China ITS (Holdings) Co., Ltd.
中国智能交通系统（控股）有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1900)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2010

HIGHLIGHTS OF 2010 INTERIM RESULTS

- Revenue grew by approximately 36.9% to approximately RMB642.0 million
- Gross profit increased by approximately 29.3% to approximately RMB192.5 million
- Gross profit margin was approximately 30.0%, which is at similar level to 2009
- Pro-forma profit before tax grew by approximately 37.6% to approximately RMB103.7 million *(note 1)*
- Pro-forma profit grew by approximately 33.1% to approximately RMB85.0 million *(note 2)*
- Pro-forma earnings per share was RMB6.51 cents per share *(note 3)*
- New contracts signed and orders secured amount to approximately RMB1,581.8 million

Notes:

1. Pro-forma profit before tax refers to profit before tax *plus* expenses relating to the listing of the Company's shares *plus* share-based payment expenses *plus (or less)* fair value changes on investment properties, for the six months ended June 30, 2010.

2. Pro-forma profit refers to pro-forma profit before tax *minus* income tax expenses and tax adjustment, for the six months ended June 30, 2010.

3. Pro-forma earnings per share refers to pro-forma profit *divide* weighted average number of shares in issue, for the six months ended June 30, 2010. It would be RMB5.42 cents if the number of common shares used is 1,569,047,334.

INTERIM RESULTS

The board of directors (individually, a "Director", or collectively, the "Board") of China ITS (Holdings) Co., Ltd. ("CIC" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together as the "Group") for the six months ended June 30, 2010, with comparative figures, as follows:

Consolidated Income Statement

		For the six months ended June 30,	
	Notes	**2010**	2009
		RMB'000	*RMB'000*
			(Unaudited)
REVENUE	4	**641,952**	468,765
Cost of revenue	5	**(449,490)**	(319,902)
Gross profit		**192,462**	148,863
Other income and gains	5	**1,839**	5,285
Selling, general and administrative expenses		**(90,911)**	(76,177)
Other expenses and losses	5	**(304)**	(18)
OPERATING PROFIT		**103,086**	77,953
Finance income	5	**1,216**	436
Finance costs	5	**(5,434)**	(3,439)
Share of losses of jointly-controlled entities		**(371)**	(49)
Expenses relating to the listing of the Company's shares		**(33,309)**	(1,039)
PROFIT BEFORE TAX	5	**65,188**	73,862
Income tax expense	6	**(18,649)**	(12,595)
PROFIT FOR THE PERIOD		**46,539**	61,267
Attributable to:			
Owners of the parent		**46,539**	61,267
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
		RMB	*RMB*
Basic	8	**3.56 cents**	5.15 cents

Details of the dividends payable and proposed for the six months ended June 30, 2010 are disclosed in note 7 to the financial statements.

Consolidated Statement of Comprehensive Income

	For the six months ended June 30,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
PROFIT FOR THE PERIOD	**46,539**	61,267
Surplus on property revaluation upon transfers to investment properties	**—**	10,376
Income tax effect	**—**	(2,594)
	—	7,782
Exchange differences on translation of foreign operations	**458**	1,096
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**458**	1,096
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**46,997**	70,145
Attributable to:		
Owners of the parent	**46,997**	70,145

Consolidated Statement of Financial Position

	Notes	**June 30, 2010** *RMB'000*	December 31, 2009 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**24,135**	26,223
Investment properties		**79,800**	80,100
Interests in jointly-controlled entities		**15,823**	8,544
Goodwill		**230,664**	230,664
Deferred tax assets		**5,866**	5,946
Other assets		**556**	540
		356,844	352,017
CURRENT ASSETS			
Amount due from contract customers	9	**960,746**	679,579
Trade and notes receivables	10	**467,326**	411,394
Prepayments, deposits and other receivables		**286,419**	213,313
Inventories		**6,677**	6,432
Due from related parties		**227**	3,900
Pledged deposits		**134,500**	173,607
Short-term deposit		**67,723**	—
Cash and cash equivalents		**225,107**	177,173
		2,148,725	1,665,398
CURRENT LIABILITIES			
Amount due to contract customers		**144,333**	138,956
Trade and notes payables	11	**499,107**	488,590
Other payables and accruals		**367,491**	227,413
Interest-bearing bank borrowings		**190,000**	170,150
Due to related parties		**7,541**	4,567
Tax payable		**2,173**	12,792
		1,210,645	1,042,468
NET CURRENT ASSETS		**938,080**	622,930
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,294,924**	974,947

	Notes	June 30, 2010 RMB'000	December 31, 2009 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,294,924**	974,947
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**30,217**	21,788
NET ASSETS		**1,264,707**	953,159
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**238**	216
Share premium		**379,776**	120,190
Statutory reserve		**55,069**	55,069
Capital reserve		**558,524**	553,581
Assets revaluation reserve		**7,782**	7,782
Exchange fluctuations reserve		**17,347**	16,889
Retained earnings		**245,971**	199,432
Total equity		**1,264,707**	953,159

Selected Notes to the Consolidated Interim Financial Statements

1. Corporate Information and Group Reorganization

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 20, 2008. The principal executive office of the Company is located at Level 11, Nexus Center, No. 19A, East Third Ring Road North, Beijing 100020, the People's Republic of China (the "PRC"). The ordinary shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on July 15, 2010.

Pursuant to a group reorganization (the "Reorganization") for the purpose of listing of the Company's ordinary shares on the Stock Exchange, on June 18, 2008, the Company acquired the entire issued capital of China Toprise Limited and Fairstar Success Holdings Limited, the then holding companies of the companies comprising the Group, from China ITS Co., Ltd. ("China ITS" the then holding company of the Company) and became the holding company of the Group. Further details of the Reorganization are set out in the Company's prospectus dated June 30, 2010 (the "Prospectus").

2. Basis of Presentation

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

3. Operating Segment Information

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

(a) the turnkey solutions segment involves the integration of information technology with the physical transportation infrastructure;

(b) the specialized solutions segment provides solutions to discrete problems occurring in a client's existing or planned transportation infrastructure through the design, development and implementation of hardware-based and software-based systems; and

(c) the value-added services segment involves post-construction maintenance services for turnkey and specialized solutions.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, fair value gain/(loss) from the Group's investment properties, share of losses of jointly-controlled entities as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, property, plant and equipment, investment properties, due from related parties, interests in jointly-controlled entities and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, interest-bearing bank borrowings, due to related parties, income tax payables and other unallocated head office and corporate assets as these liabilities are managed on a group basis.

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

All of the Group's revenue from external customers is generated from the PRC. All of the Group's non-current assets are located in the PRC.

None of the Group's sales to a single external customer amounted to 10% or more of the Group's revenue during the six months ended June 30, 2010. Revenue of approximately RMB50.4 million for the six months ended June 30, 2009 was derived from a single customer in the Specialized Solution business.

	Turnkey solutions *RMB'000*	Specialized solutions *RMB'000*	Value-added services *RMB'000*	Consolidated *RMB'000*
Six months ended June 30, 2010				
Segment revenue				
Sales to external customers	**165,154**	**472,718**	**4,080**	**641,952**
Intersegment sales	**—**	**—**	**—**	**—**
	165,154	**472,718**	**4,080**	**641,952**
Reconciliation:				
Elimination of intersegment sales				**—**
Revenue				**641,952**
Segment results	**15,073**	**98,888**	**263**	**114,224**
Reconciliation:				
Interest income				**1,216**
Share of losses of jointly-controlled entities				**(371)**
Corporate and other unallocated expenses				**(44,447)**
Finance costs				**(5,434)**
Profit before tax				**65,188**
June 30, 2010				
Segment assets	**626,964**	**1,303,009**	**13,930**	**1,943,903**
Reconciliation:				
Corporate and other unallocated assets				**561,666**
Total assets				**2,505,569**
Segment liabilities	**353,084**	**557,117**	**10,837**	**921,038**
Reconciliation:				
Unallocated liabilities				**319,824**
Total liabilities				**1,240,862**
Six months ended June 30, 2010				
Other segment information				
Share of losses of:				
Jointly-controlled entities				**371**
Impairment losses reversed in the income statement				**(178)**
Depreciation				**3,840**
Interest in jointly-controlled entities				**15,823**
Capital expenditure				**1,760**

	Turnkey solutions *RMB'000*	Specialized solutions *RMB'000*	Value-added services *RMB'000*	Consolidated *RMB'000*
Six months ended June 30, 2009 (Unaudited)				
Segment revenue				
Sales to external customers	152,836	311,658	4,271	468,765
Intersegment sales	—	4,290	—	4,290
	152,836	315,948	4,271	473,055
Reconciliation:				
Elimination of intersegment sales				(4,290)
Revenue				468,765
Segment results	28,114	52,037	1,354	81,505
Reconciliation:				
Interest income				436
Share of losses of jointly-controlled entities				(49)
Unallocated gains				4,469
Corporate and other unallocated expenses				(9,060)
Finance costs				(3,439)
Profit before tax				73,862
December 31, 2009				
Segment assets	488,466	1,036,582	12,854	1,537,902
Reconciliation:				
Corporate and other unallocated assets				479,513
Total assets				2,017,415
Segment liabilities	305,703	533,296	663	839,662
Reconciliation:				
Unallocated liabilities				224,594
Total liabilities				1,064,256
Six months ended June 30, 2009 (Unaudited)				
Other segment information				
Share of losses of:				
Jointly-controlled entities				49
Depreciation				2,378
Capital expenditure				300

4. Revenue

Revenue, which is also the Group's turnover, represents: (i) an appropriate proportion of contract revenue of construction contracts, net of business tax and government surcharges; and (ii) the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for goods returns and trade discounts.

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Revenue from:		
Implementation of projects	**630,902**	456,365
Sale of products	**11,050**	12,400
	641,952	468,765

5. Profit Before Tax

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

		For the six months ended June 30,	
	Notes	**2010**	2009
		RMB'000	*RMB'000*
			(Unaudited)
Cost of services rendered for implementation of projects		**443,969**	312,547
Cost of inventories sold for sale of products		**5,521**	7,355
		449,490	319,902
Employee benefits expense (including directors' and senior executives' remuneration	(a)	**31,203**	25,474
Minimum lease payments under operating leases:			
Land and buildings		**7,046**	5,664
Expenses related to the listing of the Company's shares		**33,309**	1,039
Auditors' remuneration		**1,000**	—
Depreciation	(b)	**3,840**	2,385
Write-back of impairment of trade receivables, net		**(178)**	—
Foreign exchange differences, net		**410**	230
Other income	(c)	**(1,839)**	(5,285)
Finance income	(d)	**(1,216)**	(436)
Finance costs	(e)	**5,434**	3,439
Other expenses and losses	(f)	**304**	18

(a) **Employee benefit expense**

	For the six months ended June 30,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Employee benefit expense (including directors' and senior executives remuneration)		
Wages and salaries	**18,613**	15,061
Social insurance costs and staff welfare	**5,512**	3,688
Pension scheme contributions	**2,135**	1,782
Share-based payment expenses	**4,943**	4,943
	31,203	25,474

(b) **Depreciation**

	For the six months ended June 30,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Included in selling, general and administrative expenses	**3,840**	2,385

(c) **Other income and gain**

		For the six months ended June 30,	
	Note	**2010**	2009
		RMB'000	*RMB'000*
			(Unaudited)
Fair value gain on investment properties		**—**	4,469
Rental income	(i)	**1,775**	813
Others		**64**	3
		1,839	5,285

Note: (i) The Group's rental income for the six months ended June 30, 2010 was received from independent third parties. Included in the Group's rental income for the six months ended June 30, 2009 was rental income of RMB813,000 from related parties. Further details are contained in note 29 to the financial statements.

(d) Finance income

	For the six months ended June 30,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Bank interest income	**1,216**	436

(e) Finance costs

	For the six months ended June 30,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Interest on bank loans	**5,434**	3,439

(f) Other expenses

	For the six months ended June 30,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Fair value loss on investment properties	**300**	—
Loss on disposal of items of property, plant and equipment	**4**	18
	304	18

6. Income Tax

The Group was not subject to Hong Kong profit tax for the six months ended June 30, 2010 as the Group did not have any tax profits derived in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The PRC subsidiaries of the Company were subject to the PRC statutory income tax rate of 33% before January 1, 2008. In accordance with relevant tax rules and regulations effective before January 1, 2008, entities qualified as advanced technology enterprises and operated in designated areas were entitled to apply for a tax exemption and a 50% reduction of income tax rate over a certain period.

During the 5th Session of the 10th National People's Congress, which was concluded on March 16, 2007, the PRC Enterprise Income Tax Law ("New PRC Enterprise Income Tax Law") was approved and became effective on January 1, 2008. The New PRC Enterprise Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

In accordance with the New PRC Enterprise Income Tax Law, enterprises that are designated as High and New Technology Enterprises ("HNTE") are entitled to apply a preferential income tax rate of 15% for certain periods. The implementation guidance for enterprises designated as HNTE was released for implementation in April 2008.

On December 26, 2007, the State Council of the PRC promulgated the implementation rule ("Implementation Rule") regarding the details of the transitional provisions of the existing tax concessions. Pursuant to the Implementation Rule, entities qualified as advanced technology enterprises and operated in designated areas were entitled to continue to enjoy the tax exemption and a 50% reduction of income tax rate based on the tax rate of 10% or 15% over a period of time. Pursuant to the Implementation Rule, entities who had been granted a preferential income tax rate of 15% were allowed to apply for a transitional income tax rates gradually increased from 18% to 25% over a period of five years.

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

(i) 北京亞邦偉業技術有限公司, 北京百聯智達科技發展有限公司, 北京智訊天成技術有限公司 and 北京亞邦偉業軟件有限公司 were designated and approved as HNTEs in December 2008 for a period of three years from January 1, 2008 and therefore were entitled to a preferential tax rate of 15% for the three years ending December 31, 2010.

(ii) 北京亞邦偉業信息工程有限公司 and 北京和信日晟技術有限公司, which had been designated and approved as advanced technology enterprises, were designated and approved as HNTEs in December 2008 for a period of three years from January 1, 2008. In accordance with the Implementation Rule, Aproud Information and Hexin Risheng were entitled to a preferential tax rate of 7.5% for the year ended December 31, 2009 and were entitled to a preferential tax rate of 15% for the year ending December 31, 2010 as HNTEs.

(iii) In accordance with the Implementation Rule and pursuant to the approval from the state tax bureau of the Beijing Economic-technological Development Area, Kaiguoshuisuohan 2008 No.55 (開國稅所函 [2008]55 號) dated May 26, 2008, 北京瑞華贏科技發展有限公司 was entitled to 50% of a transitional tax rate of 10% from January 1, 2009. This preferential tax rate will be progressively increased to 15% over five years. The preferential income tax rate applicable to RHY Technology is 11% for the year ending December 31, 2010.

Under the Implementation Rule, from January 1, 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, are subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from entities in the PRC. Distributions of the pre-2008 earnings are exempted from the above-mentioned withholding tax. At June 30, 2010, no deferred tax liabilities have been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC (December 31, 2009: nil). In the opinion of the directors of the Company, it is not probable that the Group's PRC subsidiaries will distribute profits earned during the six months ended June 30, 2010 in the foreseeable future.

The major components of income tax expense are:

	For the six months ended June 30,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Current income tax:		
Current income tax charge in the PRC	**10,140**	5,318
Deferred income tax:		
Relating to origination and reversal of temporary differences	**8,509**	7,277
Income tax expense reported in the consolidated income statement	**18,649**	12,595

A reconciliation of income tax expense and the product of the accounting profit multiplied by the PRC's statutory income tax rate for the six months ended June 30, 2010 is as follows:

	For the six months ended June 30,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Profit before tax	**65,188**	73,862
At the PRC statutory income tax rate of 25%	**16,297**	18,466
Tax holiday or lower tax rates for the PRC subsidiaries	**(9,880)**	(9,612)
Non-deductible expenses	**10,727**	3,124
Adjustments in respect of current income tax of previous period	**768**	—
Unrecognized tax losses	**696**	—
Effect of changes in tax rates	**—**	612
Unrecognized losses attributable to jointly-controlled entities	**41**	5
Income tax expense reported in the consolidated income statement	**18,649**	12,595

7. Dividends

Pursuant to the resolutions of the board of directors and the shareholders dated March 19, 2010, the Company declared a dividend of RMB50 million payable to shareholders registered at the close of business on December 31, 2008. The dividend was subsequently paid out from the capital reserve account of the Company in July 2010.

The board of the Company did not recommend the payment of any interim dividend for the six months ended June 30, 2010.

No dividend was declared or paid by the Group for the six months ended June 30, 2009.

8. Earnings Per Share Attributable to Equity Holders of the Company

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent for the six months ended June 30, 2010, and the weighted average number of ordinary shares of 1,306,460,952 (six months ended June 30, 2009: 1,188,996,760) during the six months ended June 30, 2010.

	For the six months ended June 30,	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**46,539**	61,267

	Number of shares For the six months ended June 30, 2010	2009 (Unaudited)
Shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	**1,306,460,952**	1,188,996,760

No diluted earnings per share amounts have been presented as the Company did not have any dilutive potential ordinary shares during the periods. The share option scheme as disclosed in note 28 will not give rise to any additional ordinary shares of the Company upon their exercise because the underlying ordinary shares of the Company were in issue and owned by China ITS which will be transferred to the relevant employees upon the exercise of relevant options.

The basic earnings per share amounts are not adjusted for the issuance of 200,002,781 ordinary shares pursuant to the initial public offering (the "IPO") on July 15, 2010 and the issuance of 18,751,000 ordinary shares pursuant to the exercise of over-allotment options on August 4, 2010.

9. Amount Due From/Due to Contract Customers

	June 30, 2010 *RMB'000*	December 31, 2009 *RMB'000*
Amount due from contract customers	**960,746**	679,579
Amount due to contract customers	**(144,333)**	(138,956)
	816,413	540,623
Contract costs incurred plus recognized profits less recognized losses to date	**2,797,742**	2,492,873
Less: Progress billings	**(1,981,329)**	(1,952,250)
	816,413	540,623

10. Trade and Notes Receivables

	June 30, 2010 *RMB'000*	December 31, 2009 *RMB'000*
Trade and notes receivables	**463,806**	414,138
Provision for impairment	**(3,138)**	(3,316)
	460,668	410,822
Notes receivable	**6,658**	572
	467,326	411,394

Trade receivables, which are non-interest-bearing, are recognized and carried at 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 generally does not require collateral from its customers.

The movements in impairment of trade receivables are as follows:

	June 30, 2010
	RMB'000
At December 31, 2009 and January 1, 2010	3,316
Write-back of impairment	(178)
At June 30, 2010	3,138

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

	June 30, 2010	December 31, 2009
	RMB'000	*RMB'000*
Less than 6 months	**274,418**	280,578
6 months to 1 year	**162,891**	97,745
1 year to 2 years	**28,519**	32,905
2 years to 3 years	**1,353**	166
Over 3 years	**145**	—
	467,326	411,394

Trade and notes receivables generally have credit terms ranging from 30 days to 90 days. An aged analysis of the trade and notes receivables that are neither individually nor collectively considered to be impaired is as follows:

	June 30, 2010	December 31, 2009
	RMB'000	*RMB'000*
Neither past due nor impaired	**69,813**	160,291
Past due but not impaired:		
Less than 6 months past due	**219,061**	122,584
6 months to 1 year past due	**148,435**	95,447
1 year to 2 years past due	**28,519**	32,906
2 years to 3 years past due	**1,353**	166
Over 3 years past due	**145**	—
	467,326	411,394

11. Trade and Notes Payables

	June 30, 2010 *RMB'000*	December 31, 2009 *RMB'000*
Trade payables	**437,007**	351,925
Notes payable	**62,100**	136,665
	499,107	488,590

The Group's notes payable were secured by pledged deposits of the Group of RMB24.2 million (December 31, 2009: RMB48.7 million) as at June 30, 2010.

Trade payables are non-interest-bearing and generally have credit terms ranging from 1 to 90 days. An aged analysis of the Group's trade payables are as follows:

	June 30, 2010 *RMB'000*	December 31, 2009 *RMB'000*
Current or less than 1 year past due	**416,330**	332,428
1 to 2 years past due	**14,193**	11,951
Over 2 years past due	**6,484**	7,546
	437,007	351,925

MANAGEMENT DISCUSSION AND ANALYSIS

Overview and prospect

The Group achieved a more diversified revenue mix with the highest Specialized solutions interim revenue in the Group's history in the six months ended June 30, 2010. Overall revenue for Specialized Solutions segment in the six months ended June 30, 2010 was RMB472.7 million, up 49.6% year-on-year from RMB315.9 million for the corresponding period in 2009. The strong performance was attributable to the Company's leading market share in expressway and railway Specialized Solutions sectors and broad market coverage which best positioned us to capitalize on favorable market environment. The Group's strong project lists on landmark projects in the six months ended June 30, 2010 were testimony to the Company's strong market position, technology, product quality, and value proposition. Based on current project pipelines and expected fixed assets investments build-out plan, the Company expects the strong momentum to continue throughout the rest of 2010 and beyond.

The Company's unique ITS offerings comprising Turnkey Solutions, Specialized Solutions and VA Services has provided the Company with a highly focused and integrated synergistic business model, which it will be able to provide the market with a complete chain of quality solutions and services. The Company's pure play flavor across several transportation industry sectors namely expressway, railway and urban traffic, differentiates us further from competition and offers us a comprehensive platform for product cross-selling, technology transfer, and implementation team scale up. Through the Company's diversified range of solutions and services, our product offerings remained competitive across all sectors in the six months ended June 30, 2010.

In the six months ended June 30, 2010, revenue generation for the Company's railway wired and wireless specialized communications solutions were strong. Sales of the Company's railway specialized solutions in the six months ended June 30, 2010 represented 51.1% of total revenues, up from 38.3% for the corresponding period in 2009. The Company's revenue from the railway sector increased by 82.7% to RMB328.0 million for the six months ended June 30, 2010. With a strong market share of 60% in wireless specialized communications solutions and 70% in wired specialized communications solutions in 2009, the Group will continue to benefit from the growing market size of the railway ITS sector. Further, the Group is also expanding horizontally within the railway sector to other specialized solutions area including but not limited to specialized surveillance, signaling and power supply solutions. The Company expects to leverage on its strong sales coverage, localized customization teams, and extended business partnership with strategic shareholders to continuously roll-out new applications to the railway sector and achieve strong growth momentum.

The Company has also achieved significant growth for its expressway specialized surveillance solutions in the six months ended June 30, 2010. Revenue for its expressway specialized surveillance solutions increased from RMB25.1 million by 27.8% to RMB32.0 million for the six months ended June 30, 2010. This was mainly due to the continuous upgrade and expansion plan of established expressway network. As of the end of 2009, China has over 65,000 kilometers of expressway in operation, the Company has seen a lot of upgrade and expansion demand coming from these expressway operators in terms of increasing operating efficiency and continuously improving safety measures. The Company is well positioned to capture these upgrading opportunities with its long established customer relationship, solid nationwide installed base and leading product quality.

In response to the government's plan to develop the urban traffic sector, in particular the rapid transit systems, the Company expects to see strong market demand for urban traffic ITS solutions, which it has achieved good initial traction with major cities initial projects awarded. There are approximately 11 cities with rapid transit systems in operation in China, and there are another 21 cities approved to build or are already building rapid transit systems. The Company strongly believes that it will be able to cross leverage on its competitive edge in other transportation ITS solutions and penetrate successfully into the urban traffic sector and achieve high market share.

In addition to a generally favourable market environment across all three transportation sectors, namely expressway, railway and urban traffic, which result in strong organic growth drivers for the Company's existing business offerings, the Company is also actively looking to consolidate the market by pursuing acquisition, investment or partnership opportunities. The Company intends to broaden its geographical footprint by pursuing cooperation with some localized companies with limited product offerings, and which it can cross leverage on extensive product portfolio of the Group and launch to the local market via the localized partner. On the other hand, the Company also intends to work with companies with core IP so that it can continue to expand our product lines and leverage our broad market coverage in the sales front.

Looking ahead, the Company will continue to focus on improving its business mix and overall profitability while increasing cost efficiency and achieving economies of scales, securing land mark projects with leading market influence and improving our risk control capabilities to further strengthen its competitive advantages. The Company remains focused on high profitability specialized solution and value-added services business where it has demonstrated solid track records and established leading market position. The Company believes such focus will best position itself in the fast growing and fragmented ITS market. With strong performance achieved in the six months ended June 30, 2010, clear strategies with solid execution plan in place, the Company looks forward to continue delivering sustainable and healthy growth in the future.

Business and Financial Review

Revenue

The Group's revenue in the six months ended June 30, 2010 increased by 36.9% to RMB642.0 million as compared to RMB468.8 million in the six months ended June 30, 2009. The overall increase in revenue in the six months ended June 30, 2010 is fueled by an 8.1% increase in Turnkey Solutions segment and a 49.6% increase in Specialized Solutions segment, and is offset by a slight 4.5% decrease in VA Services segment as the majority of VA Services revenue are expected to be recognized in the second half of the year. The following table sets out the revenue breakdown by segment:

	Six months ended June 30, 2010 *RMB'000*	Six months ended June 30, 2009 *RMB'000* Unaudited
Turnkey Solutions	**165,154**	152,836
Specialized Solutions	**472,718**	315,948
VA Services	**4,080**	4,271
Elimination	**—**	(4,290)
Total	**641,952**	468,765

(i) Turnkey Solutions

Revenue from the Turnkey Solutions business in the six months ended June 30, 2010 was RMB165.2 million, an increase of RMB12.3 million, or 8.1%, as compared to RMB152.8 million in the six months ended June 30, 2009. The increase was attributable to the growth in expressway projects and has been slightly offset by the decline of urban roadway business. The revenue growth rate for expressway Turnkey Solution business was 15.1% in the six months ended June 30, 2010, as compared to the six months ended June 30, 2009, which remained a fast growth trend. On the urban roadway Turnkey Solutions sector, the Company has won several big urban roadway Turnkey Solutions projects such as Songyuan city and Heshun city in the first half and will start implementation in the second half of the year.

Turnkey Solutions segment accounted for 25.7% of the Group's revenue in the six months ended June 30, 2010 which is lower than the level of 32.6% in the six months ended June 30, 2009.

(ii) Specialized Solutions

Revenue from the Specialized Solutions business in the six months ended June 30, 2010 was RMB472.7 million, an increase of RMB156.8 million, or 49.6%, as compared with RMB315.9 million in the six months ended June 30, 2009. The increase was attributable to increase in most Specialized Solutions business segments except for urban roadway surveillances and rapid transit. Revenue from railway Specialized Solutions grew by 82.7% in the six months ended June 30, 2010 to RMB328.0 million, which accounted for 69.4% of the total revenue in the Specialized Solutions business segment in the six months ended June 30, 2010. Several large projects such as the Hu-Hang (Shanghai to Hangzhou) railway, Ha-Da (Harbin to Dalian) railway, Jing-Hu (Beijing to Shanghai) railway and numerous projects from expansions of existing railway networks such as Daqing and Tai-Zhong-Yin has achieved significant progress in its implementation in the first half of 2010 and will continue to generate revenue in the second half of the year.

Revenue generated from expressway Specialized Solutions increased by RMB12.4 million, or 12.6%, in the six months ended June 30, 2010 as compared to the six months ended June 30, 2009, due to continuous growth in expressway ITS investment particularly in the western region of China as well as the continuous upgrade and expansion in the established provinces. With increasing management resources being focused on expanding the surveillance solutions market coverage in the first half of 2010, revenue from expressway surveillance solutions increased by 27.8% as compared to the corresponding period in 2009. The strong growth in expressway surveillance solutions was primarily due to increased resources available in this sector as a result of internal group restructuring, as well as increased spending from customers in expanding the surveillance capacity. Historically, the surveillance products were sold by to a subsidiary of the Group, namely, Beijing Bailian Zhida Technology Development Co., Ltd. (北京百聯智達科技發展有限公司). However, the Group restructured its business units and starting from early 2010, expressway surveillance solutions have became a part of Beijing Aproud Technology Co., Ltd. (北京亞邦偉業技術有限公司), also a subsidiary of the Group, which was able to leverage upon its larger and well established sales team to expand the Group's market footprint. Revenue from urban roadway surveillances solutions decreased by RMB4.1 million in the six months ended June 30, 2010, as compared to the six months ended June 30, 2009 and was primarily due to variations in project timing. In particular, certain major projects of the Group located in the Eastern provinces varied their implementation schedules to the third quarter of 2010. The Group has placed an increased focus on this sector, with the restructuring of Bailian Zhida to focus on urban roadway business development and targeting big cities with high resolution surveillance products, which the Group has already seen positive results supported by bids won to date. Revenue from rapid transit Specialized Solutions have slightly declined by RMB2.4 million to RMB14.2 million in the six months ended June 30, 2010 as compared to RMB16.6 million in the six months ended June 30, 2009. The decrease was primarily due to expected project implementation timetable for several major projects which are concentrated in the second half of 2010. Despite its relatively recent entry, the Company has demonstrated strong initial performance and has won the bid for several new lines including Xi'an, Shenyang and Hangzhou subway lines. The implementation of these projects will commence in the third quarter of 2010. Revenue generated from the energy business increased by 16.8% in the six months ended June 30, 2010. As the energy business is in a mature stage and is no longer a key focus of the Company, management have directed more attention to the transportation sectors, such as expressway, railway and urban traffic, which are expected to provide higher growth for the Company. However, the energy business will continue to generate a stable stream of revenue and profit for the Group. As a result of higher growth, the Specialized Solutions segment as a whole accounted for 73.6% of the Group's revenue in the six months ended June 30, 2010, which is higher than 67.4% as recorded in the six months ended June 30, 2009.

(iii) VA Services

Revenue from the VA Services business in the six months ended June 30, 2010 was RMB4.1 million, a slight decrease of RMB0.2 million as compared to RMB4.3 million in the six months ended June 30, 2009. The majority of revenue generated from VA Services will be recognized in the second half of 2010 under maintenance contracts from core customers in Shanxi, Xinjiang and Liaoning. The Company has a long business relationship with such core customers and has been promoting on the benefits of VA Services within such regions. All of the VA Services projects were expressway related in the six months ended June 30, 2010, which accounted for 0.6% of the Group's total revenue in the six months ended June 30, 2010, and is lower than 0.9% in the six months ended June 30, 2009, due to early stage of the business model of VA Services.

Cost of Sales

Cost of sales were incurred on a project-by-project basis for individual legal entities and were subsequently aggregated at segment and corporate level. The cost of sales were based on the equipment and other direct project costs incurred for completion of each of the relevant contracts. The cost of sales constituted 70.0% of the Group's revenue in the six months ended June 30, 2010, which represented an increase of 1.8% as compared to the corresponding period in 2009. This was due to a decrease in gross profit margins for both Turnkey Solutions and VA Services, which has been offset by an increase in gross margin of Specialized Solutions and increase in contribution of Specialized Solutions which has higher margins than Turnkey Solutions. The following table set out the cost of sales breakdown by segment:

	Six months ended June 30, 2010 *RMB'000*	Six months ended June 30, 2009 *RMB'000* Unaudited
Turnkey Solutions	**137,284**	120,656
Specialized Solutions	**309,795**	200,923
VA Services	**2,411**	2,613
Elimination	**—**	(4,290)
Total	**449,490**	319,902
% of revenue	***70.0%***	*68.2%*

(i) Turnkey Solutions

The cost of sales incurred for Turnkey Solutions constituted 30.5% of the Group's cost of sales in the six months ended June 30, 2010, which is lower as compared to the corresponding period in 2009, reflecting the reduced contribution of Turnkey Solutions to the Group's sales in the six months ended June 30, 2010.

(ii) Specialized Solutions

The cost of sales incurred for Specialized Solutions constituted 68.9% of the Group's cost of sales in the six months ended June 30, 2010, which is higher as compared to the corresponding period in 2009. The increase was due to contribution of this division to the Group's sales in the six months ended June 30, 2010. Within Specialized Solutions, the cost of sales for the railway business has grew by 77.1%, which accounted for 73.9% of the total Specialized Solutions cost of sales in the six months ended June 30, 2010.

(iii) VA Services

The cost of sales incurred for VA Services constituted 0.5% of the Group's cost of sales in the six months ended June 30, 2010, which is lower as compared to the corresponding period in 2009, reflecting the relative low contribution of VA Services to the Group's sales in the six months ended June 30, 2010.

Gross Profit

Overall gross profit of the Group increased from RMB148.9 million in the six months ended June 30, 2009 to RMB192.5 million in the six months ended June 30, 2010. Gross profit margin has slightly decreased from 31.8% in the six months ended June 30, 2009 to 30.0% in the six months ended June 30, 2010, due to lower profit margin in Turnkey Solutions projects generated from the expressway sector as a result of different project mix. This is partially offset by a higher margin in Specialized Solutions, which has been primarily due to a change in product mix to include the higher margin high resolution surveillance products, in addition to a rebound in margins for expressway specialized solutions resulting from the Company's expanded market presence in the Liaoning Province where the Company aggressively built its market presence in 2009. The following table sets out the gross profit breakdown and gross profit margin by segment:

	Six months ended June 30, 2010		Six months ended June 30, 2009	
	RMB'000	*%*	*RMB'000* Unaudited	*%*
Turnkey Solutions	**27,870**	**16.9**	32,180	21.1
Specialized Solutions	**162,923**	**34.5**	115,025	36.4
VA Services	**1,669**	**40.9**	1,658	38.8
Total	**192,462**	**30.0**	148,863	31.8

An analysis of gross profit by segment is as follows:

(i) Turnkey Solutions

Gross profit margin for Turnkey Solutions decreased by 4.2% to 16.9% in the six months ended June 30, 2010 as compared to 21.1% in the six months ended June 30, 2009. The margin decline was in line with normal margin variations range on an intra-year basis, reflecting the project nature of the Turnkey Solutions business where margins on individual projects may range from 15% to 20%. This means overall margins in this business segment will vary year to year, within this range, based on the project mix.

(ii) Specialized Solutions

Gross profit margin for Specialized Solutions decreased slightly by 1.9% to 34.5% in the six months ended June 30, 2010, as compared to 36.4% in the six months ended June 30, 2009. The expressway specialized solutions margin increased from 46.1% in the six months ended June 30, 2009 to 53.2% in the six months ended June 30, 2010. The Group implemented a lower profit margin project in 2009 in Liaoning Province and expressway specialized solutions margin has returned to trend towards the 50% company average margin for express way communication solution this year. The urban roadway Specialized Solutions margin increased from 40.0% in the six months ended June 30, 2009 to 45.3% in the six months ended June 30, 2010, primarily due to a change in product mix as the Company shifted from traditional surveillance products to the higher margin high resolution surveillance products. The margin for the railway segment increased slightly to 30.3% in the six months ended June 30, 2010 as compared to 28.1% in the six months ended June 30, 2009. The margin for the rapid transit segment decreased from 30.7% in 2009 to 26.5% in 2010 due to more aggressive pricing strategy undertaken by the Company to enter into new cities. However, the Company expects that there will be further margin recovery towards industry levels of 30% will gradually take place as the Group further establishes its market presence with influential market share. The margin for the energy segment decreased slightly from 37.2% in the six months ended June 30, 2010 to 35.4% in the six months ended June 30, 2009 due to the mature stage of this business.

(iii) VA Services

Gross profit margin for VA Services slightly increased from 38.8% in the six months ended June 30, 2009 to 40.9% in the six months ended June 30, 2010. It is expected that the VA Services gross profit margin will follow the previous trend of over 60% during the rest of the year.

Other Income and Gain

Other income and gain arises from operating leases as well as the fair value changes on investment properties and is accounted for on a straight line basis over the lease terms and the property valuations. The decrease in rental and other income is due to changes in property usage as the Group had moved to a new office in April of 2009 and leased out the entire self-owned office premise, which contributed a fair value gain in the investment property for the six month ended June 30, 2009 and was in line with the real estate market in mainland China.

Selling, General and Administration Expenses

In the six months ended June 30, 2010, selling, general and administration expenses ("SG&A") as a percentage of sales decreased by 2.0% to 14.2% as compared to the six months ended June 30, 2009 due to a result of economies of scale and successful cost control initiatives.

The staff costs remained as a large component of the Group's SG&A in the six months ended June 30, 2010. The staff costs increased by 22.5%, mainly due to accounting reclassification of staff welfare as part of staff costs and general headcount increase for the Company's wholly owned subsidiaries in Jiangsu as part of the ongoing business expansions. Staff costs accounted for 34.2% of the total SG&A in the six months ended June 30, 2010, which is comparable to that (33.4%) incurred in the six months ended June 30, 2009 and was in line with the Company's business growth and needs.

Travelling, entertainment and business expansion expenses arising from business development and implementation of projects, was at the average range of 5-7% of the total revenue for each entity in the six months ended June 30, 2010. Travelling, entertainment and business expansion expenses increased from RMB28.1 million in the six months ended June 30, 2009 to RMB30.4 million in the six months ended June 30, 2010. As a percentage of total selling, general and administrative expenses, these expenses decreased from 36.8% to 33.3% as a result of economies of scale and successful cost control initiatives.

The rental expenses increased from RMB5.7 million in the six months ended June 30, 2009 to RMB7.0 million in the six months ended June 30, 2010 due to the higher rental cost of the Company's new centralized office in Beijing. Subsequent to the Company's relocation to the new office in April of 2009, the impact of the higher rent was reflected in rental expenses in six months ended June 30, 2010. Rental expenses accounted for 7.7% of the total SG&A in the six months ended June 30, 2010, an increase of 0.3% as compared to the corresponding period in 2009.

Share-based payment expenses refer to the share options expenses related to the Company's pre-IPO share incentive scheme. In the six months ended June 30, 2010, Share-based payment expenses recorded no change from RMB4.9 million in the six months ended June 30, 2009, which accounted for 5.4% of the total SG&A in the six months ended June 30, 2010, a decrease of 1.1% as compared to the corresponding period in 2009.

Expenses Relating to the Listing of the Company's Shares

The listing expenses of RMB33.3 million accounted for 5.2% of revenue in the six months ended June 30, 2010. The major components of the listing expenses include fees of the underwriter(s) and legal counsel, printers and auditors who were involved in the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("Listing"). Given that the listing expenses are one-off in nature, the analysis of operating profit and net profit attributable to equity shareholders has being performed on a normalized basis after carving out the listing expenses incurred during the relevant period.

Finance Revenue

Finance revenue comprised of mainly interest income of RMB1.2 million in the six months ended June 30, 2010, which represented an increase of 178.9% as compared to the six months ended June 30, 2009. This increase was mainly due to a general increase in average bank balances as a result of the final round pre-IPO financing conducted in the first half of 2010.

Finance Cost

Finance cost in the six months ended June 30, 2010 was RMB5.4 million, which represented an increase of 58.0% as compared to the six months ended June 30, 2009. The increase was in line with business growth but the Company expects to reduce its debt level in the second half year of 2010 and fund a large part of short term business growth needs from the IPO proceeds and internally generated cash flows.

Share of Losses of Jointly-Controlled Entity

Share of Losses of Jointly-Controlled Entities in the six months ended June 30, 2010 was less than RMB1 million, which was the same as the level in the six months ended June 30, 2009. This results since the Company records such share of profits in the second half of the year. The joint-controlled entities have a track record of contributing RMB0.9 million to RMB1.5 million in annual profits over the past two years and the variance is based on the number of projects these entities generate.

Income Tax Expenses

The total income tax expense in the six months ended June 30, 2010 was higher than that recorded in the six months ended June 30, 2009. The effective tax rate in the six months ended June 30, 2010 was 28.6%, which represented an increase of 11.5% as compared to the corresponding period in 2009. The increase was due to a lower level of profit before tax resulting from deduction of RMB33.3 million listing expenses incurred in the six months ended June 30, 2010 and which was a non-deductible tax item for PRC enterprise income tax purpose. After excluding the impact from this one-off listing expense, the effective tax rate was 18.9% in the six months ended June 30, 2010, representing an increase of 1.8% as compared to the corresponding period in 2009. After the new PRC tax law becoming effective on January 1, 2008, all companies are required to pay tax at the rate of 25%. However, as a foreign-invested entity, RHY enjoys a preferential tax treatment which will progress from 10% to 15% over five years starting from 2009, with an applicable tax rate of 11% in the six months ended June 30, 2010. The Company's other subsidiaries are qualified as High and New Technology Enterprises ("HNTE") and enjoy preferential tax rates ranging from 7.5% to 15% for 2010 except for two newly setup subsidiaries (Jiangsu Zhixun and Jiangsu Yijie), which will also be qualified as HNTE at the end of 2010. Due to the restricted preferential tax policy from Chinese government, these subsidiaries applied the highest income tax rate before the formal approval from relevant authorities, which is 25%.

Profit for the period

Profit for the period of the Company in the six months ended June 30, 2010 was RMB46.5 million after netting of the one-off listing expenses of RMB33.3 million, the share-based payment expenses of RMB4.9 million and the fair value changes on investment properties. The pro-forma profit for the period would be RMB85.0 million or 33.1% increase compared to the corresponding period of prior year. The following table set out the relevant reconciliations:

	Six months ended June 30, 2010 *RMB'000*	Six months ended June 30, 2009 *RMB'000*
Profit before tax	**65,188**	73,862
Add/(less):		
Expenses relating to the listing of the Company's shares	**33,309**	1,039
Share-based payment expenses	**4,943**	4,943
Fair value changes on investment properties	**300**	(4,469)
Pro-forma profit before tax	**103,740**	75,375
Add/(less):		
Income tax expenses	**(18,649)**	(12,595)
Income tax adjustment (Fair value changes on investment properties)	**(75)**	1,117
Pro-forma profit for the period	**85,016**	63,897

Trade Receivables Turnover Days

The trade receivables turnover days in the six months ended June 30, 2010 was 81 days (in the year ended December 31, 2009: 86 days). The decrease in trade receivables turnover days was mainly due to improvement of payment terms under a strong market environment. The Company's trade receivables turnover days were within the normal credit period granted to customers.

Trade Payables Turnover Days

The trade payables turnover days in the six months ended June 30, 2010 was 114 days (in the year ended December 31, 2009: 164 days). The decrease in trade payables turnover days was mainly due to a change in payment terms with suppliers under a strong market environment.

Inventory Turnover Days

The inventories of the Group mainly comprised of raw materials, work-in-progress and general merchandise for surveillances Specialized Solutions. The inventory turnover days in the six months ended June 30, 2010 was 2 days (in the year ended December 31, 2009: 3 days). The decrease in inventory turnover days was due to higher sales achievement in the expressway Specialized Solution segment in the first half of 2010.

Liquidity and Financial Resources

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings and the proceeds from the Global Offering. As at June 30, 2010, the Group's current ratio (current assets divided by current liabilities) was 1.8 (as at December 31, 2009: 1.6). The Group's financial position remains healthy. As at June 30, 2010, the Group was in a net cash position of RMB35.1 million (as at December 31, 2009: net cash of RMB7 million) which included cash and cash equivalent of RMB225.1 million (as at December 31, 2009: RMB177.2 million) and short-term bank loans of RMB190.0 million (as at December 31, 2009: RMB170.2 million). As at June 30, 2010, the Group's gearing ratio was -18.2%, which has slightly decreased from -18.5% as at December 31, 2009.

Contingent Liabilities

At June 30, 2010, the Group has no material contingent liability.

Charges on Group Assets

As at June 30, 2010, except for the restricted cash of approximately RMB193.1 million, the Group pledged its buildings having net book values of approximately RMB80.1 million (As at December 31, 2009: RMB80.1 million) to a bank to secure banking facilities granted to the Group. Save as disclosed above, as at June 30, 2010, the Group has no other asset charged to financial institution.

Material Acquisitions or Disposals of Subsidiaries and Associated Company

The Group has not conducted any material acquisition or disposal of any subsidiaries and associated companies in the six months ended June 30, 2010.

Use of Proceeds

The shares of the Company were listed on the Main Board of the Stock Exchange on July 15, 2010. As at June 30, 2010, the Company had not accomplished the listing. The Company currently does not have any intention to change its plan for use of proceeds as stated in the Prospectus.

Human Resources

As at June 30, 2010, the Group has 575 employees (December 31, 2009: 562 employees). The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

EMPLOYMENT AND EMOLUMENT POLICIES

As at June 30, 2010, the Group had 575 full-time employees. The emolument policy of the employees of the Group is set up by the Board on the basis of individual performance, the nature and responsibilities of the individual concerned and the performance of our Group and market conditions.

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

INTERIM DIVIDEND

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

AUDIT COMMITTEE

The audit committee of the Company was established on June 18, 2010 with effect from the Listing with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise our financial reporting process and internal control systems.

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

The Audit Committee has reviewed the accounting principles and practices and has also reviewed auditing, internal control and financial reporting matters, including the review of the interim results of the Group for the six months ended June 30, 2010 together with the management of the Company and external auditor.

In addition, the Company's external auditor, Ernst & Young, has performed an independent audit of the Group's interim financial information for the six months ended June 30, 2010 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As the Listing has not occurred as at June 30, 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended June 30, 2010.

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 Corporate Governance Code as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintaining and improving a high standard of corporate governance practices.

In the six months ended June 30, 2010, the Company continued to apply most of the code provisions (the "Code Provisions") of the Corporate Governance Code. A summary of the deviations from the Code Provisions is set out as below:

Code Provision A2.1

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

At present, the positions of the chairman of the Board and the chief executive officer of the Company are held by Mr. Jiang Hailin. Although this deviates from the practice under the Code Provision A2.1, where the two positions should be held by two different individuals, Mr. Jiang has considerable and extensive knowledge and experience in the intelligent traffic system industry and in enterprise operation and management in general. The Board believes that it is in the best interest of the Company to continue to have an executive chairman so the Board can benefit from his knowledge of the business and his capability in leading the Board in discussing the strategy and long-term development of the industry.

From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman of the Board should not be able to monopolize the voting result. The Board considers that the balance of power between the Board and the senior management can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Model Code as the standards for the Directors' dealings in the securities of the Company on June 18, 2010. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code from the date of Listing on July 15, 2010 to the date of this announcement.

PUBLICATION OF INTERIM REPORTS

The 2010 Interim Report of the Company containing all the information as required by Appendix 16 of the Listing Rules will be dispatched to the shareholders and available on the Company's website at www.its.cn and the Stock Exchange's website at www.hkexnews.hk in due course.

Acknowledgement

The Chairman of the Company would like to thank the Board, management and all members of our staff for their commitment and diligence. The Chairman of the Company would also like to thank our shareholders and business associates for their strong support to the Group.

By order of the Board of Directors
China ITS (Holdings) Co., Ltd.
Mr. Jiang Hailin
Chairman

Hong Kong, August 29, 2010

As at the date of this announcement, the executive Directors are Mr. Jiang Hailin, Mr. Wang Jing, Mr. Lu Xiao and Mr. Pan Jianguo, and the independent non-executive Directors are Mr. Zhou Chunsheng, Mr. Choi Onward and Mr. Sun Lu.