–	12,289,858	1.05
	18/01/2012	19/01/2015	Note (2)	12,334,736	–	–	12,334,736	1.05
	Sub-total				112,210,630	–	–	112,210,630
<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, 2016, so far as is known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, the following persons had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity	Long position/ Short position	Number of Shares	Percentage to Company's issued share capital
Holdco <sup>(1)</sup>	Beneficiary owner	Long position	709,591,248	42.90%
Best Partners <sup>(2)</sup>	Interest of controlled corporation	Long position	709,591,248	42.90%
Fino Investments <sup>(3)</sup>	Interest of controlled corporation	Long position	709,591,248	42.90%
Tesco Investments <sup>(4)</sup>	Interest of controlled corporation	Long position	709,591,248	42.90%
Credit Suisse Trust Limited <sup>(3)(4)(5)</sup>	Trustee	Long position	630,313,161	38.11%
Pioneer Investments Management Limited	Investment manager	Long position	216,544,000	13.09%
Pioneer Asset Management S.A.	Investment manager	Long position	150,450,000	9.09%
Ampio International <sup>(5)</sup>	Interest of controlled corporation	Long position	131,730,061	7.96%
Penbay Investments Limited <sup>(6)</sup>	Beneficial owner	Long position	98,613,367	5.96%
Chen Qi	Interest of controlled corporation	Long position	98,613,367	5.96%



# Directors' Report

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

Note:

- (1) As disclosed in the prospectus of the Company dated June 30, 2010, to facilitate the management and operation of the Company, certain major shareholders of the Company have entered into voting agreements delegating their voting rights in the Company to Holdco prior to the listing of the Company, and Holdco has been a controlling shareholder (as defined under the Listing Rules) of the Company since the listing of the Company in 2010. In connection with this arrangement and as a result of previous restructuring exercises of the Group, as at the Latest Practicable Date, Holdco, Pride Spirit Company Limited, Sea Best Investments Limited, Joy Bright Success Limited, Gouver Investments Limited, Kang Yang Holdings Limited, Huaxin Investments Limited, Rockyjing Investment Limited, Key Trade Holdings Limited, Speedy Fast Investments Limited, Best Partners Development Limited, Joyful Business Holdings Limited, Mr. Liao Jie, Mr. Lu Xiao, Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Jiang Hailin, Mr. Wang Jing, Mr. Liang Shiping, Ms. Wu Chunhong, Mr. Zhao Lisen, Mr. Yuan Chuang, Mr. Zhang Qian, Mr. Guan Xiong, Mr. Zheng Hui, Mr. Lv Xilin, Ms. Wang Li, Mr. Dang Kulun, Mr. Pan Jianguo and Mr. Jing Yang, were parties to a series of 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.

As at June 30, 2016, Holdco is entitled to exercise or control the exercise of the voting rights of a total of 709,591,248 Shares, representing the aggregate number of Shares held by all of the parties to the Shareholder Voting Agreements. 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 Limited and as to 17% by Tesco Investments Limited. By virtue of the Shareholder Voting Agreements, Best Partners Development Limited is deemed to be controlled by Fino Investments Limited and Tesco Investments Limited. Our Directors Mr. Liao Jie is also a director of Best Partners.
- (3) Fino Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Fino Trust, namely Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Liang Shiping, Mr. Jiang Hailin, Ms. Wu Chunhong, Mr. Yuan Chuang, Mr. Lv Xilin and Mr. Zhao Lisen. The Fino Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (4) Tesco Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Tesco Trust, namely Mr. Wang Jing, Mr. Zhang Qian, Mr. Guan Xiong, Mr. Zheng Hui and Mr. Wang Li. The Tesco Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (5) Ampio International Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Ampio Trust, namely Mr. Pan Jianguo and Mr. Jing Yang. The Ampio Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.

Each of Joy Bright (the sole shareholder of Gouver), and Rockyjing Investment Limited is wholly-owned by Ampio International Limited. Accordingly, Ampio International Limited is deemed to be interested in the 80,424,662 Shares and 51,305,399 Shares in which Joy Bright Success Limited and Rockyjing Investment Limited are interested, respectively.

- (6) Penbay Investments Limited is controlled by Mr. Chen Qi and therefore Mr Chen Qi is deemed to be interested in the 98,613,367 shares of the Company beneficially owned by Penbay Investments Limited.

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

# Directors' Report

## EMPLOYMENT AND EMOLUMENT POLICIES

As at June 30, 2016, the Group had 765 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.

## INTERIM DIVIDEND

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2016, 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, 2016.

## 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, 2016.

## 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. Ye Zhou. 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, 2016 together with the management of the Company and external auditor, Ernst & Young.

# Directors' Report

## 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 is 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. Ye Zhou, Mr. Zhou Chunsheng and Mr. Choi Onward. The remuneration committee is chaired by Mr. Ye Zhou.

## 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. Ye Zhou. The nomination committee is chaired by Mr. Zhou Chunsheng.

## CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes to information in respect of directors subsequent to the date of the 2015 annual report of the Company were set out as follows:

As disclosed in the announcement of the Company dated April 29, 2016, Mr. Sun Lu resigned as an independent non-executive Director, the chairman of the remuneration committee, a member of the audit committee and the nomination committee of the Board with effect from April 29, 2016. As disclosed in the announcement of the Company dated July 15, 2016, Mr. Ye Zhou has been appointed as an independent non-executive Director, the chairman of the remuneration committee, a member of the audit committee and the nomination committee of the Board with effect from July 15, 2016.

Mr. Jiang Hailin, 48, an executive Director and Chief Executive Officer of the Company, served as the Chairman of the board of directors of Beijing Aproud Technology Co., Ltd. since March 17, 2016.

Mr. Zhou Chungsheng, 50, an independent non-executive Director of the Company, has ceased to be independent non-executive director of Chang'an International Trust Co., Ltd.

Save for the information disclosed above, in the six months ended June 30, 2016, there were no other 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.

# Directors' Report

## USE OF PROCEEDS FROM LISTING

Details of the use of proceeds of the Company for the six months ended June 30, 2016 are set out with the same subtitle in the section headed "Management Discussion and Analysis" in this interim report.

## EVENTS AFTER THE REPORTING PERIOD

There were no subsequent events that require disclosure in the interim condensed consolidate financial statements.

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

Beijing, August 29, 2016

# Report on Review of Interim Condensed Consolidated Financial Statements



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## To the members 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 set out on pages 29 to 70, which comprises the interim condensed consolidated statement of financial position as at June 30, 2016 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 29, 2016



# Interim Condensed Consolidated Statement of Profit or Loss

For the six-month period ended June 30, 2016

	Notes	For the six-month period ended June 30, 2016 RMB'000 Unaudited	2015 RMB'000 Unaudited
<b>REVENUE</b>	4	<b>1,061,917</b>	1,121,628
Cost of revenue	5	<b>(851,477)</b>	(905,259)
Gross profit		<b>210,440</b>	216,369
Other income and gains	4	<b>6,204</b>	11,360
Selling, general and administrative expenses		<b>(144,351)</b>	(179,677)
Other expenses		<b>(967)</b>	(20,181)
<b>OPERATING PROFIT</b>		<b>71,326</b>	27,871
Finance income		<b>7,473</b>	5,104
Finance costs		<b>(27,958)</b>	(48,364)
Share of losses of joint ventures		<b>(1,213)</b>	(1,967)
Share of losses of associates		<b>(2,921)</b>	(8,001)
(Loss)/gain on disposal of a subsidiary	25	<b>(6)</b>	127
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>46,701</b>	(25,230)
Income tax expense	6	<b>(19,509)</b>	(19,721)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>27,192</b>	(44,951)
Attributable to:			
Owners of the parent		<b>45,550</b>	(31,602)
Non-controlling interests		<b>(18,358)</b>	(13,349)
		<b>27,192</b>	(44,951)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic — For profit/(loss) for the period	7	<b>RMB0.03</b>	RMB(0.02)
Diluted — For profit/(loss) for the period	7	<b>RMB0.03</b>	RMB(0.02)

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended June 30, 2016

	<b>For the six-month period ended June 30, 2016 RMB'000 Unaudited</b>	2015 RMB'000 Unaudited
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>27,192</b>	(44,951)
<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>(6,225)</b>	907
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(6,225)</b>	907
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>20,967</b>	(44,044)
Attributable to:		
Owners of the parent	<b>39,325</b>	(30,695)
Non-controlling interests	<b>(18,358)</b>	(13,349)
	<b>20,967</b>	(44,044)

# Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2016

	Notes	June 30, 2016 RMB'000 Unaudited	December 31, 2015 RMB'000 Audited
<b>NON-CURRENT ASSETS</b>			
Property and equipment	9	313,446	293,073
Investment properties		125,800	125,800
Prepaid land premium		13,021	13,171
Goodwill	10	230,664	230,664
Other intangible assets	11	4,596	–
Investments in joint ventures	12	34,407	35,920
Investments in associates	13	78,056	78,212
Available-for-sale investment		25,307	25,307
Deferred tax assets		2,922	2,376
Convertible borrowings	14	82,300	82,300
Total non-current assets		910,519	886,823
<b>CURRENT ASSETS</b>			
Inventories	15	24,170	31,867
Construction contracts	16	1,218,465	1,494,229
Trade and bills receivables	17	1,897,478	1,703,204
Prepayments, deposits and other receivables	18	1,195,320	1,186,713
Amounts due from related parties	26	152,914	113,377
Pledged deposits	19	218,530	232,673
Cash and cash equivalents	19	452,818	736,107
Total current assets		5,159,695	5,498,170
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	20	1,160,015	1,292,190
Other payables and accruals	21	432,550	395,010
Construction contracts	16	1,098,620	1,248,356
Interest-bearing bank borrowings	22	943,113	904,701
Amounts due to related parties	26	119,598	92,302
Income tax payable		21,502	24,714
Total current liabilities		3,775,398	3,957,273
<b>NET CURRENT ASSETS</b>		1,384,297	1,540,897
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,294,816	2,427,720

# Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2016

	Notes	June 30, 2016 RMB'000 Unaudited	December 31, 2015 RMB'000 Audited
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,294,816</b>	2,427,720
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	22	135,700	281,200
Deferred tax liabilities		14,122	20,380
Total non-current liabilities		149,822	301,580
Net assets		2,144,994	2,126,140
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	23	290	290
Reserves		2,176,179	2,136,854
		2,176,469	2,137,144
Non-controlling interests		(31,475)	(11,004)
Total equity		2,144,994	2,126,140

**Liao Jie**  
Director

**Jiang Hailin**  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

For the six-month ended June 30, 2016

	Attributable to owners of the parent											
	Notes	Issued capital RMB'000 note 23	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Equity component of convertible bonds RMB'000	Asset revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<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	24	-	-	-	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
<b>At January 1, 2016</b>		290	1,088,725	144,804	630,851	-	7,782	(37,689)	302,381	2,137,144	(11,004)	2,126,140
Profit for the period		-	-	-	-	-	-	-	45,550	45,550	(18,358)	27,192
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations		-	-	-	-	-	(6,225)	-	(6,225)	-	-	(6,225)
Total comprehensive income for the period		-	-	-	-	-	(6,225)	45,550	39,325	(18,358)	20,967	
Disposal of a subsidiary	25	-	-	-	-	-	-	-	-	-	(2,113)	(2,113)
Transfer from retained earnings		-	-	5,358	-	-	-	(5,358)	-	-	-	-
<b>At June 30, 2016 (unaudited)</b>		290	1,088,725*	150,162*	630,851*	-	7,782*	(43,914)*	342,573*	2,176,469	(31,475)	2,144,994

\* These reserve accounts comprise the consolidated reserves of RMB2,176,179,000 (December 31, 2015: RMB2,136,854,000) in the interim condensed consolidated statement of financial position.



# Interim Condensed Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2016

	Notes	For the six-month period ended June 30,	
		2016	2015
		RMB'000	RMB'000
		Unaudited	Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		46,701	(25,230)
Adjustments for:			
Depreciation and amortisation	5	6,419	13,708
Net gain on disposal of items of property and equipment	5	–	(142)
Loss/(gain) on disposal of a subsidiary	25	6	(127)
Equity-settled share option expenses	5	–	113
Impairment of other receivables	5	3,162	1,392
Impairment of trade receivables	5	2,507	14,374
Impairment of property and equipment	5	52	–
Impairment of amounts due from construction contracts	5	–	12,019
Impairment of advance to suppliers	5	–	6,000
Impairment of goodwill	5	–	20,000
Share of losses of joint ventures		1,213	1,967
Share of losses of associates		2,921	8,001
Finance income		(7,473)	(5,104)
Finance costs		27,958	48,364
		<b>83,466</b>	<b>95,335</b>
Changes in assets and liabilities:			
Decrease/(increase) in inventories		7,522	(1,388)
Decrease in construction contracts		125,336	32,270
Increase in trade and bills receivables		(197,776)	(199,615)
Increase in prepayments, deposits and other receivables		(7,038)	(247,850)
Increase in amounts due from related parties		(55,475)	(28,460)
Increase in long-term assets		–	(35,059)
Decrease in deferred cost		–	744
Decrease in pledged deposits		7,224	8,201
(Decrease)/increase in trade and bills payables		(131,754)	259,330
Increase/(decrease) in other payables and accruals		40,332	(28,369)
Increase in amounts due to related parties		40,824	22,081
Increase in long-term payable		–	1,500
Cash used in operations		<b>(87,339)</b>	<b>(121,280)</b>
Interest paid		(27,958)	(42,738)
Interest received		3,473	1,100
Income tax paid		(27,256)	(19,859)
<b>Net cash flows used in operating activities</b>		<b>(139,080)</b>	<b>(182,777)</b>

# Interim Condensed Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2016

	Notes	For the six-month period ended June 30,	
		2016 RMB'000 Unaudited	2015 RMB'000 Unaudited
<b>Net cash flows used in operating activities</b>		<b>(139,080)</b>	(182,777)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property and equipment	9	<b>(26,878)</b>	(9,073)
Additions to other intangible assets		<b>(5,964)</b>	–
Proceeds from disposal of items of property and equipment		–	710
Proceeds from held-to-maturity investment		–	50,000
Proceeds from disposal of a joint venture		–	2,000
Disposal of a subsidiary	25	<b>(5,774)</b>	(395)
Dividends received		<b>800</b>	2,584
Net cash flows (used in)/from investing activities		<b>(37,816)</b>	45,826
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from interest-bearing bank borrowings		<b>164,749</b>	683,674
Repayment of interest-bearing bank borrowings		<b>(271,837)</b>	(492,028)
Decrease/(increase) in pledged deposits for bank loans		<b>6,919</b>	(83,000)
Redemption of convertible bonds		–	(157,720)
Net cash flows used in financing activities		<b>(100,169)</b>	(49,074)
Net decrease in cash and cash equivalents		<b>(277,065)</b>	(186,025)
Effect of foreign exchange rate changes, net		<b>(6,224)</b>	27
Cash and cash equivalents at beginning of period		<b>736,107</b>	600,299
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	19	<b>452,818</b>	414,301

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 1. CORPORATE AND GROUP 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 Building 204, No. A10, Jiuxianqiao North Road, Chaoyang District, Beijing, 100015, 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-month ended June 30, 2016 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, 2015. The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2015, except for the addition of accounting policy of intangible assets: *Research and development costs* and the adoption of new standards and interpretations effective as of January 1, 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

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

### Addition of accounting policy of intangible assets

#### Intangible assets (other than goodwill)

##### *Research and development costs*

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

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

### Impact of new and revised International Financial Reporting Standards ("IFRSs")

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

#### IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

#### Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

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

### Impact of new and revised International Financial Reporting Standards ("IFRSs") (Continued)

#### Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

#### Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

#### Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

#### Annual Improvements 2012–2014 Cycle

These improvements are effective for annual periods beginning on or after January 1, 2016. They include:

#### *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.



# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

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

### Impact of new and revised International Financial Reporting Standards ("IFRSs") (Continued)

#### Annual Improvements 2012-2014 Cycle (Continued)

##### *IFRS 7 Financial Instruments: Disclosures*

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to unaudited condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

##### *IAS 19 Employee Benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

##### *IAS 34 Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

#### Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

(i) The materiality requirements in IAS 1;

(ii) That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;

(iii) That entities have flexibility as to the order in which they present the notes to financial statements;

(iv) That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

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

### Impact of new and revised International Financial Reporting Standards ("IFRSs") (Continued)

#### Amendments to IAS 1 Disclosure Initiative (Continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact on the Group.

#### Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

### Issued but not yet effective International Financial Reporting Standards

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

IFRS 9	<i>Financial Instruments</i> <sup>2</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
IFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>
IFRS 16	<i>Leases</i> <sup>3</sup>
Amendments to IAS 7	<i>Disclosure Initiative</i> <sup>1</sup>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> <sup>1</sup>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2017

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2018

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2019

<sup>4</sup> No mandatory effective date yet determined but is available for adoption

The Group is currently assessing the impact of IFRS 15 and IFRS 16 upon adoption. For other new and revised IFRSs, the Group considers that they are unlikely to have a significant impact on the Group's results and financial position.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 3. OPERATING SEGMENT INFORMATION

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

- (a) Expressway: Provides the TS, SS and 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.

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, exchange losses as well as head office and corporate expenses are excluded from this measurement.

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 3. OPERATING SEGMENT INFORMATION (Continued)

Six-month period ended June 30, 2016	Expressway RMB'000	Railway RMB'000	Urban traffic RMB'000	Total RMB'000
<b>Segment revenue</b>				
Sales to external customers	285,769	727,072	49,076	1,061,917
Intersegment sales	-	-	-	-
<i>Reconciliation:</i>	285,769	727,072	49,076	1,061,917
Elimination of intersegment sales				-
Revenue				1,061,917
<b>Segment results</b>	54,383	96,080	(24,549)	125,914
<i>Reconciliation:</i>				
Finance income				7,473
Finance costs				(27,958)
Foreign exchange losses				(966)
Corporate and other unallocated expenses				(57,762)
Profit before tax				46,701
<b>Other segment information:</b>				
Share of losses/(profits) of joint ventures	2,507	-	(1,294)	1,213
Share of losses of associates	311	-	2,610	2,921
Loss on disposal of a subsidiary	6	-	-	6
Impairment losses recognised in the statement of profit or loss	1,802	1,470	449	3,721
Depreciation and amortisation	1,491	598	1,518	3,607
Capital expenditure*	158	2,730	26,924	29,812

\* Capital expenditure consists of additions to property and equipment and intangible assets.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 3. OPERATING SEGMENT INFORMATION (Continued)

Six-month period ended June 30, 2015	Expressway RMB'000	Railway RMB'000	Urban traffic RMB'000	Total RMB'000
<b>Segment revenue</b>				
Sales to external customers	332,937	700,831	87,860	1,121,628
Intersegment sales	–	–	–	–
<i>Reconciliation:</i>				
Elimination of intersegment sales	332,937	700,831	87,860	1,121,628
Revenue				1,121,628
<b>Segment results</b>				
	34,198	116,612	(108,215)	42,595
<i>Reconciliation:</i>				
Finance income				5,104
Finance costs				(48,364)
Foreign exchange losses				(172)
Corporate and other unallocated expenses				(24,393)
Loss before tax				(25,230)
<b>Other segment information:</b>				
Share of losses/(profits) of joint ventures	3,658	–	(1,691)	1,967
Share of losses of associates	462	–	7,491	7,953
Impairment losses recognised in the statement of profit or loss	536	886	52,362	53,784
Depreciation and amortisation	1,448	215	3,940	5,603
Capital expenditure*	1,099	930	2,953	4,982

\* Capital expenditure consists of additions to property and equipment and intangible assets.

### 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, 2016

## 4. REVENUE

Revenue for implementation of projects, 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:

	<b>For the six-month period ended June 30,</b>	
	<b>2016 RMB'000</b>	2015 RMB'000
<b>Revenue</b>		
Implementation of projects	<b>1,036,214</b>	1,078,807
Sale of products	<b>11,924</b>	10,987
Rendering of services	<b>13,779</b>	31,834
	<b>1,061,917</b>	1,121,628
<b>Other income and gains</b>		
Gross rental income	<b>6,158</b>	6,235
Government grants	-	4,538
Others	<b>46</b>	587
	<b>6,204</b>	11,360

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 5. PROFIT/(LOSS) BEFORE TAX

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

	For the six-month period ended June 30,	
	2016 RMB'000	2015 RMB'000
Cost of services rendered for the implementation of projects	840,309	881,358
Cost of inventories sold	4,185	6,789
Cost of services provided	6,983	17,112
	<b>851,477</b>	905,259
Depreciation (note 9)	6,269	7,062
Amortisation of other intangible assets	–	6,496
Amortisation of prepaid land premium	150	150
	<b>6,419</b>	13,708
Minimum lease payments under operating leases	6,175	17,877
Auditors' remuneration	1,557	1,619
Wages and salaries	40,636	37,297
Pension scheme contributions (defined contribution scheme)	4,508	5,267
Social insurance costs and staff welfare	11,899	9,488
Equity-settled share option expenses (note 24)	–	113
Directors' and senior executives' remuneration (excluding equity-settled share option expenses) (note 26)	2,523	2,268
	<b>59,566</b>	54,433
Impairment of trade receivables (note 17)	2,507	14,374
Impairment of other receivables (note 18)	3,162	1,392
Impairment of property and equipment	52	–
Impairment of amounts due from construction contracts (note 16)	–	12,019
Impairment of advance to suppliers	–	6,000
Impairment of goodwill	–	20,000
Rental income on investment properties	(5,009)	(4,428)
Net gain on disposal of items of property and equipment (note 9)	–	(142)
Foreign exchange losses, net	966	172
Loss/(gain) on disposal of a subsidiary (note 25)	6	(127)

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 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% (2015: 25%) on their respective taxable income. During the current period, 9 entities (2015: 9 entities) of the Group were entitled to 15% preferential corporate income tax rate as High and New Technology Enterprises, and 1 entity (2015: 1 entity) of the Group which is located in Tibet was entitled to 9% preferential corporate income tax rate.

No provision for Hong Kong profits tax has been made for the six-month periods ended June 30, 2016 and 2015, 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>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Current income tax:		
Current income tax charge in Mainland China	<b>26,252</b>	23,831
Deferred income tax:		
Relating to origination and reversal of temporary differences	<b>(6,743)</b>	(4,110)
Income tax expense reported in the interim condensed consolidated statement of profit or loss	<b>19,509</b>	19,721

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 7. EARNINGS/(LOSS) 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, 2016 and 2015 in respect of a dilution as the impact of the share option scheme outstanding has an anti-dilutive effect on the basic profit/(loss) per share amounts presented.

	For the six-month period ended June 30,	
	2016	2015
	RMB'000	RMB'000
<b>Earnings</b>		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	45,550	(31,602)
	For the six-month period ended June 30,	
	2016	2015
<b>Shares</b>		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	1,654,024,868	1,654,024,868

## 8. DIVIDENDS PROPOSED

No interim dividend was proposed by the Company for the six-month period ended June 30, 2016.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 9. PROPERTY AND EQUIPMENT

During the six-month period ended June 30, 2016, the Group purchased equipment with a cost of RMB26,878,000 (2015: RMB9,149,000).

The depreciation charged during the six-month period ended June 30, 2016 was RMB6,269,000 (2015: RMB7,062,000).

Property and equipment with a net book value of RMB183,000 was disposed of by the Group during the six-month period ended June 30, 2016 (2015: RMB568,000), no gain or loss resulted from the disposal (2015: net gain of RMB142,000).

## 10. GOODWILL

	<b>June 30, 2016 RMB'000</b>	December 31, 2015 RMB'000
At January 1	<b>230,664</b>	353,782
Impairment provided during the period/year	-	(123,118)
Net carrying amount at period/year end	<b>230,664</b>	230,664

## 11. OTHER INTANGIBLE ASSETS

	<b>Deferred development cost RMB'000</b>
Cost at January 1, 2016 net of accumulated amortisation	-
Additions	4,596
Amortisation provided during the period	-
At June 30, 2016	4,596
At June 30, 2016	
Cost	4,596
Accumulated amortisation	-
Net carrying amount	4,596



# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 12. INVESTMENTS IN JOINT VENTURES

	<b>June 30, 2016 RMB'000</b>	December 31, 2015 RMB'000
Share of net assets	<b>34,407</b>	35,920

The Group's receivables due from and payables due to joint ventures are disclosed in note 26 to the interim condensed consolidated financial statements.

## 13. INVESTMENTS IN ASSOCIATES

	<b>June 30, 2016 RMB'000</b>	December 31, 2015 RMB'000
Share of net assets	<b>78,056</b>	78,212

The Group's receivables due from and payables due to associates are disclosed in note 26 to the interim condensed consolidated financial statements.

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest	Principal activities
Guangzhou Communication Information Co., Ltd.	RMB50 million	Mainland China	45%	Intelligent transportation system

The above investment in associate is held indirectly by the Company.

## 14. CONVERTIBLE BORROWINGS

In June 2014, the Group lent RMB80,000,000 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 RMB82,300,000 as at June 30, 2016.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 15. INVENTORIES

	<b>June 30, 2016 RMB'000</b>	December 31, 2015 RMB'000
Raw materials	<b>2,687</b>	12,464
Finished goods	<b>21,483</b>	19,403
	<b>24,170</b>	31,867

No impairment loss was provided for inventories for the six-month periods ended June 30, 2016 and 2015.

## 16. CONSTRUCTION CONTRACTS

	<b>June 30, 2016 RMB'000</b>	December 31, 2015 RMB'000
Gross amount due from contract customers	<b>1,218,465</b>	1,494,229
Gross amount due to contract customers	<b>(1,098,620)</b>	(1,248,356)
	<b>119,845</b>	245,873
Contract costs incurred plus recognised profits less recognised losses to date	<b>9,480,062</b>	10,510,293
Less: progress billings	<b>(9,360,217)</b>	(10,264,420)
	<b>119,845</b>	245,873

In the current period, no impairment loss has been provided for the amounts due from contract customers (year ended December 31, 2015: RMB22,466,000).

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 17. TRADE AND BILLS RECEIVABLES

	<b>June 30, 2016</b>	December 31, 2015
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>1,814,144</b>	1,620,084
Impairment	<b>(35,460)</b>	(32,980)
	<b>1,778,684</b>	1,587,104
Bills receivable	<b>118,794</b>	116,100
	<b>1,897,478</b>	1,703,204

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

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

	<b>June 30, 2016</b>	December 31, 2015
	<b>RMB'000</b>	RMB'000
Less than 6 months	<b>650,547</b>	628,230
6 months to 1 year	<b>365,032</b>	418,047
1 year to 2 years	<b>533,069</b>	415,810
2 years to 3 years	<b>170,170</b>	119,272
Over 3 years	<b>178,660</b>	121,845
	<b>1,897,478</b>	1,703,204

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 17. TRADE AND BILLS RECEIVABLES (Continued)

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

	<b>June 30, 2016 RMB'000</b>	December 31, 2015 RMB'000
At January 1	<b>32,980</b>	11,010
Additions	<b>2,507</b>	27,760
Amount written off	<b>(27)</b>	(5,790)
At period/year end	<b>35,460</b>	32,980

As at June 30, 2016, RMB36,024,000 (December 31, 2015: RMB41,909,000) of trade receivables are secured for the current bank loans of RMB22,940,000 (December 31, 2015: RMB24,438,000) (note 22).

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	<b>June 30, 2016 RMB'000</b>	December 31, 2015 RMB'000
Prepayments to suppliers for purchases of goods		<b>696,322</b>	736,700
Loans to other companies	(a)	<b>211,781</b>	169,007
Tender deposits		<b>16,318</b>	15,231
Contract deposits		<b>153,258</b>	160,313
Advances to staff		<b>23,073</b>	22,382
Interest receivable		<b>12,000</b>	8,000
Dividend receivable		<b>8,068</b>	9,611
Others		<b>93,669</b>	81,476
Impairment		<b>1,214,489 (19,169)</b>	1,202,720 (16,007)
		<b>1,195,320</b>	1,186,713

(a) The balance represents unsecured loans to other third party companies which are due within one year. Among which a balance of RMB197,281,000 is interest-free, a balance of RMB6,500,000 bears interest at 10.0% per annum, a balance of RMB8,000,000 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, 2016

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

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

	<b>June 30, 2016 RMB'000</b>	December 31, 2015 RMB'000
At January 1	<b>16,007</b>	27,406
Additions	<b>3,162</b>	13,392
Reversal	-	(1,411)
Amount written off	-	(23,380)
At period/year end	<b>19,169</b>	16,007

## 19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<b>June 30, 2016 RMB'000</b>	December 31, 2015 RMB'000
Cash and bank balances	<b>452,818</b>	736,107
Pledged deposits		
— Current deposits	<b>218,530</b>	232,673
	<b>671,348</b>	968,780
Less: Pledged deposits for		
— Letter of guarantee for projects	<b>(34,075)</b>	(34,555)
— Bills payables	<b>(5,200)</b>	(10,869)
— Interest-bearing bank borrowings	<b>(171,481)</b>	(178,400)
— Tenders	<b>(7,774)</b>	(8,849)
Cash and cash equivalents	<b>452,818</b>	736,107

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 RMB663,230,000 (RMB663,212,000 is located in Mainland China and RMB18,000 is located overseas) as at June 30, 2016 (December 31, 2015: RMB962,340,000 in total). In Mainland China, 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, 2016

## 20. TRADE AND BILLS PAYABLES

	<b>June 30, 2016 RMB'000</b>	December 31, 2015 RMB'000
Trade payables	<b>1,035,852</b>	1,177,769
Bills payable	<b>124,163</b>	114,421
	<b>1,160,015</b>	1,292,190

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, 2016 RMB'000</b>	December 31, 2015 RMB'000
Current or less than 1 year	<b>770,617</b>	845,507
1 to 2 years	<b>188,560</b>	312,579
Over 2 years	<b>200,838</b>	134,104
	<b>1,160,015</b>	1,292,190

The Group's bills payable were secured by pledged deposits of the Group of RMB5,200,000 as at June 30, 2016 (December 31, 2015: RMB10,869,000).

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, 2016

## 21. OTHER PAYABLES AND ACCRUALS

	<b>June 30, 2016</b>	December 31, 2015
	<b>RMB'000</b>	RMB'000
Advances from customers	<b>107,326</b>	105,893
Business advance deposits	<b>31,447</b>	34,759
Staff costs and welfare accruals	<b>17,796</b>	15,472
Other borrowings	<b>63,970</b>	38,168
Other taxes payable	<b>153,290</b>	149,645
Interest payables	<b>303</b>	303
Research and development funds	<b>3,505</b>	3,599
Others	<b>54,913</b>	47,171
	<b>432,550</b>	395,010

As of June 30, 2016, other payables are non-interest-bearing and have no fixed terms of repayment.

## 22. INTEREST-BEARING BANK BORROWINGS

	<b>Contractual interest rate</b>	<b>June 30, 2016</b>	December 31, 2015
	%	<b>RMB'000</b>	RMB'000
<b>Current</b>			
Bank loans — secured and repayable within one year	1.4–5.5	<b>417,005</b>	474,598
Bank loans — guaranteed and repayable within one year	5.0–7.5	<b>437,450</b>	320,900
Bills receivable endorsed	–	<b>88,658</b>	109,203
		<b>943,113</b>	904,701
<b>Non-current</b>			
Bank loans — guaranteed and repayable within two years	7.5	–	145,000
Bank loans — secured and repayable within three years	8.0	<b>135,700</b>	136,200
		<b>135,700</b>	281,200
		<b>1,078,813</b>	1,185,901

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

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

Notes:

- (i) Bank loans of RMB130.0 million as at June 30, 2016 (December 31, 2015: RMB163.1 million) were secured by investment properties with a carrying amount of RMB125.8 million (December 31, 2015: RMB125.8 million).
- (ii) Bank loans of RMB22.9 million as at June 30, 2016 (December 31, 2015: RMB24.4 million) were secured by trade receivables with a total amount of RMB36.0 million (December 31, 2015: RMB41.9 million).
- (iii) Bank loans of RMB206.4 million as at June 30, 2016 (December 31, 2015: RMB195.4 million) were secured by a pledged deposit of RMB112.6 million (December 31, 2015: RMB83.0 million) by Beijing Zhixun Tiancheng Technology Co., Ltd., a subsidiary of the Group.
- (iv) Bank loans of RMB57.7 million as at June 30, 2016 (December 31, 2015: RMB91.7 million) were secured by a bank deposit of RMB58.9 million (December 31, 2015: RMB95.4 million), provided by Beijing Aproud Technology Co., Ltd., a subsidiary of the Group.
- (v) Bank loans of RMB407.5 million as at June 30, 2016 (December 31, 2015: RMB290.9 million) were guaranteed by Beijing Aproud Technology Co., Ltd., Beijing RHY Technology Development Co., Ltd. and Beijing Zhixun Tiancheng Technology Co., Ltd., subsidiaries of the Group.
- (vi) Bank loans of RMB30.0 million as at June 30, 2016 (December 31, 2015: RMB30.0 million) were guaranteed by the Company.
- (vii) The non-current bank loans of RMB135.7 million as at June 30, 2016 (December 31, 2015: RMB136.2 million) were secured by the equity interest in Beijing Hongrui Dake Technology Co., Ltd., a subsidiary of the Group, with a carrying amount of RMB227.0 million (December 31, 2015: RMB227.0 million).

As at June 30, 2016, the Group had unutilised available bank borrowing facilities amounting to RMB138.7 million (December 31, 2015: RMB277.7 million).

As at June 30, 2016, the Group's bank loans of RMB582.7 million were charged at fixed interest rates and bank loans of RMB407.4 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.

## 23. ISSUED CAPITAL

### Shares

	<b>June 30, 2016 RMB'000</b>	December 31, 2015 RMB'000
Issued and fully paid:		
1,654,024,868 ordinary shares of HK\$0.0002 each	<b>290</b>	290

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 24. SHARE OPTION SCHEME

### Pre-IPO Share Incentive Scheme

On December 28, 2008, China ITS Co., Ltd. launched a share option scheme. Pursuant to the scheme, China ITS Co., Ltd. granted 116,653,105 options to the eligible employees of the Group and directors of the Company, of which 58,170,393 share options were vested on the grant date and the remaining 58,482,712 share options would be vested over six equal semi-annual instalments starting from the second anniversary of the grant date provided that these employees remain in service at the respective vesting dates. The expiration dates for the share options are five years after their respective vesting dates. Exercise prices are RMB0.60 per share for the first batch, RMB2.00 for the second and third batches, RMB3.00 for the fourth and fifth batches and RMB4.00 for the last two batches. There are no cash settlement alternatives.

No share option expenses were recognised during the six-month periods ended June 30, 2016 and June 30, 2015.

Numbers of 6,878,000 share options were expired during the six-month period ended June 30, 2016, and no share option was exercised or cancelled. The following table illustrates the numbers and weighted average exercise price ("WAEP") of the share options as at June 30, 2016:

	Number '000	WAEP RMB per share
Outstanding as at June 30, 2016	21,597	3.59
Exercisable as at June 30, 2016	21,597	3.59

### 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 included 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 after 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, 2016

## 24. SHARE OPTION SCHEME (Continued)

### Share Option Scheme (Continued)

The share option expenses recognised during the six-month period ended June 30, 2016 is as follows:

	For the six-month period ended June 30,	
	2016 RMB'000	2015 RMB'000
Equity-settled share option expenses	-	113

There was no movement for the outstanding numbers of the share options during the six-month period ended June 30, 2016. The following table illustrates the numbers and WAEP of the share options as at June 30, 2016:

	Number '000	WAEP RMB per share
Outstanding as at June 30, 2016	155,000	1.05
Exercisable as at June 30, 2016	155,000	1.05

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



# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 25. DISPOSAL OF A SUBSIDIARY

On January 22, 2016, the Group disposed of 50% share interest of Xinjiang XinRui JiYe Intelligent Technology Co., Ltd., a subsidiary of the Group with shareholding ratio of 80%, at a consideration of RMB5,279,000 and the fair value of the residual investment is RMB3,167,000.

	RMB'000
<b>Net assets disposed of:</b>	
Cash and cash equivalents	5,774
Trade and bills receivables	995
Construction contracts	692
Prepayments, deposits and other receivables	5,916
Inventories	175
Amounts due from related parties	15,840
Property and equipment	183
Trade and bills payables	(421)
Other payables and accruals	(2,792)
Income tax payable	(2,208)
Amounts due to related parties	(13,528)
Deferred tax liabilities	(61)
Net assets	10,565
Non-controlling interests	(2,113)
Fair value of the residual investment (30%)	3,167
Loss on disposal of a subsidiary	(6)
Cash consideration recorded in other receivables	5,279

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 and bank balances disposed of	5,774
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(5,774)

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 26. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following major transactions with related parties during the six-month period ended June 30, 2016:

	Notes	For the six-month period ended June 30,	
		2016 RMB'000	2015 RMB'000
<b>Sales to related parties:</b>			
Guangzhou Communication Information Co., Ltd.	(a)	571	847
Nanjing Communication Information Co., Ltd.	(b)	171	600
Xi'an Communication Information Co., Ltd.	(a)	47	–
武漢光谷智能交通科技有限公司	(a)	–	1,590
Wuhan Chenguang Transportation Technology Development Co., Ltd.	(b)	–	354
		<b>789</b>	3,391
<b>Purchases from related parties:</b>			
Xi'an Communication Information Co., Ltd.	(a)	4,096	2,973
武漢光谷智能交通科技有限公司	(a)	3,755	11,274
Wuhan Chenguang Transportation Technology Development Co., Ltd.	(b)	1,719	1,880
北京鑫虹智顯科技發展有限公司	(c)	1,688	578
Nanjing Communication Information Co., Ltd.	(b)	1,255	2,242
北京綠通暢達交通技術有限公司	(a)	943	1,551
無錫智通潤邦信息科技有限公司	(d)	–	2,650
		<b>13,456</b>	23,148

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.

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 to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 26. RELATED PARTY TRANSACTIONS (Continued)

	Notes	June 30, 2016 RMB'000	December 31, 2015 RMB'000
<b>Due from related parties:</b>			
<i>Trade related</i>			
Guangzhou Communication Information Co., Ltd.	(a)	<b>23,391</b>	25,799
無錫智通潤邦信息科技有限公司	(f)	<b>20,245</b>	8,255
Xi'an Communication Information Co., Ltd.	(a)	<b>19,860</b>	18,328
北京鑫虹智顯科技發展有限公司	(e)	<b>10,278</b>	11,916
武漢光谷智能交通科技有限公司	(a)	<b>1,302</b>	1,302
北京綠通暢達交通技術有限公司	(a)	<b>529</b>	529
Wuhan Chenguang Transportation Technology Development Co., Ltd.	(b)	<b>84</b>	438
Chengdu Zhida Weilute Technology Co., Ltd.	(b)	<b>68</b>	68
Nanjing Communication Information Co., Ltd.	(b)	<b>8</b>	369
		<b>75,765</b>	67,004
<i>Non-trade related</i>			
常州天博投資管理中心	(g)	<b>25,000</b>	3,850
Wuhan Chenguang Transportation Technology Development Co., Ltd.	(b)	<b>17,032</b>	17,970
Xinjiang XinRui JiYe Intelligent Technology Co., Ltd.	(a)	<b>10,377</b>	–
GTECH-CIC	(b)	<b>9,402</b>	9,215
北京鑫虹智顯科技發展有限公司	(e)	<b>5,952</b>	5,952
北京瑞瀾聯合通信技術有限公司	(d)	<b>3,000</b>	3,000
RHY Holdings Ltd.	(c)	<b>3,000</b>	3,000
無錫智通潤邦信息科技有限公司	(f)	<b>1,893</b>	1,893
Guangzhou Communication Information Co., Ltd.	(a)	<b>1,283</b>	1,283
Xi'an Communication Information Co., Ltd.	(a)	<b>164</b>	164
Beijing Zhineng Shixun Information Technology Co., Ltd.	(a)	<b>46</b>	46
		<b>77,149</b>	46,373
		<b>152,914</b>	113,377

Notes:

- (a) The entity is an associate of the Group.
- (b) The entity is a joint venture of the Group.
- (c) RHY Holdings Ltd. is 59% owned by a director of the Company.
- (d) The entity is 58% owned by RHY Holdings Ltd.
- (e) The entity is controlled by a key management personnel of the Group.
- (f) The entity is joint-controlled by a key management personnel of the Group.
- (g) The entity is controlled by close members of a director of the Company.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 26. RELATED PARTY TRANSACTIONS (Continued)

	Notes	June 30, 2016 RMB'000	December 31, 2015 RMB'000
<b>Due to related parties:</b>			
<i>Trade related</i>			
GTECH-CIC	(b)	<b>49,193</b>	45,530
武漢光谷智能交通科技有限公司	(a)	<b>14,603</b>	12,024
Xi'an Communication Information Co., Ltd.	(a)	<b>13,466</b>	8,673
Xinjiang XinRui JiYe Intelligent Technology Co., Ltd.	(a)	<b>13,047</b>	–
Wuhan Chengguang Transportation Technology Development Co., Ltd.	(b)	<b>8,857</b>	8,112
無錫智通潤邦信息科技有限公司	(d)	<b>8,110</b>	8,110
北京鑫虹智顯科技發展有限公司	(c)	<b>3,623</b>	3,623
Nanjing Communication Information Co., Ltd.	(b)	–	277
Guangzhou Communication Information Co., Ltd.	(a)	<b>1,897</b>	–
深圳艾特凡斯智能科技有限公司	(e)	<b>1,208</b>	–
Chengdu Zhida Weilute Technology Co., Ltd.	(b)	<b>696</b>	696
Xinjiang Jiaojian Intelligent Communication Technology Co., Ltd.	(a)	–	359
		<b>114,700</b>	87,404
<i>Non-trade related</i>			
Chengdu Zhida Weilute Technology Co., Ltd.	(b)	<b>3,153</b>	3,153
北京綠通暢達交通技術有限公司	(a)	<b>1,036</b>	1,036
Xi'an Communication Information Co., Ltd.	(a)	<b>378</b>	378
武漢光谷智能交通科技有限公司	(a)	<b>286</b>	286
無錫智通潤邦信息科技有限公司	(d)	<b>45</b>	45
		<b>4,898</b>	4,898
		<b>119,598</b>	92,302

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 controlled by certain directors of the Company.

The above balances as at June 30, 2016 and December 31, 2015 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, 2016

## 26. RELATED PARTY TRANSACTIONS (Continued)

### Compensation of key management personnel of the Group

	For the six-month period ended June 30,	
	2016 RMB'000	2015 RMB'000
Salaries, bonuses, allowances and benefits in kind	2,469	2,222
Pension plan contributions	54	46
Equity-settled share option expense	–	21
Total compensation paid to key management personnel	2,523	2,289

## 27. PLEDGE OF ASSETS

Details of pledged assets are included in notes 17, 19, 20 and 22 to the interim condensed consolidated financial statements.

## 28. OPERATING LEASE COMMITMENTS

### As lessor

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

	June 30, 2016 RMB'000	December 31, 2015 RMB'000
Within one year	11,527	13,686
In the second to fifth years, inclusive	4,887	11,279
	16,414	24,965



# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 28. 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 two years.

As at June 30, 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>June 30, 2016 RMB'000</b>	December 31, 2015 RMB'000
Within one year	<b>3,498</b>	4,831
In the second to fifth years, inclusive	<b>1,051</b>	4,984
	<b>4,549</b>	9,815

## 29. CAPITAL COMMITMENTS

As at June 30, 2016, the Group had no significant capital commitments.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 30. 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, 2016

	Designated as financial assets at fair value through profit or loss upon initial recognition 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	82,300	–	–	82,300
Trade and bills receivables	–	1,897,478	–	1,897,478
Financial assets included in prepayments, deposits and other receivables	–	475,924	–	475,924
Amounts due from related parties	–	152,914	–	152,914
Pledged deposits — current	–	218,530	–	218,530
Cash and cash equivalents	–	452,818	–	452,818
	82,300	3,197,664	25,307	3,305,271

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 30. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

### Financial assets (Continued)

December 31, 2015

	Designated as financial assets at fair value through profit or loss upon initial recognition 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	82,300	–	–	82,300
Trade and bills receivables	–	1,703,204	–	1,703,204
Financial assets included in prepayments, deposits and other receivables	–	427,631	–	427,631
Amounts due from related parties	–	113,377	–	113,377
Pledged deposits	–	232,673	–	232,673
Cash and cash equivalents	–	736,107	–	736,107
	82,300	3,212,992	25,307	3,320,599

### Financial liabilities

	June 30, 2016 financial liabilities at amortised cost RMB'000	December 31, 2015 financial liabilities at amortised cost RMB'000
Trade and bills payables	1,160,015	1,292,190
Financial liabilities included in other payables and accruals	95,720	73,230
Interest-bearing bank borrowings — current	943,113	904,701
Amounts due to related parties	119,598	92,302
Interest-bearing bank borrowings — non-current	135,700	281,200
	2,454,146	2,643,623

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 31. 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 and amounts due from/to related parties 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 non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at June 30, 2016 was assessed to be insignificant.

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

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

### 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, 2016 and December 31, 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	
Financial assets				
Convertible borrowings	-	-	82,300	82,300

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, 2016

## 31. 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, 2016 and December 31, 2015.

### Liabilities for which fair values are disclosed:

As at June 30, 2016

	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	—	943,113	—	943,113
— non-current	—	135,700	—	135,700
	—	1,078,813	—	1,078,813

As at December 31, 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	—	904,701	—	904,701
— non-current	—	281,200	—	281,200
	—	1,185,901	—	1,185,901

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2016

## 32. EVENT AFTER THE REPORTING PERIOD

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

## 33. 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 29, 2016.