



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**



**2017**  
Interim Report



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# Financial Highlights

## HIGHLIGHTS OF 2017 INTERIM RESULTS

- The amount of backlog as at June 30, 2017 was approximately RMB1,115.9 million, compared to approximately RMB1,059.9 million as at December 31, 2016, or an approximately 5.3% increase.
- The amount of new contracts signed and orders secured for the six months ended June 30, 2017 was approximately RMB577.0 million, compared to approximately RMB1,171.1 million for the six months ended June 30, 2016 (The amount of new contracts signed and orders secured, revenue, gross profit, gross profit margin and profit attributable to owners of the parent of the company for the six months ended June 30, 2016 included the respective amounts attributable to the Disposal Group<sup>(1)</sup>).
- Revenue for the six months ended June 30, 2017 was approximately RMB523.6 million, compared to approximately RMB1,061.9 million for the six months ended June 30, 2016.
- Gross profit for the six months ended June 30, 2017 was approximately RMB128.4 million, compared to approximately RMB210.4 million for the six months ended June 30, 2016.
- Gross profit margin for the six months ended June 30, 2017 was 24.5% which was higher than to 19.8% for the six months ended June 30, 2016.
- Profit attributable to owners of the parent of the Company for the six months ended June 30, 2017 was RMB25.8 million, compared to a profit of approximately RMB45.6 million for the six months ended June 30, 2016.
- Earnings per share<sup>(2)</sup> for the six months ended June 30, 2017 was approximately RMB0.02 per share.

### Notes:

- (1) The "Disposal Group" means, collectively, Hugecom Limited, China Traffic Holding Limited, China Expressway Intelligent Transportation Technology Group Ltd. and Beijing RHY Technology Development Co., Ltd.\* (北京瑞華贏科技發展有限公司) and their respective subsidiaries.
- (2) 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, 2017.

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Liao Jie (*chairman of the Board*)  
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  
Jardine's Lookout  
Hong Kong

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Mr. Zhou Chunsheng (*committee 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

# Corporate Information

## 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

### AUDITOR

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

### LEGAL ADVISOR

Luk & Partners  
In Association with Morgan, Lewis & Bockius  
Unit 2001, Level 20  
One International Finance Centre  
1 Harbour View Street, Central  
Hong Kong

### LISTING EXCHANGE INFORMATION

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

### PRINCIPAL BANKERS

Bank of Beijing Co., Ltd. Beijing Branch Cuiweilu sub-branch  
China Merchants Bank Co., Ltd. Beijing Branch Beisanhuan sub-branch  
China Everbright Bank Co., Ltd. Beijing Branch Xicheng sub-branch  
China Guangfa Bank Beijing Branch  
China Guangfa Bank Macau Branch  
Fubon Bank (China) Co., Ltd. Tianjin Branch  
LUSO International Banking Ltd. Macau Branch  
Ping An Bank Co., Ltd. Beijing Branch Guomao sub-branch  
Ping An Bank Co., Ltd. Shanghai Pilot Free Trade Zone Branch  
Shengjing Bank Beijing Branch Guanyuan sub-branch  
Xiamen International Bank Co., Ltd. Beijing Zhongguancun sub-branch

# Management Discussion and Analysis

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

For the six months ended June 30, 2017 (the “**Period**”), China ITS (Holdings) Co., Ltd. (the “**Company**”) and its subsidiaries (collectively the “**Group**”) recorded RMB577.0 million from new contracts signed and orders secured. As at June 30, 2017, the Group recorded backlog of RMB1,115.9 million. For the Period, the Group recorded revenue of RMB523.6 million, representing a decrease of 50.7% as compared to RMB1,061.9 million for the six months ended June 30, 2016. The overall gross profit for the six months ended June 30, 2017 was RMB128.4 million, representing a decrease of 39.0% compared to the six months ended June 30, 2016, and gross profit margin for the six months ended June 30, 2017 increased by 4.7% to 24.5% as compared with that for the six months ended June 30, 2016. The profit attributable to owners of the parent of the Company for the six months ended June 30, 2017 amounted to RMB25.8 million.

## BUSINESS AND FINANCIAL REVIEW

### Business Review

#### Consolidate main operations and fully tap customer demand

In line with the Group’s development strategy for the future, the Group implemented a major restructuring of its business (the “**Disposal**”) in 2016, which saw it strip its turnkey solutions business (i.e. the electromechanical and information system integration business) and keep the specialised solutions (“**SS**”) and value-added operation and services (“**VAOS**”) businesses.

In 2017, the Group’s management, based on a comprehensive and thorough analysis and planning of its existing product lines for the SS and VAOS businesses, in view of the market environment and the Group’s actual conditions, decided to give full strength to the Company’s advantages in resources and specialised service technologies and focus on product sales and related value-added operation and services with a product line-oriented approach.

The SS business is the Group’s core business (accounting for 86.1% of the Group’s revenue for the 12 months ended December 31, 2016 and 94.6% of the Group’s revenue for the six months ended June 30, 2017), which has formed a strong portfolio of communication products supplemented by network and energy products and other products.

The VAOS business, as a maintenance and follow-up service following the provision of specialised solutions, provides operators with a full range of subsequent services, including maintenance and emergency response. Based on the expertise and knowledge built by the Group in the process of provision of specialised services and its judgements of the industry’s future development, this business ensures the normal operation of operators’ networks and, through the value-added services it provides, helps the Group to further tap customer demand.

#### Seek opportunities of business diversification

Subsequent to the completion of the Disposal, the Group has focused on its existing businesses as the foundation of the Group’s business development, and committed itself to exploring other business opportunities and finding new strategic partners to diversify operating risks and lay a solid foundation for its long-term development.

In 2017, the Group, responding to China’s Belt and Road Initiative and leveraging its excellent standing in the industry and extensive financing channels, formulated the plan to enter industries including energy and power by way of outbound investment, associates and joint venture and other methods and foray into overseas markets, especially Southeast Asian markets.

# Management Discussion and Analysis

## BUSINESS AND FINANCIAL REVIEW (continued)

### Financial Review

#### Revenue

During the Period, the Group carried out 1,011 projects of varying sizes across mainland China. As the revenue and gross profit achieved by the Group for the six months ended June 30, 2016 included proceeds from disposal of assets in 2016, the following revenue and gross profit data are adjusted to exclude the Disposal Group effects in order to better reflect the Group's business performance during the first half of 2017:

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Revenue by business sectors		
SS	<b>495,354</b>	735,745
VAOS	<b>28,208</b>	14,213
Total	<b>523,562</b>	749,958

(i) SS

For the six months ended June 30, 2017, revenue of RMB495.4 million was recognised from the SS business, representing a decrease of RMB240.3 million from RMB735.7 million for the six months ended June 30, 2016. The amount of new contracts signed and orders secured for the six months ended June 30, 2017 was RMB558.9 million, and the amount of backlog as at June 30, 2017 was RMB1,058.3 million, representing an increase of RMB77.6 million from RMB980.7 million as at December 31, 2016.

There were mainly two reasons for the decrease in revenue. The first reason was related to China's macro policy: China's railway infrastructure investment in 2017 is on par with that in last year, but it decelerated in the first half of the year and is expected to pick up in the second half to complete the year's investment tasks. On the other hand, the central government issued a risk alert in May 2017 and required stepping up financial risk prevention and control, which was accompanied by a slightly tightened monetary policy. Against this backdrop, local governments' railway construction projects experienced a capital crunch, leading to the railway investment deceleration. The second reason is the cyclical nature of upgrade and restructuring projects in the railway communication product market. Generally, the railway communication network receives an upgrade for every approximately five years. As the peak of railway communication network upgrade projects was basically completed in 2016, the cycle reached its trough in 2017. Due to the abovementioned factors, the Group's revenue from specialised solutions for the first half of 2017 experienced a decline from the same period of last year. As railway construction investment picks up speed in the second half of 2017, the specialised solutions business' revenue is expected to improve to some extent.



# Management Discussion and Analysis

## BUSINESS AND FINANCIAL REVIEW (continued)

### Financial Review (continued)

#### Revenue (continued)

##### (ii) VAOS

Revenue recognised from the VAOS business for the six months ended June 30, 2017 was RMB28.2 million, representing an increase of RMB14.0 million from RMB14.2 million for the six months ended June 30, 2016. The amount of new contracts signed and orders secured for the VAOS business for the six months ended June 30, 2017 was RMB18.1 million, and the amount of backlog as at June 30, 2017 was approximately RMB57.6 million, representing a decrease of RMB21.6 million from RMB79.2 million as at December 31, 2016.

As maintenance and follow-up services provided after the provision of specialised solutions, the Group's VAOS business has its existing product line 100% represented by "communication products". Looking forward, the "communication products" VAOS business will remain a core business of the Group.

Business Sector	Project Name
SS	Jing — Shen (Beijing — Shenyang) Railway Project Lian — Yan (Lianyungang — Yancheng) Railway Project Yang Ping Guan — Ankang Railway Project
VAOS	Maintenance of Shanghai railway administration Maintenance of Taiyuan railway administration

#### Gross Profit

Overall gross profit of the Group decreased from RMB139.7 million for the six months ended June 30, 2016 to RMB128.4 million for the six months ended June 30, 2017. Gross profit margin increased from 18.6% for the six months ended June 30, 2016 to 24.5% for the six months ended June 30, 2017.

	Six months ended June 30,	
	2017 RMB'000	2016 RMB'000
Gross profit by business sectors		
SS	121,139	132,094
Margin %	24.5%	18.0%
VAOS	7,281	7,559
Margin %	25.8%	53.2%
Total	128,420	139,653
Margin	24.5%	18.6%

# Management Discussion and Analysis

## BUSINESS AND FINANCIAL REVIEW (continued)

### Financial Review (continued)

#### Gross Profit (continued)

(i) SS

Gross profit recognised from SS for the six months ended June 30, 2017 was RMB121.1 million, representing a decrease of RMB11.0 million from RMB132.1 million for the six months ended June 30, 2016. Gross profit margin of SS for the six months ended June 30, 2017 was 24.5%, increasing by 6.5% from 18.0% for the six months ended June 30, 2016.

(ii) VAOS

Gross profit recognised from VAOS for the six months ended June 30, 2017 was RMB7.3 million, representing a decrease of RMB0.3 million from RMB7.6 million for the six months ended June 30, 2016. Gross profit margin of VAOS for the six months ended June 30, 2017 was 25.8%, decreasing by 27.4% from 53.2% for the six months ended June 30, 2016.

#### 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

In the six months ended June 30, 2017, selling, general and administration expenses was approximately RMB79.6 million, representing a decrease of RMB64.8 million as compared to approximately RMB144.4 million for the six months ended June 30, 2016. This decrease was mainly due to that the selling, general and administration expenses for the six months ended June 30, 2016 contained the performance of the Disposal.

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

For the six months ended June 30, 2017, selling, general and administration expenses which was related to daily operational activities ("**SG&A**") was approximately RMB73.7 million, as a percentage of sales was 14.1% which was similar to 13.1% for the six months ended June 30, 2016.

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 decreased from RMB97.4 million in the six months ended June 30, 2016 to RMB48.5 million for the six months ended June 30, 2017, and accounting for 65.8% of the SG&A representing a decrease as compared to 70.2% for the six months ended June 30, 2016. This fluctuation was mainly due to that the Group adopted a variety of methods to effectively control the cost of office expenses and vehicle expenses.

Rental expenses decreased from RMB6.0 million for the six months ended June 30, 2016 to RMB3.3 million for the six months ended June 30, 2017 due to that in November 2015, the Group moved its headquarters in the PRC from a leased office space to the self-owned property which resulted in the decrease of the rental expenses.

Research & Development expenses decreased from RMB8.2 million for the six months ended June 30, 2016 to RMB7.7 million for the six months ended June 30, 2017. In addition, in the first half of 2017, the Group has invested RMB6.0 million to develop and purchase intangible asset.

# Management Discussion and Analysis

## BUSINESS AND FINANCIAL REVIEW (continued)

### Financial Review (continued)

#### Selling, General and Administration Expense (continued)

##### (ii) *Bad debts expenses*

Bad debts expenses mainly represented one-off write-down expenses provided for receivables which the Group considered with no or minimal recoverability according to recognised criteria of bad debts on an individual basis. Such expense were RMB5.8 million for the six months ended June 30, 2017 which were RMB5.7 million for the six months ended June 30, 2016.

#### 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 RMB14.1 million for six months ended June 30, 2017, which represented a decrease of RMB6.4 million as compared to RMB20.5 million for six months ended June 30, 2016.

#### Share of Losses of Joint Ventures/Associates

Share of losses of investment entities for the six months ended June 30, 2017 was approximately RMB0.1 million, as compared to the loss of RMB4.1 million for the six months ended June 30, 2016.

#### Income Tax Expenses

The total income tax expenses for the six months ended June 30, 2017 was RMB13.0 million, which was lower than RMB19.5 million for the six months ended June 30, 2016.

#### Profit for the year

Profit attributable to the owners of the parent for the six months ended June 30, 2017 was approximately RMB25.8 million, compared to a profit of approximately RMB45.6 million for the six months ended June 30, 2016.

#### Trade Receivables Turnover Days

The trade receivables turnover days in the six months ended June 30, 2017 was 328 days (in the six months ended June 30, 2016: 282 days).

#### Net Construction Turnover Days

The net amount due from contract customer turnover days in the six months ended June 30, 2017 was 42 days (in the six months ended June 30, 2016: 38 days).

#### Trade Payables Turnover Days

The trade payables turnover days in the six months ended June 30, 2017 was 163 days (in the six months ended June 30, 2016: 253 days).

#### Inventory Turnover Days

The inventories of the Group mainly comprised of raw materials, work-in-progress, finished goods and general merchandise for surveillances Specialized Solutions. The inventory turnover days in the six months ended June 30, 2017 was 4 days (in the six months ended June 30, 2016: 5 days).

# Management Discussion and Analysis

## 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, 2017, the Group's current ratio (current assets divided by current liabilities) was 1.8 (as at December 31, 2016: 1.5). The Group's financial position remains healthy.

As at June 30, 2017, the Group was in a net negative cash of RMB482.7 million (as at December 31, 2016: net negative cash of RMB415.2 million) which included cash and cash equivalents of RMB383.4 million (as at December 31, 2016: RMB604.8 million), interest-bearing bank borrowings of RMB866.1 million (as at December 31, 2016: RMB1,020.1 million). As at June 30, 2017, the Group's gearing ratio was -19.5%, which has decreased from -29.2% as at December 31, 2016, due to the decrease of due to related parties. Gearing ratio represents our adjusted cash (interest-bearing bank borrowings plus due to related parties minus pledged deposits, short-term deposits, and cash and bank balances) divided by total equity.

## CONTINGENT LIABILITIES

As at June 30, 2017, the Group had no material contingent liability.

## CHARGES ON GROUP ASSETS

As at June 30, 2017, except for the secured deposits (current portion) of approximately RMB295.2 million (as at December 31, 2016: RMB211.4 million), the Group pledged its building with a net book value of approximately RMB61.8 million (as at December 31, 2016: RMB61.8 million) and trade receivables with a carrying amount of RMB144.5 million (as at December 31, 2016: RMB110.5 million) and its equity interests in a subsidiary amount of approximately RMB227.0 million (as at December 31, 2016: RMB227.0 million) to banks to secure banking facilities granted to the Group. Save as disclosed above, as at June 30, 2017, the Group had no other asset charged to financial institution.

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANY

On March 24, 2017 (after trading hours), certain subsidiaries of the Company, entered into the Equity Transfer Agreement with Beijing Guangwei Xingye Technology Co., Ltd., Chengdu Zhongzhi Runbang Transportation Technology Co., Ltd. and the Founders, pursuant to which certain subsidiaries of the Company have conditionally agreed to acquire and Beijing Guangwei conditionally agreed to transfer 100% equity interest in Chengdu Zhongzhi Runbang, which is a wholly-owned subsidiary of Beijing Guangwei, with effect from the Equity Interest Date for a consideration of RMB92,000,000. Please refer to the announcement of the Company dated March 24, 2017 for details.

# 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, 2017.

## 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, 2017 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, 2017 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, 2017, 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, 2017 <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	631,847,193 (L)	38.20% (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 631,847,193 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 the sub-section headed "Pre-IPO Share Incentive Scheme/Share Option Scheme" below, at no time during the six months ended June 30, 2017, 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, 2017, a total of 12,674,759 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, 2017 is as follows:

Grantee	Grant date	Vesting start date	Expiry date	Outstanding as at January 1, 2017	Exercised during the six months ended June 30, 2017	Lapsed or cancelled during the six months ended June 30, 2017	Outstanding as at June 30, 2017	Exercise price per share (RMB)
All	31/12/2008	30/06/2012	30/06/2017	5,890,702	–	5,890,702	0	3
	31/12/2008	31/12/2012	31/12/2017	4,747,502	–	–	4,747,502	4
	31/12/2008	30/06/2013	30/06/2018	7,927,257	–	–	7,927,257	4
TOTAL:				18,565,461	–	5,890,702	12,674,759	

## 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, 2017 is as follows:

Grantee	Grant date <sup>(1)</sup>	Vesting start date	Expiry date	Outstanding as at January 1, 2017	Exercised during the six months ended June 30, 2017	Lapsed or cancelled during the six months ended June 30, 2017	Outstanding as at June 30, 2017	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>(2)</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, 2017	Exercised during the six months ended June 30, 2017	Lapsed or cancelled during the six months ended June 30, 2017	Outstanding as at June 30, 2017	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, 2017, 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	629,991,345	38.09%
Best Partners <sup>(2)</sup>	Interest of controlled corporation	Long position	629,991,345	38.09%
Fino Investments <sup>(3)</sup>	Interest of controlled corporation	Long position	629,991,345	38.09%
Tesco Investments <sup>(4)</sup>	Interest of controlled corporation	Long position	629,991,345	38.09%
Credit Suisse Trust Limited <sup>(3)(4)(5)</sup>	Trustee	Long position	589,536,330	35.64%
Pioneer Investments Management Limited	Investment manager	Long position	217,600,000	13.16%
Ampio International <sup>(6)</sup>	Interest of controlled corporation	Long position	90,953,230	5.50%
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, 2017, Holdco is entitled to exercise or control the exercise of the voting rights of a total of 629,991,345 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 91.2015% by Fino Investments Limited and as to 8.7985% 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 and Ms. Wu Chunhong. The Fino Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (4) Tesco Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Tesco Trust, namely Mr. Wang Jing, Mr. Zhang Qian, Mr. Guan Xiong, Mr. Zheng Hui and Ms. Wang Li. The Tesco Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (5) Ampio International Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Ampio Trust, namely Mr. Pan Jianguo and Mr. Jing Yang. The Ampio Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.

Each of Joy Bright (the sole shareholder of Gouver), and Rockyjing Investment Limited is wholly-owned by Ampio International Limited. Accordingly, Ampio International Limited is deemed to be interested in the 80,424,662 Shares and 10,528,568 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, 2017, the Group had 477 full-time employees. The remuneration of the existing employees includes basic salaries, discretionary bonuses and social security contributions. The emolument policy of the employees of the Group is set up by the Board on the basis of individual performance, the nature and responsibilities of the individual concerned and the performance of our Group and market conditions.

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2017, 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, 2017.

## 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, 2017.

## 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, 2017 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

In the six months ended June 30, 2017, there were no changes to information related to Directors of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## EVENTS AFTER THE REPORTING PERIOD

### Subscription of Shares and Provision of Loan

On July 15, 2017, Beijing Aproud Technology Co., Ltd., ("**Subscriber**"), an indirect wholly-owned subsidiary of the Company, entered into the Share Subscription Agreement with Forever Opensource Co., Ltd. ("**Forever Opensource**"), pursuant to which the Subscriber agreed to subscribe for 8,445,945 shares in Forever Opensource at a consideration of RMB49,999,994.40. The completion of the Subscription is pending completion of filling and approval procedures with the National Equities Exchange and Quotations. The net proceeds from the foresaid Subscription will be applied towards general working capital and business extension by the Forever Opensource.

On the same day, Beijing Haotian Jiajie Technology Co., Ltd. ("**Lender**"), an indirect wholly-owned subsidiary of the Company, entered into the Loan Agreement with Ma Yue ("**Borrower**"), pursuant to which the Lender agreed to lend to the Borrower a loan in the principal amount of RMB30,000,000, bearing interest at a rate of 8% per annum for a period of 6 years, for the Borrower's sole purpose of subscribing for 5,067,568 Subscription Shares in Forever Opensource.

# Directors' Report

## EVENTS AFTER THE REPORTING PERIOD (continued)

### Subscription of Shares and Provision of Loan (continued)

5,067,568 Subscription Shares to be subscribed by the Borrower, which represents approximately 6.45% of the enlarged issued share capital of Forever Opensource upon completion of the issuance of new shares under the Share Issuance Proposal, will be pledged by the Borrower in favour of the Lender pursuant to the terms of the Share Pledge Agreement. The Borrower further confirmed that at all times, the value of the security shall not be lower than the aggregate of the principal amount and interest.

Please refer to the announcement of the Company dated July 15, 2017 for details.

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

**Liao Jie**  
*Chairman*

Beijing, August 28, 2017

# 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 23 to 60, which comprises the interim condensed consolidated statement of financial position as at June 30, 2017 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.

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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 28, 2017



# Interim Condensed Consolidated Statement of Profit or Loss

For the six-month period ended June 30, 2017

	Notes	For the six-month period ended June 30,	
		2017 RMB'000 Unaudited	2016 RMB'000 Unaudited
<b>REVENUE</b>	4	<b>523,562</b>	1,061,917
Cost of revenue	5	<b>(395,142)</b>	(851,477)
Gross profit		<b>128,420</b>	210,440
Other income and gains	4	<b>5,173</b>	6,204
Selling, general and administrative expenses		<b>(79,550)</b>	(144,351)
Other expenses		<b>(1,104)</b>	(967)
<b>OPERATING PROFIT</b>		<b>52,939</b>	71,326
Finance income		<b>12,430</b>	7,473
Finance costs		<b>(26,518)</b>	(27,958)
Share of losses of joint ventures		<b>(59)</b>	(1,213)
Share of losses of associates		<b>(59)</b>	(2,921)
Loss on disposal of a subsidiary		<b>-</b>	(6)
<b>PROFIT BEFORE TAX</b>	5	<b>38,733</b>	46,701
Income tax expense	6	<b>(12,952)</b>	(19,509)
<b>PROFIT FOR THE PERIOD</b>		<b>25,781</b>	27,192
Attributable to:			
Owners of the parent		<b>25,783</b>	45,550
Non-controlling interests		<b>(2)</b>	(18,358)
		<b>25,781</b>	27,192
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic — For profit for the period	7	<b>RMB0.02</b>	RMB0.03
Diluted — For profit for the period	7	<b>RMB0.02</b>	RMB0.03

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended June 30, 2017

	<b>For the six-month period ended June 30,</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Unaudited
<b>PROFIT FOR THE PERIOD</b>	<b>25,781</b>	27,192
<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>(1,710)</b>	(6,225)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(1,710)</b>	(6,225)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>24,071</b>	20,967
Attributable to:		
Owners of the parent	<b>24,073</b>	39,325
Non-controlling interests	<b>(2)</b>	(18,358)
	<b>24,071</b>	20,967

# Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2017

	Notes	June 30, 2017 RMB'000 Unaudited	December 31, 2016 RMB'000 Audited
<b>NON-CURRENT ASSETS</b>			
Property and equipment	9	301,044	300,388
Investment properties		61,800	61,800
Goodwill	10	274,027	230,664
Other intangible assets	11	15,163	9,128
Investments in joint ventures	12	16,043	16,103
Investments in associates	13	3,564	3,623
Available-for-sale investments		75,307	25,307
Deferred tax assets		9,794	17,366
Prepayment for acquisition of equity interests in a company		–	92,000
<b>Total non-current assets</b>		<b>756,742</b>	756,379
<b>CURRENT ASSETS</b>			
Inventories	14	89,372	86,077
Construction contracts	15	652,175	586,356
Trade and bills receivables	16	1,139,046	1,274,760
Prepayments, deposits and other receivables	17	518,041	743,837
Amounts due from related parties	25	635,668	1,083,363
Pledged deposits	18	295,226	211,396
Cash and cash equivalents	18	383,425	604,843
<b>Total current assets</b>		<b>3,712,953</b>	4,590,632
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	19	390,442	740,579
Other payables and accruals	20	212,617	197,149
Construction contracts	15	731,407	889,468
Interest-bearing bank borrowings	21	693,262	938,863
Amounts due to related parties	25	22,322	246,489
Income tax payable		48,791	79,397
<b>Total current liabilities</b>		<b>2,098,841</b>	3,091,945
<b>NET CURRENT ASSETS</b>		<b>1,614,112</b>	1,498,687
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,370,854</b>	2,255,066

# Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2017

	← Notes	<b>June 30, 2017</b> <b>RMB'000</b> <b>Unaudited</b>	December 31, 2016 RMB'000 Audited
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,370,854</b>	2,255,066
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	21	<b>172,810</b>	81,200
Deferred tax liabilities		<b>9,215</b>	9,108
Total non-current liabilities		<b>182,025</b>	90,308
Net assets		<b>2,188,829</b>	2,164,758
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	22	<b>290</b>	290
Reserves		<b>2,188,570</b>	2,164,497
		<b>2,188,860</b>	2,164,787
Non-controlling interests		<b>(31)</b>	(29)
Total equity		<b>2,188,829</b>	2,164,758

**Liao Jie**  
Director

**Jiang Hailin**  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

For the six-month ended June 30, 2017

	Attributable to owners of the parent								Non-controlling interests RMB'000	Total equity RMB'000
	Issued capital RMB'000 note 22	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Asset revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000		
<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	-	-	-	-	-	-	-	-	(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
<b>At January 1, 2017</b>	290	1,088,725*	155,487*	630,851*	7,782*	(85,552)*	367,204*	2,164,787	(29)	2,164,758
Profit for the period	-	-	-	-	-	-	25,783	25,783	(2)	25,781
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,710)	-	(1,710)	-	(1,710)
Total comprehensive income for the period	-	-	-	-	-	(1,710)	25,783	24,073	(2)	24,071
Transfer from retained earnings	-	-	5,566	-	-	-	(5,566)	-	-	-
<b>At June 30, 2017 (unaudited)</b>	290	1,088,725*	161,053*	630,851*	7,782*	(87,262)*	387,421*	2,188,860	(31)	2,188,829

\* These reserve accounts comprise the consolidated reserves of RMB2,188,570,000 (December 31, 2016: RMB2,164,497,000) in the interim condensed consolidated statement of financial position.

# Interim Condensed Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2017

	Notes	For the six-month period ended June 30,	
		2017 RMB'000 Unaudited	2016 RMB'000 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>38,733</b>	46,701
Adjustments for:			
Depreciation and amortisation	5	<b>7,045</b>	6,419
Loss on disposal of a subsidiary		–	6
Impairment of other receivables	5	<b>4,283</b>	3,162
Impairment of trade receivables	5	<b>1,049</b>	2,507
Impairment of property and equipment	5	–	52
Impairment of amounts due from construction contracts	5	<b>503</b>	–
Share of losses of joint ventures		<b>59</b>	1,213
Share of losses of associates		<b>59</b>	2,921
Finance income		<b>(12,430)</b>	(7,473)
Finance costs		<b>26,518</b>	27,958
		<b>65,819</b>	83,466
Changes in assets and liabilities:			
(Increase)/decrease in inventories		<b>(3,295)</b>	7,522
(Increase)/decrease in construction contracts assets/liabilities		<b>(208,174)</b>	125,336
Decrease/(increase) in trade and bills receivables		<b>171,935</b>	(197,776)
Decrease/(increase) in prepayments, deposits and other receivables		<b>224,350</b>	(7,038)
Decrease/(increase) in amounts due from related parties		<b>396,469</b>	(55,475)
Decrease in pledged deposits		<b>3,920</b>	7,224
Decrease in trade and bills payables		<b>(354,847)</b>	(131,754)
Increase in other payables and accruals		<b>5,249</b>	40,332
(Decrease)/increase in amounts due to related parties		<b>(224,167)</b>	40,824
Cash generated from/(used in) operations		<b>77,259</b>	(87,339)
Interest paid		<b>(26,244)</b>	(27,958)
Interest received		<b>11,005</b>	3,473
Income tax paid		<b>(39,090)</b>	(27,256)
<b>Net cash flows from/(used in) operating activities</b>		<b>22,930</b>	(139,080)

# Interim Condensed Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2017

	Notes	For the six-month period ended June 30,	
		2017 RMB'000 Unaudited	2016 RMB'000 Unaudited
<b>Net cash flows from/(used in) operating activities</b>		<b>22,930</b>	(139,080)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property and equipment	9	(7,554)	(26,878)
Additions to other intangible assets	11	(6,035)	(5,964)
Investment in available for sale investments		(40,000)	–
Acquisition of a subsidiary	24	1,170	–
Disposal of a subsidiary		–	(5,774)
Dividends received		51,226	800
Net cash flows used in investing activities		(1,193)	(37,816)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from interest-bearing bank borrowings		541,781	164,749
Repayment of interest-bearing bank borrowings		(695,772)	(271,837)
(Increase)/decrease in pledged deposits for bank loans		(87,750)	6,919
Net cash flows used in financing activities		(241,741)	(100,169)
Net decrease in cash and cash equivalents		(220,004)	(277,065)
Effect of foreign exchange rate changes, net		(1,414)	(6,224)
Cash and cash equivalents at beginning of period		604,843	736,107
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	18	<b>383,425</b>	452,818

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 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:

- 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, 2017 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, 2016. The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

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

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, 2016, except for the adoption of new standards and interpretations effective as at January 1, 2017. 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, 2017

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

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

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2017, 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:

#### Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

#### Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

#### Annual Improvements Cycle — 2014–2016

*Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Group has adopted the amendments retrospectively. It has no effect on the Group's financial position and performance as the Group has no interest in other entities as held for sale.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 3. OPERATING SEGMENT INFORMATION

Prior to 2017, the Group had operating segments based on industry sectors as expressway, railway and urban traffic. As a result of the disposal as disclosed in the Company's 2016 annual report dated on March 27, 2017, the Company focuses on providing specialised solutions and value-added operation and services in railway sector since then. In the current period, for management purpose, the Group changed to the following operating segments based on its business units:

- (i) Specialised solutions: Provides 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
- (ii) Value-added operation and services: Engages in the provision of operation outsourcing and value-added services, via intelligent transportation system platforms, servicing transportation operators and participants.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit/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 gains/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.

The segment information for the six-month period ended June 30, 2016 has been restated due to the change of operating segment in 2017. For comparative purpose, in addition to specialised solutions and value-added operation and services, the Group involved in turnkey solutions in 2016, which engaged in the integration of information technology with the physical transportation infrastructure. After the disposal of expressway and urban traffic in 2016, the Group did not involve in turnkey solutions in 2017.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 3. OPERATING SEGMENT INFORMATION (continued)

Six-month period ended June 30, 2017	Specialised solutions RMB'000	Value-added operation and services RMB'000	Total RMB'000
<b>Segment revenue</b>			
Sales to external customers	495,354	28,208	523,562
Intersegment sales	-	-	-
<i>Reconciliation:</i>			
Elimination of intersegment sales	495,354	28,208	523,562
Revenue			523,562
<b>Segment results</b>	69,280	1,524	70,804
<i>Reconciliation:</i>			
Finance income			12,430
Finance costs			(26,518)
Foreign exchange losses			(33)
Corporate and other unallocated expenses			(17,950)
Profit before tax			38,733
<b>Other segment information:</b>			
Share of losses of joint ventures	59	-	59
Share of losses of associates	59	-	59
Impairment losses recognised in the statement of profit or loss	5,795	40	5,835
Depreciation and amortisation	3,751	454	4,205
Capital expenditure*	12,836	556	13,392

\* Capital expenditure represents the additions to property and equipment and intangible assets.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 3. OPERATING SEGMENT INFORMATION (continued)

<b>Six-month period ended June 30, 2016</b>	Specialised solutions RMB'000	Value-added operation and services RMB'000	Turnkey solutions RMB'000	Total RMB'000
<b>Segment revenue</b>				
Sales to external customers	771,204	41,326	249,688	1,062,218
Intersegment sales	–	–	–	–
<i>Reconciliation:</i>				
Elimination of intersegment sales	771,204	41,326	249,688	1,062,218
				(301)
Revenue				1,061,917
<b>Segment results</b>	113,237	(6,512)	19,189	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 of joint ventures	1,213	–	–	1,213
Share of losses of associates	2,921	–	–	2,921
Loss on disposal of a subsidiary	6	–	–	6
Impairment losses recognised in the statement of profit or loss	3,310	92	319	3,721
Depreciation and amortisation	1,903	771	933	3,607
Capital expenditure*	19,531	10,281	–	29,812

\* Capital expenditure represents the additions to property and equipment and intangible assets.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 3. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

#### (a) Revenue from external customers

	For the six-month period ended June 30,	
	2017 RMB'000	2016 RMB'000
Hong Kong	41,560	–
Mainland China	482,002	1,061,917
	<b>523,562</b>	1,061,917

The revenue information above is based on the locations of the customers.

#### (b) Non-current assets

	For the six-month period ended June 30,	
	2017 RMB'000	2016 RMB'000
Hong Kong	2,067	2,067
Mainland China	719,574	711,639
Others	25,307	25,307
	<b>746,948</b>	739,013

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

### 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, 2017

## 4. REVENUE

Revenue from the implementation of projects represents an appropriate proportion of contract revenue of construction contracts, net of business tax and government surcharges.

Revenue from the 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 from the rendering of services, represents net invoiced value of services rendered.

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

	For the six-month period ended June 30,	
	2017	2016
	RMB'000	RMB'000
<b>Revenue</b>		
Implementation of projects	440,942	1,036,214
Sale of products	51,448	11,924
Rendering of services	31,172	13,779
	<b>523,562</b>	1,061,917
<b>Other income and gains</b>		
Gross rental income	4,261	6,158
Government grants*	912	–
Others	–	46
	<b>5,173</b>	6,204

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 5. PROFIT BEFORE TAX

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

	For the six-month period ended June 30,	
	2017 RMB'000	2016 RMB'000
Cost of services rendered for the implementation of projects	<b>324,163</b>	840,309
Cost of inventories sold	<b>48,776</b>	4,185
Cost of services provided	<b>22,203</b>	6,983
	<b>395,142</b>	851,477
Depreciation (note 9)	<b>7,045</b>	6,269
Amortisation of prepaid land premium	<b>–</b>	150
	<b>7,045</b>	6,419
Minimum lease payments under operating leases	<b>3,871</b>	6,175
Auditors' remuneration	<b>1,076</b>	1,557
Wages and salaries	<b>19,792</b>	40,636
Pension scheme contributions (defined contribution scheme)	<b>2,631</b>	4,508
Social insurance costs and staff welfare	<b>5,780</b>	11,899
Directors' and senior executives' remuneration (note 25)	<b>2,425</b>	2,523
	<b>30,628</b>	59,566
Impairment of other receivables (note 17)	<b>4,283</b>	3,162
Impairment of trade receivables (note 16)	<b>1,049</b>	2,507
Impairment of amounts due from construction contracts (note 15)	<b>503</b>	–
Impairment of property and equipment	<b>–</b>	52
Rental income on investment properties	<b>(2,195)</b>	(5,009)
Foreign exchange losses, net	<b>33</b>	966
Loss on disposal of a subsidiary	<b>–</b>	6

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 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% (2016: 25%) on their respective taxable income. During the current period, 3 entities (2016: 9 entities) of the Group were entitled to 15% preferential corporate income tax rate as High and New Technology Enterprises, and 1 entity (2016: 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 period ended June 30, 2017 (June 30, 2016: nil), 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:

	For the six-month period ended June 30,	
	2017	2016
	RMB'000	RMB'000
Current income tax:		
Current income tax charge in Mainland China	<b>6,164</b>	26,252
Deferred income tax:		
Relating to origination and reversal of temporary differences	<b>6,788</b>	(6,743)
Income tax expense reported in the interim condensed consolidated statement of profit or loss	<b>12,952</b>	19,509



# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

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

Basic earnings per share (“EPS”) amounts are calculated by dividing the profit for the 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 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, 2017 and 2016 in respect of a dilution as the impact of the share option scheme outstanding has an anti-dilutive effect on the basic profit per share amounts presented.

	For the six-month period ended June 30,	
	2017	2016
	RMB'000	RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	25,783	45,550
	For the six-month period ended June 30,	
	2017	2016
<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, 2017 (June 30, 2016: nil).

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 9. PROPERTY AND EQUIPMENT

During the six-month period ended June 30, 2017, the Group purchased equipment with a cost of RMB7,554,000 (June 30, 2016: RMB26,878,000).

The depreciation charged during the six-month period ended June 30, 2017 was RMB7,045,000 (June 30, 2016: RMB6,269,000).

No property and equipment was disposed of by the Group during the six-month period ended June 30, 2017 (June 30, 2016: RMB183,000).

## 10. GOODWILL

	<b>June 30, 2017 RMB'000</b>	December 31, 2016 RMB'000
At January 1	<b>230,664</b>	230,664
Acquisition of a subsidiary (note 24)	<b>43,363</b>	–
Net carrying amount at period/year end	<b>274,027</b>	230,664

## 11. OTHER INTANGIBLE ASSETS

	<b>Deferred development cost RMB'000</b>
Cost at January 1, 2017 net of accumulated amortisation	9,128
Additions	6,035
Amortisation provided during the period	–
At June 30, 2017	15,163
At June 30, 2017	
Cost	15,163
Accumulated amortisation	–
Net carrying amount	15,163

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 12. INVESTMENTS IN JOINT VENTURES

	<b>June 30, 2017 RMB'000</b>	December 31, 2016 RMB'000
Share of net assets	<b>16,043</b>	16,103

The Group's receivables due from and payable to joint ventures are disclosed in note 25 to the interim condensed consolidated financial statements.

## 13. INVESTMENTS IN ASSOCIATES

	<b>June 30, 2017 RMB'000</b>	December 31, 2016 RMB'000
Share of net assets	<b>3,564</b>	3,623

The Group's receivables due from and payable to associates are disclosed in note 25 to the interim condensed consolidated financial statements.

## 14. INVENTORIES

	<b>June 30, 2017 RMB'000</b>	December 31, 2016 RMB'000
Raw materials	<b>3,565</b>	3,565
Properties under development	<b>76,945</b>	67,555
Finished goods	<b>8,862</b>	14,957
	<b>89,372</b>	86,077

No impairment loss was provided for inventories for the six-month period ended June 30, 2017 (June 30, 2016: nil).

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 15. CONSTRUCTION CONTRACTS

	<b>June 30, 2017</b>	December 31, 2016
	<b>RMB'000</b>	RMB'000
Gross amount due from contract customers	<b>652,175</b>	586,356
Gross amount due to contract customers	<b>(731,407)</b>	(889,468)
	<b>(79,232)</b>	(303,112)
Contract costs incurred plus recognised profits less recognised losses to date	<b>6,184,313</b>	5,714,926
Less: progress billings	<b>(6,263,545)</b>	(6,018,038)
	<b>(79,232)</b>	(303,112)

In the current period, RMB503,000 was provided for the impairment loss of the amounts due from contract customers (year ended December 31, 2016: nil).

## 16. TRADE AND BILLS RECEIVABLES

	<b>June 30, 2017</b>	December 31, 2016
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>1,049,964</b>	1,150,953
Impairment	<b>(6,428)</b>	(5,379)
	<b>1,043,536</b>	1,145,574
Bills receivable	<b>95,510</b>	129,186
	<b>1,139,046</b>	1,274,760

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.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 16. TRADE AND BILLS RECEIVABLES (continued)

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

	<b>June 30, 2017 RMB'000</b>	December 31, 2016 RMB'000
Less than 6 months	<b>298,658</b>	601,538
6 months to 1 year	<b>349,033</b>	132,503
1 year to 2 years	<b>219,987</b>	283,906
2 years to 3 years	<b>164,776</b>	170,335
Over 3 years	<b>106,592</b>	86,478
	<b>1,139,046</b>	1,274,760

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

	<b>June 30, 2017 RMB'000</b>	December 31, 2016 RMB'000
At January 1	<b>5,379</b>	32,980
Additions	<b>1,049</b>	3,096
Amount written off	-	(655)
Disposal of subsidiaries	-	(30,042)
At period/year end	<b>6,428</b>	5,379

As at June 30, 2017, RMB144,512,000 (December 31, 2016: RMB110,520,000) of trade receivables are secured for the current bank loans of RMB98,292,000 (December 31, 2016: RMB96,249,000) (note 21).

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>June 30, 2017</b>	December 31, 2016
	<b>RMB'000</b>	RMB'000
Prepayments to suppliers for purchases of goods	<b>255,850</b>	499,787
Loans to other companies (Note)	<b>84,546</b>	67,501
Tender deposits	<b>21,008</b>	19,870
Contract deposits	<b>17,145</b>	10,459
Advances to staff	<b>19,434</b>	16,913
Interest receivable	<b>2,894</b>	1,469
Dividend receivable	<b>15,932</b>	16,231
Others	<b>120,677</b>	126,769
	<b>537,486</b>	758,999
Impairment	<b>(19,445)</b>	(15,162)
	<b>518,041</b>	743,837

Note: The balance represents unsecured and interest-free loans to other companies which are due within one year. Included in the balance was a loan amounted to RMB7,000,000 which was, pursuant to the loan agreement with the borrower, deposited into a bank account of an entity of which one of the controlling shareholders is also a director of the Company. Such loan was subsequently settled by the borrower on August 17, 2017.

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

	<b>June 30, 2017</b>	December 31, 2016
	<b>RMB'000</b>	RMB'000
At January 1	<b>15,162</b>	16,007
Additions	<b>4,283</b>	3,162
Amount written off	<b>–</b>	(4,007)
At period/year end	<b>19,445</b>	15,162

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<b>June 30, 2017 RMB'000</b>	December 31, 2016 RMB'000
Cash and bank balances	<b>383,425</b>	604,843
Pledged deposits		
– Current deposits	<b>295,226</b>	211,396
	<b>678,651</b>	816,239
Less: Pledged deposits for		
– Letter of guarantee for projects	<b>(5,398)</b>	(4,818)
– Bills payable	<b>(5,204)</b>	(9,127)
– Interest-bearing bank borrowings	<b>(283,500)</b>	(195,750)
– Tenders	<b>(1,124)</b>	(1,701)
Cash and cash equivalents	<b>383,425</b>	604,843

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 RMB675,664,000 (RMB675,647,000 is located in Mainland China and RMB17,000 is located overseas) as at June 30, 2017 (December 31, 2016: RMB812,751,000 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, 2017

## 19. TRADE AND BILLS PAYABLES

	<b>June 30, 2017 RMB'000</b>	December 31, 2016 RMB'000
Trade payables	<b>172,746</b>	534,409
Bills payable	<b>217,696</b>	206,170
	<b>390,442</b>	740,579

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, 2017 RMB'000</b>	December 31, 2016 RMB'000
Current or less than 1 year	<b>367,754</b>	656,741
1 to 2 years	<b>13,495</b>	53,508
Over 2 years	<b>9,193</b>	30,330
	<b>390,442</b>	740,579

The Group's bills payable were secured by pledged deposits of the Group of RMB5,204,000 as at June 30, 2017 (December 31, 2016: RMB9,127,000).

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, 2017

## 20. OTHER PAYABLES AND ACCRUALS

	<b>June 30, 2017</b>	December 31, 2016
	<b>RMB'000</b>	RMB'000
Advances from customers	<b>43,454</b>	20,090
Business advance deposits	<b>1,515</b>	1,515
Staff costs and welfare accruals	<b>12,909</b>	11,340
Other borrowings	<b>4,063</b>	14,116
Other taxes payable	<b>104,822</b>	108,053
Interest payables	<b>1,619</b>	1,345
Others	<b>44,235</b>	40,690
	<b>212,617</b>	197,149

As at June 30, 2017, other payables are non-interest-bearing and have no fixed terms of repayment.

## 21. INTEREST-BEARING BANK BORROWINGS

	<b>Contractual interest rate</b>	<b>June 30, 2017</b>	December 31, 2016
	%	<b>RMB'000</b>	RMB'000
<b>Current</b>			
Bank loans — secured and repayable within one year	2.3–8.0	<b>565,560</b>	650,753
Bank loans — guaranteed and repayable within one year	5.4–7.5	<b>64,000</b>	220,000
Bills receivable endorsed	–	<b>63,702</b>	68,110
		<b>693,262</b>	938,863
<b>Non-current</b>			
Bank loans — guaranteed and repayable within two years	6.7	<b>91,610</b>	–
Bank loans — secured and repayable within two years	8.0	<b>81,200</b>	81,200
		<b>172,810</b>	81,200
		<b>866,072</b>	1,020,063

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 21. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

- (i) Bank loans of RMB210.0 million as at June 30, 2017 (December 31, 2016: RMB210.0 million) were secured by investment properties with a carrying amount of RMB61.8 million (December 31, 2016: RMB61.8 million), and investment properties with a carrying amount of RMB78.6 million by Beijing RHY Technology Development Co., Ltd., a related party of the Group (December 31, 2016: RMB78.6 million).
- (ii) Bank loans of RMB98.3 million as at June 30, 2017 (December 31, 2016: RMB96.2 million) were secured by trade receivables with a total amount of RMB144.5 million (December 31, 2016: RMB110.5 million).
- (iii) Bank loans of RMB257.3 million as at June 30, 2017 (December 31, 2016: RMB294.6 million) were secured by a pledged deposit of RMB283.5 million (December 31, 2016: RMB195.8 million) by Beijing Zhixun Tiancheng Technology Co., Ltd., a subsidiary of the Group.
- (iv) Bank loans of RMB34.0 million as at June 30, 2017 (December 31, 2016: RMB190.0 million) were guaranteed by Beijing Aproud Technology Co., Ltd., a subsidiary of the Group and Beijing RHY Technology Development Co., Ltd., a related party of the Group.
- (v) Bank loans of RMB30.0 million as at June 30, 2017 (December 31, 2016: RMB30.0 million) were guaranteed by the Company.
- (vi) Bank loans of RMB81.2 million as at June 30, 2017 (December 31, 2016: RMB81.2 million) were secured by the equity interests in Beijing Hongrui Dake Technology Co., Ltd., a subsidiary of the Group, with a carrying amount of RMB227.0 million (December 31, 2016: RMB227.0 million).
- (vii) The non-current bank loans of RMB91.6 million as at June 30, 2017 (December 31, 2016: nil) were guaranteed by Beijing RHY Technology Development Co., Ltd., a related party of the Group.

As at June 30, 2017, the Group had unutilised available bank borrowing facilities amounting to RMB64.4 million (December 31, 2016: RMB0.04 million), and HKD265.1 million (December 31, 2016: nil).

As at June 30, 2017, the Group's bank loans of RMB436.8 million were charged at fixed interest rates and bank loans of RMB365.6 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.

## 22. ISSUED CAPITAL

### Shares

	<b>June 30, 2017 RMB'000</b>	December 31, 2016 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, 2017

## 23. 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 period ended June 30, 2017 (June 30, 2016: nil).

Numbers of 5,891,000 share options were expired during the six-month period ended June 30, 2017, 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, 2017:

	Number '000	WAEP RMB per share
Outstanding as at June 30, 2017	12,675	4.00
Exercisable as at June 30, 2017	12,675	4.00

### 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.

There was no share option expenses recognised during the six-month period ended June 30, 2017 (June 30, 2016: nil).

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 23. SHARE OPTION SCHEME (continued)

### Share Option Scheme (continued)

There was no movement for the outstanding numbers of the share options during the six-month period ended June 30, 2017. The following table illustrates the numbers and WAEP of the share options as at June 30, 2017:

	Number '000	WAEP RMB per share
Outstanding as at June 30, 2017	155,000	1.05
Exercisable as at June 30, 2017	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.

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## 24. BUSINESS COMBINATION

On March 24, 2017, the Group acquired 100% equity interests in Chengdu Zhongzhi Runbang Transportation Technology Co., Ltd. ("**Chengdu Zhongzhi**") from Beijing Guangwei Xingye Technology Co., Ltd. ("**Beijing Guangwei**"), a third party of the Company. Chengdu Zhongzhi is specialised in providing transportation technology services and solutions in railway industry. The acquisition was made as part of the Group's strategy to expand its market share in the Southwest China. The purchase consideration for the acquisition was RMB92,000,000, which was settled by way of set-off against the principle amount and interest accrued of certain loans provided by the Company to Beijing Guangwei, which was recorded in prepayment for acquisition of equity interests in a company as at December 31, 2016.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 24. BUSINESS COMBINATION (continued)

The fair value of the identifiable assets and liabilities of Chengdu Zhongzhi as at the date of acquisition were as follows:

	RMB'000
Cash and cash equivalents	1,170
Trade and bills receivables	37,270
Construction contracts	16,209
Prepayments, deposits and other receivables	1,711
Property and equipment	146
Trade and bills payables	(4,710)
Income tax payable	(2,268)
Deferred tax liabilities	(891)
Total identifiable net assets at fair value	48,637
Goodwill on acquisition	43,363
Cash consideration settled against the prepayment for acquisition of equity interests in a company as at December 31, 2016	92,000

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

	RMB'000
Cash and bank balances acquired	1,170
Net inflow of cash and cash equivalents included in cash flows from investing activities	1,170

Since the acquisition, Chengdu Zhongzhi contributed RMB11,837,000 to the Group's revenue and RMB1,364,000 to the consolidated profit for the six-month period ended June 30, 2017.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the six-month period would have been RMB525,146,000 and RMB26,003,000, respectively.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 25. RELATED PARTY TRANSACTIONS

In addition to the transactions or balances as 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, 2017:

	Notes	For the six-month period ended June 30,	
		2017 RMB'000	2016 RMB'000
<b>Sales to related parties:</b>			
Beijing RHY Technology Development Co., Ltd.	(a)	744	–
Nanjing Communication Information Co., Ltd.	(b)	–	171
Xi'an Communication Information Co., Ltd.	(c)	–	47
Guangzhou Communication Information Co., Ltd.	(c)	–	571
<b>Total</b>		<b>744</b>	<b>789</b>
<b>Purchases from related parties:</b>			
武漢光谷智能交通科技有限公司	(c)	–	3,755
Wuhan Chenguang Transportation Technology Development Co., Ltd.	(d)	–	1,719
北京鑫虹智顯科技發展有限公司	(i)	–	1,688
Nanjing Communication Information Co., Ltd.	(b)	–	1,255
北京綠通暢達交通技術有限公司	(f)	–	943
Xi'an Communication Information Co., Ltd.	(c)	–	4,096
<b>Total</b>		<b>–</b>	<b>13,456</b>
<b>Loans to a related party:</b>			
常州天博投資管理中心（有限合夥）	(g)	35,000	–
<b>Total</b>		<b>35,000</b>	<b>–</b>
<b>Interest income from related parties:</b>			
Beijing Wuzhouzhitong Traffic Technology Co., Ltd.	(a)	7,464	–
King Victory Holdings Limited	(a)	2,111	–
<b>Total</b>		<b>9,575</b>	<b>–</b>

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 25. RELATED PARTY TRANSACTIONS (continued)

	Notes	For the six-month period ended June 30,	
		2017 RMB'000	2016 RMB'000
<b>Due from related parties:</b>			
King Victory Holdings Limited	(a)	229,920	227,759
Beijing Wuzhouzhitong Traffic Technology Co., Ltd.	(a)	107,423	104,331
China Toprise Limited.	(a)	102,601	215,712
Beijing RHY Technology Development Co., Ltd.	(a)	77,841	151,002
China Traffic Holding Ltd.	(a)	46,485	46,868
常州天博投資管理中心（有限合夥）	(g)	30,000	25,000
Beijing Wancheng Internet Investment Co., Ltd.	(a)	20,000	20,000
Beijing Stone Intelligent Transportation System Integration Co., Ltd.	(a)	10,230	224,983
GTECH-CIC	(h)	5,243	14,312
Beijing Bailian Zhida Technology Development Co., Ltd.	(a)	3,101	17,380
Beijing Newcom Traffic Technology Co., Ltd.	(a)	2,607	1,767
Guangzhou Yabang Xincheng Communication Technology Co., Ltd.	(a)	217	221
江蘇智通潤邦訊息科技有限公司	(e)	–	17,061
Beijing Aproud Transportation Technology Co., Ltd.	(a)	–	9,857
Beijing Lihe Datong Technology Co., Ltd.	(a)	–	5,548
武漢光谷智能交通科技有限公司	(c)	–	853
Beijing Huading Jiaye Technology Co., Ltd.	(a)	–	595
Jiangsu Zhongzhi Jiaye Electronic Technology Co., Ltd.	(a)	–	114
<b>Total</b>		<b>635,668</b>	<b>1,083,363</b>
<b>Due to related parties:</b>			
Beijing RHY Technology Development Co., Ltd.	(a)	14,600	153,645
Xi'an Communication Information Co., Ltd.	(c)	3,527	3,527
Beijing Aproud Transportation Technology Co., Ltd.	(a)	3,195	24,821
北京綠通暢達交通技術有限公司	(f)	1,000	1,000
江蘇智通潤邦訊息科技有限公司	(e)	–	8,662
GTECH-CIC	(h)	–	50,377
Guangzhou Yabang Xincheng Communication Technology Co., Ltd.	(a)	–	2,976
Guangzhou Communication Information Co., Ltd.	(c)	–	1,481
<b>Total</b>		<b>22,322</b>	<b>246,489</b>

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 25. RELATED PARTY TRANSACTIONS (continued)

Notes:

- (a) The entity is controlled by the ultimate shareholders of the Company.
- (b) The entity is a joint venture of Beijing Wancheng Internet Investment Co., Ltd., which is controlled by the ultimate shareholders of the Company.
- (c) The entity is an associate of Beijing Wancheng Internet Investment Co., Ltd., which is controlled by the ultimate shareholders of the Company.
- (d) The entity is a joint venture of Beijing RHY Technology Development Co., Ltd., which is controlled by the ultimate shareholders of the Company.
- (e) The entity was jointly controlled by a key management personnel of the Group, and the personnel resigned as a key management of the Group in 2017.
- (f) The entity is an associate of the Group.
- (g) The entity is jointly controlled by a close member of Liao Jie, who is a director of the Company.
- (h) The entity is a joint venture of the Group.
- (i) The entity was controlled by a key management personnel of the Group and the personnel resigned as a key management of the Group in 2017.

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.

The balance of due from related parties represented unsecured loans to related parties which were due within one year. Among which a balance of RMB211,813,000 is interest-free, a balance of RMB281,878,000 bears an interest rate of 1.21% per annum, a balance of RMB37,690,000 bears an interest rate of 5.26% per annum, and a balance of RMB104,287,000 bears an interest rate of 4.35% per annum.

### Compensation of key management personnel of the Group

	For the six-month period ended June 30,	
	2017 RMB'000	2016 RMB'000
Salaries, bonuses, allowances and benefits in kind	2,328	2,469
Pension plan contributions	97	54
Total compensation paid to key management personnel	2,425	2,523



# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 26. PLEDGE OF ASSETS

Details of the Group's trade and bills payables and bank borrowings, which are secured by the assets of the Group, are included in notes 19 and 21 to the interim condensed consolidated financial statements.

## 27. 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 one years. Future minimum rental receivables under non-cancellable operating leases are as follows:

	<b>June 30, 2017 RMB'000</b>	December 31, 2016 RMB'000
Within one year	<b>3,390</b>	4,480
In the second to fifth years, inclusive	-	1,130
	<b>3,390</b>	5,610

### 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 three years.

As at June 30, 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>June 30, 2017 RMB'000</b>	December 31, 2016 RMB'000
Within one year	<b>2,521</b>	956
In the second to fifth years, inclusive	<b>902</b>	123
	<b>3,423</b>	1,079

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 28. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 27 above, the Group had the following capital commitments as at June 30, 2017:

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for:		
Land and buildings	5,185	8,314
Capital contributions payable to an available-for-sale investment	10,000	–
	<b>15,185</b>	<b>8,314</b>

## 29. 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, 2017

	Loans and receivables RMB'000	Available- for-sale investments RMB'000	Total RMB'000
Available-for-sale investments	–	75,307	75,307
Trade and bills receivables	1,139,046	–	1,139,046
Financial assets included in prepayments, deposits and other receivables	242,757	–	242,757
Amounts due from related parties	635,668	–	635,668
Pledged deposits — current	295,226	–	295,226
Cash and cash equivalents	383,425	–	383,425
	<b>2,696,122</b>	<b>75,307</b>	<b>2,771,429</b>

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 29. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

### Financial assets (continued)

December 31, 2016

	Loans and receivables RMB'000	Available- for-sale investment RMB'000	Total RMB'000
Available-for-sale investment	–	25,307	25,307
Trade and bills receivables	1,274,760	–	1,274,760
Financial assets included in prepayments, deposits and other receivables	227,137	–	227,137
Amounts due from related parties	1,083,363	–	1,083,363
Pledged deposits — current	211,396	–	211,396
Cash and cash equivalents	604,843	–	604,843
	3,401,499	25,307	3,426,806

### Financial liabilities

	June 30, 2017 financial liabilities at amortised cost RMB'000	December 31, 2016 financial liabilities at amortised cost RMB'000
Trade and bills payables	390,442	740,579
Financial liabilities included in other payables and accruals	17,197	16,976
Interest-bearing bank borrowings — current	693,262	938,863
Amounts due to related parties	22,322	246,489
Interest-bearing bank borrowings — non-current	172,810	81,200
	1,296,033	2,024,107

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 30. 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, 2017 was assessed to be insignificant.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2017

## 30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy

The Group did not have any financial assets and financial liabilities measured at fair value as at June 30, 2017 (December 31, 2016: nil).

Liabilities for which fair values are disclosed:

As at June 30, 2017

	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	–	693,262	–	693,262
– non-current	–	172,810	–	172,810
	–	866,072	–	866,072

As at December 31, 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	–	938,863	–	938,863
– non-current	–	81,200	–	81,200
	–	1,020,063	–	1,020,063

# Notes to the Interim Condensed Consolidated Financial Statements

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## 31. EVENT AFTER THE REPORTING PERIOD

On July 15, 2017, Beijing Aproud Technology Co., Ltd. (“**Beijing Aproud**”), a subsidiary of the Company, entered into a share subscription agreement with Forever Opensource Co., Ltd. (“**Forever Opensource**”), pursuant to which Beijing Aproud has agreed to subscribe for 8,446,000 shares in Forever Opensource at a consideration of RMB50,000,000, which is approximately 10.75% of the enlarged issued share capital of Forever Opensource. The entity is mainly engaged in providing software designing and application development service.

## 32. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on August 28, 2017.