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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, 2014

HIGHLIGHTS OF 2014 INTERIM RESULTS

- The amount of new contracts signed and orders secured for the six months ended June 30, 2014 was approximately RMB1,108.8 million, compared to approximately RMB1,659.1 million for the six months ended June 30, 2013, or an approximately 33.2% decrease.

- The amount of backlog as at June 30, 2014 was approximately RMB2,381.1 million, compared to approximately RMB2,210.7 million as at December 31, 2013, or an approximately 7.7% increase.

- Revenue for the six months ended June 30, 2014 was approximately RMB772.3 million, compared to approximately RMB975.9 million for the six months ended June 30, 2013, or an approximately 20.9% decrease.

- Gross profit for the six months ended June 30, 2014 was approximately RMB177.0 million, compared to approximately RMB251.7 million for the six months ended June 30, 2013, or an approximately 29.7% decrease.

- Gross profit margin decreased from 25.8% for the first half of 2013 to approximately 22.9% for the first half of 2014.

- Loss attributable to owners of the parent of the Company for the six months ended June 30, 2014 was RMB48.0 million, compared to the profit of approximately RMB43.4 million for the six months ended June 30, 2013.

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 unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six-month ended June 30, 2014, with comparative figures, as follows:

Interim Condensed Consolidated Statement of Income
For the six-month period ended June 30, 2014

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

Interim Condensed Consolidated Statement of Comprehensive Income
For the six-month period ended June 30, 2014

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

Interim Condensed Consolidated Statement of Financial Position
As at June 30, 2014

	Notes	**June 30, 2014 RMB'000 Unaudited**	December 31, 2013 RMB'000 Audited
NON-CURRENT ASSETS			
Property and equipment		**74,784**	64,844
Investment properties		**109,100**	109,100
Prepaid land premium		**13,621**	13,726
Goodwill		**406,135**	406,135
Other intangible assets		**50,967**	59,750
Investments in joint ventures		**45,823**	55,375
Investments in associates		**132,014**	104,908
Available-for-sale investment		**25,307**	25,307
Deferred tax assets		**13,350**	12,709
Prepayments for acquisition of equity interests in other entity		**–**	96,710
Pledged deposits	*11*	**4,500**	4,500
Convertible borrowings		**80,000**	–
Other long-term assets		**–**	20,000
Total non-current assets		**955,601**	973,064
CURRENT ASSETS			
Inventories		**23,706**	20,922
Construction contracts	*9*	**1,203,134**	1,294,760
Trade and bills receivables	*10*	**1,155,740**	1,115,858
Prepayments, deposits and other receivables		**1,362,498**	1,375,658
Due from related parties		**125,143**	135,367
Deferred cost		**19,368**	20,364
Held-to-maturity investment		**67,949**	67,299
Pledged deposits	*11*	**76,609**	80,639
Cash and cash equivalents	*11*	**430,362**	695,720
Other financial assets		**16,815**	16,815
Total current assets		**4,481,324**	4,823,402

	Notes	**June 30, 2014** *RMB'000* **Unaudited**	December 31, 2013 *RMB'000* Audited
CURRENT LIABILITIES			
Trade and bills payables	*12*	**874,810**	1,046,574
Other payables and accruals		**224,832**	283,100
Construction contracts	*9*	**770,524**	728,324
Interest-bearing bank borrowings		**543,316**	520,561
Due to related parties		**23,959**	52,108
Income tax payable		**14,100**	27,275
Convertible bonds within one year		**151,574**	–
Total current liabilities		**2,603,115**	2,657,942
NET CURRENT ASSETS		**1,878,209**	2,165,460
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,833,810**	3,138,524
NON-CURRENT LIABILITIES			
Guaranteed bonds		**106,789**	184,918
Convertible bonds		**–**	146,033
Interest-bearing bank borrowings		**83,000**	87,000
Long-term payable		**–**	3,067
Deferred tax liabilities		**45,010**	47,863
Total non-current liabilities		**234,799**	468,881
NET ASSETS		**2,599,011**	2,669,643
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**289**	289
Equity component of convertible bonds		**7,903**	7,903
Proposed final dividend		**–**	15,532
Reserves		**2,555,842**	2,606,633
		2,564,034	2,630,357
Non-controlling interests		**34,977**	39,286
TOTAL EQUITY		**2,599,011**	2,669,643

1. CORPORATE INFORMATION

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

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

The Group's principal business are summarised as follows:

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

The Group's principal operations and geographic market are in the PRC.

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of presentation

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

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

3. OPERATING SEGMENT INFORMATION

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

(a) Expressway: Provides the turnkey solutions ("TS"), specialised solutions ("SS") and value-added operation and services ("VAOS") to customers in expressway industry;

(b) Railway: Provides SS, and VAOS to customers in railway industry;

(c) Urban traffic: Provides TS, SS and VAOS to customers in urban traffic industry;

(d) Energy: Provides SS to customers in energy industry.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax from continuing operations except that finance income, finance costs, share of profits/(losses) of joint ventures and associates, gain on disposal of a subsidiary as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude interest receivable, held-to maturity investment, investment properties, prepaid land premium, goodwill, investments in joint ventures, investments in associates, available-for-sale investment, deferred tax assets, prepayment for acquisition of equity interests in other companies, other long-term assets, dividend receivable and other financial assets on a group basis.

Segment liabilities exclude interest payables, interest-bearing bank borrowings, income tax payable, guaranteed bonds, convertible bonds, long-term payable and deferred tax liabilities.

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

Geographical information

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

Information about a major customer

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

Six-month period ended June 30, 2014

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

Six-month period ended June 30, 2013

	Expressway *RMB'000*	Railway *RMB'000*	Urban traffic *RMB'000*	Energy *RMB'000*	Consolidated *RMB'000*
Segment revenue					
Sales to external customers	570,425	213,409	185,125	6,946	975,905
Intersegment sales	–	–	–	–	–
	570,425	213,409	185,125	6,946	975,905
Reconciliation:					
Elimination of intersegment sales					–
Revenue					975,905
Segment results	79,443	13,799	(13,083)	(263)	79,896
Reconciliation:					
Finance income					7,320
Finance costs					(26,106)
Share of profits of joint ventures					2,377
Share of profits of associates					3,291
Gain on disposal of a subsidiary					63
Exchange gain					427
Corporate and other unallocated expenses					(6,367)
Profit before tax					60,901
December 31, 2013					
Segment assets	1,568,649	2,095,137	985,885	37,059	4,686,730
Reconciliation:					
Elimination of intersegment receivables					(112,457)
Corporate and other unallocated assets					1,222,193
Total assets					5,796,466
Segment liabilities	870,451	421,428	439,430	–	1,731,309
Reconciliation:					
Elimination of intersegment payables					(112,457)
Corporate and other unallocated liabilities					1,507,971
Total liabilities					3,126,823

4. REVENUE

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

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

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

An analysis of revenue is as follows:

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

5. PROFIT/(LOSS) BEFORE TAX

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

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

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

6. INCOME TAX EXPENSE

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

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

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

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

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

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

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 year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

For 2013, diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	For the six-month period ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	**(47,999)**	43,356

	Number of shares for the six-month period ended June 30, 2014	2013
Shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	**1,646,513,072**	1,645,608,261
Effect of dilution — weighted average number of ordinary shares		
Potential ordinary shares under the share options scheme	**–**	46,525,183
	1,646,513,072	1,692,133,444

8. DIVIDENDS PROPOSED

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

9. CONSTRUCTION CONTRACTS

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

10. TRADE AND BILLS RECEIVABLES

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

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

The Group did not pledge any of its trade receivables to be received from certain of its projects (December 31, 2013: RMB9,900,000) for the banking facility granted to the Group.

11. PLEDGED DEPOSITS, CASH AND CASH EQUIVALENTS

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

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

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

12. TRADE AND BILLS PAYABLES

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

The Group's trade payables are non-interest-bearing. Bills payables were secured by pledged deposits of the Group of RMB8.6 million (December 31, 2013: RMB6.3 million) as at June 30, 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview and Prospect

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

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

Core Business of the Group and Operation Thereof

(i) Expressway

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

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

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

(ii) Railway

Revenue from the railway segment ("**Railway**") increased by RMB78.1 million to RMB291.5 million during the reporting period as compared to the six months ended June 30, 2013, and it represented 37.8% of the Group's total revenue. The amount of new contracts signed and orders secured in the six months ended June 30, 2014 was RMB511.0 million and the backlog amount as at June 30, 2014 was RMB785.7 million for the railway segment.

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

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

(iii) Urban Traffic

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

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

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

Purchase and Cancellation of Bonds

Until June 2014, in an attempt to reduce overall financial cost, the Company totally purchased and cancelled part of the Company's 10.0% guaranteed bonds due 2015 ("**Bonds**") in the principal amount of RMB81,000,000.00 of the outstanding Bonds in principal amount of RMB210,000,000 immediately prior to the cancellation. The Board considers that the purchase is in the interest of the Company and its shareholders as a whole.

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

Prospects

Looking forward, the Group will be more focused on the segments with growth potential and better financial strength in the transportation industry, such as Expressway, Railway and other new feasible segments (such as civil aviation). Civil aviation is a new segment and the Group has been working on it for 2 years. The Group will provide airport ground services wireless network solutions to airport operation and the relevant business service providers within the airport. After series of tests and trail networks, the Group started to record revenue and expects to increase in second half of 2014 and 2015.

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

BUSINESS AND FINANCIAL REVIEW

Revenue

By Industry Segments

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

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
Revenue by industry segments		
Expressway	**372,105**	570,425
Railway	**291,540**	213,409
Urban traffic	**108,672**	185,125
Energy	**0**	6,945
Total	**772,317**	975,905

(i) Expressway

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

(ii) Railway

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

(iii) Urban traffic

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

(iv) Energy

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

Business pattern and major projects

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

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

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

By Business sectors

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

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

(i) Turnkey Solutions ("TS")

Revenue from the TS business for the six months ended June 30, 2014 was RMB344.9 million, representing a decrease of RMB151.3 million, as compared to RMB496.1 million for the six months ended June 30, 2013. As mentioned in the industry segment section, there were delays in the progress of the Group's two key projects in the expressway in Yunnan and Hubei provinces. Moreover, due to the decrease in the overall expenditure in urban traffic industry and changes in the business models of some key projects, there was a decrease in the revenue from the TS urban traffic business. The new contracts and orders secured amounted to RMB458.9 million for the six months ended June 30, 2014 and the backlog amount as at June 30, 2014 was RMB1,386.5 million for the TS business.

(ii) Specialised Solutions ("SS")

Revenue from the SS business for the six months ended June 30, 2014 was RMB424.4 million, representing a decrease of RMB43.6 million, as compared with RMB468.1 million for the six months ended June 30, 2013. The change was attributed to an increase in the railway segment of RMB86.8 million, and offset by a decrease in the expressway segment of RMB76.4 million, a decrease in the urban traffic segment of RMB47.1 million and a decrease in the energy segment of RMB6.9 million. Please refer to the aforesaid industry segment section for detailed discussion and analysis of individual industry segments. The new contracts and orders secured for the six months ended June 30, 2014 amounted to RMB605.3 million and the backlog amount as at June 30, 2014 was RMB968.6 million for the SS business.

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

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

Cost of Sales

Cost of sales was incurred on a project-by-project basis for individual legal entities and was subsequently aggregated at sector or segment and corporate level. The cost of sales was based on the equipments and other direct relevant costs incurred for the completion of each of the relevant key projects. The cost of sales accounted for 77.1% of the Group's revenue for the six months ended June 30, 2014, representing an increase 2.9% for the six months ended June 30, 2013.

By Industry Segments

	For the six months ended June 30	
	2014	2013
	RMB'000	*RMB'000*
Cost of Sales by Segments		
Expressway	**288,509**	421,775
Railway	**216,504**	155,877
Urban traffic	**90,344**	139,846
Energy	**0**	6,737
Total	**595,357**	724,236
% of Revenue	**77.1%**	74.2%

(i) Expressway

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

(ii) Railway

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

(iii) Urban traffic

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

(iv) Energy

The energy segment recorded RMB0 for the six months ended June 30, 2014 due to the disposal of discontinued business in the second half of 2013.

By Business Sectors

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

(i) TS

The cost of sales incurred for TS business accounted for 42.6% of the Group's cost of sales for the six months ended June 30, 2014, which was lower than that in the prior year, and was mainly due to the delay of two major projects in the expressway segment and the overall industry slowdown in the urban traffic segment.

(ii) SS

The cost of sales incurred for SS business accounted for 52.2% of the Group's cost of sales for the six months ended June 30, 2014, which was higher than that in the prior year because of some projects with higher cost in the railway segment, especially those new product contracts.

(iii) VAOS

The cost of sales incurred for VAOS business accounted for 5.2% of the Group's cost of sales for the six months ended June 30, 2014, which was higher than that in the prior year, reflecting the ever increasing contribution of VAOS to the Group's business.

Gross Profit

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

By Industry Segments

	Six months ended		
	June 30, 2014	December 31, 2013	June 30, 2013
	RMB'000	*RMB'000*	*RMB'000*
Gross profit and gross profit margin by industry segments			
Expressway	**83,596**	101,110	148,650
Margin %	**22.5%**	17.3%	26.1%
Railway	**75,036**	132,416	57,532
Margin %	**25.7%**	25.0%	27.0%
Urban traffic	**18,328**	71,505	45,279
Margin %	**16.9%**	25.5%	24.5%
Energy	**0**	2,286	208
Margin %	**0%**	10.5%	3.0%
Total	**176,960**	307,317	251,669
Overall margin %	**22.9%**	21.7%	25.8%

(i) Expressway

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

(ii) Railway

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

(iii) Urban traffic

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

(iv) Energy

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

By Business Sectors

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

(i) TS

Gross profit margin for TS business in the six months ended June 30, 2014 was 13.8%, representing a decrease of 6.3% as compared to 20.1% for the six months ended June 30, 2013.

(ii) SS

Gross profit margin for SS business in the six months ended June 30, 2014 was 26.8%, representing a decrease of 1.3% as compared to 28.1% for the six months ended June 30, 2013.

(iii) VAOS

Gross profit margin for VAOS business in the six months ended June 30, 2014 was 33.6%, representing a decrease of 26.9% as compared to 60.5% for the six months ended June 30, 2013.

Other Income and Gains

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

Selling, General and Administration Expenses

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

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

The rental expenses increased from RMB13.0 million for the six months ended June 30, 2013 to RMB13.5 million for the six months ended June 30, 2014. The rental expenses accounted for 7.9% of the total SG&A in the six months ended June 30, 2014, and increased 0.7% as compared to that of the corresponding period in 2013.

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

Non-cash expenses

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

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

Finance Income and Finance Cost

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

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

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

Income Tax Expenses

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

Profit for the year

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

Trade Receivables Turnover Days

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

Net Construction Turnover Days

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

Trade Payables Turnover Days

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

Inventory Turnover Days

The inventories of the Group mainly comprised of raw materials, work-in-progress, finished goods and general merchandise for surveillances SS. The number of inventory turnover days for the six months ended June 30, 2014 was 7 days (for the six months ended June 30, 2013: 8 days).

Liquidity and Financial Resources

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

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

Contingent Liabilities

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

Charges on Group Assets

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

Material Acquisitions or Disposals of Subsidiaries and Associated Company

In May 2014, Jiangsu Zhongzhi Transportation Technology Co., Ltd. ("**Jiangsu Zhongzhi**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement in respect of the transfer of 100% of the equity interest in Jiangsu Yijie Technology Co., Ltd. ("**Jiangsu Yijie**"), a wholly-owned subsidiary of Jiangsu Zhongzhi, with an independent third party (the "**Jiangsu Yijie Purchaser**"). Pursuant to the equity transfer agreement, Jiangsu Zhongzhi transferred 100% of the equity interest in Jiangsu Yijie to the Jiangsu Yijie Purchaser at a total consideration of RMB24.0 million, which was determined by reference to the net asset value of RMB44.1 million as recorded in Jiangsu Yijie's accounts as at April 30, 2014. The transfer generated a loss of RMB19.8 million. Prior to the transfer, Jiangsu Yijie was engaged in civil aviation Air-to-Ground (ATG) communication service. The Group will discontinue the business operation of civil aviation ATG communication service and taking this into account, and the Group will transfer 100% equity interest and all the businesses of Jiangsu Yijie to the Purchaser of Jiangsu Yijie. The disposal of Jiangsu Yijie is consistent with the Company's strategy of terminating the operation of the related business. As each of the relevant percentage ratios in respect of this transaction is below 5% and the transaction did not involve any securities for which listing would be sought, the transaction did not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Use of Proceeds

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

The use of the net proceeds from the global offering as at June 30, 2014 was as follows:

Use for	**Percentage of net proceeds**	**Amount of net Proceeds** *(in HK$ million)*	**Amount utilised** *(in HK$ million)*	**Amount remaining** *(in HK$ million)*
Acquisitions or Investments	45%	319.7	319.7	–
Project-related working capital needs	35%	248.7	248.7	–
Research and development	10%	71.1	61.0	10.1
General corporate purposes	10%	71.1	71.1	–
Total	100%	710.6	700.5	10.1

EMPLOYMENT AND EMOLUMENT POLICIES

As at June 30, 2014, the Group had 932 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, the performance of our Group and market conditions.

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

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

In January, February and May 2014, the Company purchased and cancelled part of the RMB Bonds, which are listed on the Stock Exchange (stock code: 85908) in the total principal amount of RMB81,000,000, representing approximately 38.57% of the outstanding RMB Bonds in the original principal amount of RMB210,000,000 immediately prior to the cancellation. Please refer to the sub-section headed "Purchase and Cancellation of Bonds" in the Management Discussion and Analysis section in this announcement for further details.

Other than the aforementioned purchase and cancellation of the RMB Bonds, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the reporting period.

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, 2014.

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 on June 18, 2010. Having made specific enquiry of all Directors, the Directors have confirmed that they had complied with the required standard set out in the Model Code during the six months ended June 30, 2014.

AUDIT COMMITTEE

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

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

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

PUBLICATION OF INTERIM REPORTS

The 2014 Interim Report of the Company containing all the information as required under Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company 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
China ITS (Holdings) Co., Ltd.
Liao Jie
Chairman

Hong Kong, August 28, 2014

As at the date of this announcement, the executive Directors of the Company are Mr. Liao Jie, Mr. Jiang Hailin, Mr. Wang Jing, Mr. Lu Xiao, and Mr. Pan Jianguo, the non-executive Director of the Company is Mr. Tim Tianwei Zhang, and the independent non-executive Directors of the Company are Mr. Zhou Chunsheng, Mr. Choi Onward and Mr. Sun Lu.