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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, 2015

HIGHLIGHTS OF 2015 INTERIM RESULTS

- The amount of new contracts signed and orders secured for the six months ended June 30, 2015 was approximately RMB1,030.7 million, compared to approximately RMB1,108.8 million for the six months ended June 30, 2014, or an approximately 7.0% decrease.

- The amount of backlog as at June 30, 2015 was approximately RMB1,879.2 million, compared to approximately RMB1,976.9 million as at December 31, 2014, or an approximately 4.9% decrease.

- Revenue for the six months ended June 30, 2015 was approximately RMB1,121.6 million, compared to approximately RMB772.3 million for the six months ended June 30, 2014, or an approximately 45.2% increase.

- Gross profit for the six months ended June 30, 2015 was approximately RMB216.4 million, compared to approximately RMB177.0 million for the six months ended June 30, 2014, or an approximately 22.3% increase.

- Gross profit margin decreased from 22.9% for the first half of the prior year to approximately 19.3% for the first half of year 2015.

- The non-cash one-off expenses(1) for the six months ended June 30, 2015 was approximately RMB24.2 million, which was RMB19.8 million in the first half of 2014.

- Before deducting the non-cash one-off expenses, the adjusted loss attributable to the owners of the parent(2) for the six months ended June 30, 2015 was approximately RMB7.4 million, including the net financial expenses(3) and other non-cash expenses(4) which were approximately RMB43.3 million and RMB6.6 million respectively. The adjusted loss attributable to the owners of the parent before deducting the non-cash one-off expenses for the six months ended June 30, 2014 was RMB 28.2 million.

- During the first half of 2015, the Group faced deterioration of performance in the urban traffic segment due to macro environmental factors, and the loss of this segment was approximately RMB104.8 million. On the other hand, the Group remained robust in the railway segment in the first half of 2015, as the new contracts and orders secured and revenue from this segment all reached an all-time high, and the gross profit margin increased compared with that for the year of 2014. The profit of the railway segment reached approximately RMB116.5 million. In the expressway segment, although the revenue and gross profit both fell because of lack of growth of overall environment, and changing of business, the profit of this segment still reached approximately RMB38.5 million. In the second half of 2015, the Group believes the profitability of the Company will continue to recover.

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

Notes:

(1) Non-cash one-off expenses include goodwill impairment, loss on disposal of subsidiaries and associates.

(2) Adjusted loss attributable to the owners of the parent refers to loss attributable to the owners of the parent plus non-cash one-off expenses.

(3) Net financial expenses refer to total finance cost minus finance income.

(4) Other non-cash expenses include equity-settled share option expenses, amortisation of intangible assets arising from acquisitions.

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 months ended June 30, 2015, with comparative figures, as follows:

Interim Condensed Consolidated Statement of Profit or Loss
For the six-month period ended June 30, 2015

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

Interim Condensed Consolidated Statement of Comprehensive Income
For the six-month period ended June 30, 2015

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

Interim Condensed Consolidated Statement of Financial Position
As at June 30, 2015

	Notes	**June 30, 2015** *RMB'000* **Unaudited**	December 31, 2014 *RMB'000* Audited
NON-CURRENT ASSETS			
Property and equipment		**69,342**	67,899
Investment properties		**119,000**	119,000
Prepaid land premium		**13,322**	13,471
Goodwill		**333,782**	353,782
Other intangible assets		**35,688**	42,184
Investments in joint ventures		**38,538**	52,452
Investments in associates		**112,365**	139,180
Available-for-sale investment		**25,307**	25,307
Deferred tax assets		**5,112**	5,030
Pledged deposits	*11*	**–**	4,500
Convertible borrowings		**82,390**	82,390
Other long-term assets		**35,059**	–
Total non-current assets		**869,905**	905,195
CURRENT ASSETS			
Inventories		**22,109**	20,721
Construction contracts	*9*	**1,316,483**	1,252,874
Trade and bills receivable	*10*	**1,594,278**	1,409,037
Prepayments, deposits and other receivables		**1,604,863**	1,332,641
Amounts due from related parties		**113,139**	84,895
Deferred cost		**2,023**	2,767
Held-to-maturity investment		**17,504**	67,530
Pledged deposits	*11*	**159,015**	79,716
Cash and cash equivalents	*11*	**414,301**	600,299
Total current assets		**5,243,715**	4,850,480

	Notes	**June 30, 2015** *RMB'000* **Unaudited**	December 31, 2014 *RMB'000* Audited
CURRENT LIABILITIES			
Trade and bills payables	*12*	**1,435,898**	1,176,568
Other payables and accruals		**244,564**	271,555
Construction contracts	*9*	**963,838**	855,940
Interest-bearing bank borrowings		**684,309**	579,664
Amounts due to related parties		**81,212**	59,131
Income tax payable		**17,104**	13,132
Guaranteed bonds – current portion		**108,410**	107,516
Convertible bonds – current portion		**–**	154,426
Total current liabilities		**3,535,335**	3,217,932
NET CURRENT ASSETS		**1,708,380**	1,632,548
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,578,285**	2,537,743
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**150,000**	63,000
Long-term payable		**1,500**	–
Deferred tax liabilities		**27,208**	31,235
Total non-current liabilities		**178,708**	94,235
Net assets		**2,399,577**	2,443,508
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**290**	290
Equity component of convertible bonds		**–**	7,903
Reserves		**2,397,342**	2,420,021
		2,397,632	2,428,214
Non-controlling interests		**1,945**	15,294
Total equity		**2,399,577**	2,443,508

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 20, 2008. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The Company's principal place of business in Hong Kong is in Room 1004, Tung Wah Mansion, 199–203 Hennessy Road, Wanchai. The principal executive office of the Company is located at Unit 1801A, 18/F, West Tower, World Finance Centre, No.1 East 3rd Ring Road Middle, Chaoyang District, Beijing 100020, the People's Republic of China (the "**PRC**").

The principal activity of the Company is investment holding. The Group is a provider of transportation infrastructure technology solutions and services in the PRC. During the period, the Group was involved in the following principal activities:

- Turnkey solutions business — engaging in the integration of information technology with the physical transportation infrastructure;
- Specialised solutions business — providing solutions to discrete problems occurring in clients' existing or planned transportation infrastructure through the design, development and implementation of hardware-based and software-based systems; and
- Value-added operation and services business 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 Mainland China.

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

Basis of presentation

The unaudited interim condensed consolidated financial statements for the six months ended June 30, 2015 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2014. The interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousands, except when otherwise indicated.

3. OPERATING SEGMENT INFORMATION

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

(a) Expressway: Provides the turnkey solutions ("**TS**"), specialised solutions ("SS") and value-added operation and services ("**VAOS**") to customers in 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) Others: Provides SS to customers in other industries.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit 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/(loss) on disposal of a subsidiary, exchange gain/(loss) as well as head office and corporate expenses are excluded from such measurement.

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

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

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

Geographical information

The Group principally operates in Mainland China (country of the domicile of major operating subsidiaries). All of the Group's revenue from external customers is attributed to Mainland China and all of the Group's non-current assets excluding deferred tax assets and available-for-sale investment are located in Mainland China.

Information about a major customer

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

Six-month period ended June 30, 2015

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

Six-month period ended June 30, 2014

	Expressway *RMB'000*	Railway *RMB'000*	Urban traffic *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Segment revenue					
Sales to external customers	372,105	291,540	108,672	–	772,317
Intersegment sales	–	–	–	–	–
Reconciliation:	372,105	291,540	108,672	–	772,317
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 gains					5,509
Corporate and other unallocated expenses					(18,403)
Loss 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

4. REVENUE

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

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

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

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

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

5. LOSS BEFORE TAX

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

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

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

6. INCOME TAX

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

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

6. **INCOME TAX (continued)**

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, 2014: 25%) on their respective taxable income. During the current period, nine entities (six-month period ended June 30, 2014: one) 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, 2015 and 2014, as the Group had no assessable profits arising in Hong Kong for each of the periods.

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

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

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

Basic earnings per share ("**EPS**") amounts are calculated by dividing the profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

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

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

	For the six-month period ended June 30,	
	2015	2014
	RMB'000	*RMB'000*
Earnings		
Loss attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**(31,602)**	(47,999)

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	Number of shares for the six-month period ended June 30, 2015	2014
Shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	**1,654,024,868**	1,646,513,072

8. DIVIDENDS PROPOSED

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

9. CONSTRUCTION CONTRACTS

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

10. TRADE AND BILLS RECEIVABLE

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

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

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

11. PLEDGED DEPOSITS, CASH AND CASH EQUIVALENTS

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

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

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

12. TRADE AND BILLS PAYABLES

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

The Group's trade payables are non-interest-bearing. Bills payable were secured by pledged deposits of the Group of RMB5.9 million as at June 30, 2015 (December 31, 2014: RMB7.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview and Prospect

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

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

Core Business of the Group and Operation Thereof

(i) Expressway

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

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

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

(ii) Railway

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

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

In the first half of 2015, the major projects of Railway include Shenyang Data Network Reform Project, Harbin Data Network Reform Project and The South and North of Hunan OTN Project.

(iii) Urban Traffic

Revenue from the urban traffic segment ("**Urban Traffic**") decreased by RMB20.8 million to RMB87.9 million during the reporting period and representing 7.8% of the Group's total revenue. The amount of new contract signed and order secured in the six months ended June 30, 2015 was RMB8.8 million and the backlog amount as at June 30, 2015 was RMB237.4 million for the urban traffic segment.

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

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

Prospects

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

BUSINESS AND FINANCIAL REVIEW

Revenue

By Industry Segment

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

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

(i) Expressway

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

(ii) Railway

Revenue from the railway segment for the six months ended June 30, 2015, was RMB700.8 million, representing an increase of RMB409.3 million from RMB291.5 million for the six months ended June 30, 2014. Following the strong recovery in 2013 and 2014, the railway segment remained robust in 2015. During the six months ended June 30, 2015, the new contract and order secured amount for railway segment increased by approximately 35.0% as compared with the same time in 2014. Under the environment of increasing investment in railway construction in China during 2015, the railway segment captured this opportunity for development and maintained the momentum of high growth in traditional communication solutions, further consolidating its leading position in the traditional segment. It is worth mentioning that in 2015 China railway network reform, new contract signed and order secured for the Group amounted to more than RMB0.4 billion in the six months ended June 30, 2015, which on the one hand optimized the current performance, and on the other hand could lay the foundation for providing value-added services to the customers in the future. The Group believes that the railway segment will be able to seize more business opportunities relying on their own advantages. For the six months ended June 30, 2015, new contract signed and order secured for the railway segment amounted to RMB690.4 million while the amount of backlog as at June 30, 2015 was RMB708.6 million.

(iii) Urban Traffic

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

Business pattern and major projects

The Group's business is highly correlated with the macroeconomic policies on infrastructure investment of the PRC central government and has a unique seasonal character. Most of the construction projects are in bidding stage and commenced implementations in the first half of the year. Therefore, the new contracts are confirmed in the first half of the year and the revenue is recorded in the second half. This resulted in a higher backlog amount in comparison with the figure at the end of 2014. This business pattern remained similar in 2015, but the backlog amount as at June 30, 2015 was RMB1,879.2 million which was lower than that as at December 31, 2014 because of the new contract signed and order secured for the urban traffic segment was decreased.

During this period, the Group has implemented more than 1,058 projects in varied sizes, covering most of the regions in Mainland China. The following table sets out the major projects generating revenue in each industry segment:

Industry segments	**Project name**
Expressway:	Yunnan Da-Li (Dali-Lijiang) Expressway Project Yunnan Chu-Guang (Chuxiong-Guangtong) Expressway Project Liaoning Charging Reform Project
Railway:	Shenyang Data Network Reform Project Harbin Data Network Reform Project The South and North of Hunan OTN Project
Urban traffic:	Wuhai ITS Management System Project Guangzhou Traffic Flow Project Chongqing Subway Line 6 Project

By business sectors

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

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

(i) *Turnkey Solutions ("**TS**")*

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

*(ii) Special Solution ("**SS**")*

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

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

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

Cost of sales

Cost of sales was incurred on a project-by-project basis for individual legal entities and was subsequently aggregated at sector or segment and corporate level. The cost of sales was based on the equipments and other direct relevant costs incurred for the completion of each of the relevant key projects. The cost of sales accounted for 80.7% of the Group's revenue for the six month ended June 30, 2015, representing an increase 3.6% for the six months ended June 30, 2014.

By Industry Segment

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

(i) Expressway

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

(ii) Railway

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

(iii) Urban Traffic

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

By business sectors

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

(i) TS

The cost of sales incurred for TS business accounted for 30.3% of the Group's cost of sales for the six months ended June 30, 2015, which was lower than that in the prior year, and was mainly due to the decrease in expressway and urban traffic segments.

(ii) SS

The cost of sales incurred for SS business accounted for 66.8% of the Group's cost of sales for the six months ended June 30, 2015, which was higher than that in the prior year because of the rapid increase of the revenue from railway segment.

(iii) VAOS

The cost of sales incurred for VAOS business accounted for 2.9% of the Group's cost of sales for the six months ended June 30, 2015, which was lower than that in the prior year.

Gross Profit

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

By Industry Segment

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

(i) Expressway

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

(ii) Railway

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

(iii) Urban Traffic

The urban traffic segment gross profit margin decreased by 30.1% as compared to 16.9% for the six months ended June 30, 2014. The main reason for this change is the overall slowdown in the urban traffic industry in 2014 and 2015, leading to a significant decrease in new contracts and gross profit margin for the projects.

By Business Sectors

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

(i) TS

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

(ii) SS

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

(iii) VAOS

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

Other Income and Gains

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

Other Expenses

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

Selling, General and Administration Expense

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

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

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

The staff costs remained as a large component of the Group's SG&A while the travelling, entertainment and business expansion expenses ("**T&E Expenses**") and office supplies expenses are highly correlated with the headcount numbers. Therefore, the total amount of the aforesaid expenses (headcount related cost) constituted the largest portion of the Group's SG&A. The headcount related cost increased from RMB104.1 million in the six months ended June 30, 2014 to RMB88.7 million for the six months ended June 30, 2015, representing a 14.7% decrease and accounting for 60.8% of the SG&A.

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

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

(ii) Impairment of assets

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

Other non-cash Expenses

Equity-settled share option expenses refer to the share options expenses related to the Company's pre-IPO share incentive scheme adopted on December 28, 2008 ("**Pre-IPO Share Incentive Scheme**") and the Share Option Scheme under which share options were granted on January 18, 2013. For six months ended June 30, 2015, equity-settled share option expenses were RMB0.1 million, which was significantly less than RMB4.7 million for six months ended June 30, 2014, as a result of the gradual reduction in the amount of the amortization under the Share Option Scheme in the subsequent period according to the pre-set vesting schedule.

Amortization expenses of intangible assets arising from acquisition mainly represented the amortization arising from the acquisition of CTH and STONE. Such expenses were RMB6.5 million for six months ended June 30, 2015, which was lower than the expenses of RMB8.8 million for six months ended June 30, 2014, because certain intangible assets from acquisition were already fully amortized in 2014.

Finance Income and Finance Cost

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

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

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

Income Tax Expenses

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

Loss for the year

Before deducting the non-cash one-off expenses, the adjusted loss attributable to the owners of the parent for the six months ended June 30, 2015 was approximately RMB7.4 million compared to the adjusted loss of RMB28.2 million for the six month ended June 30, 2014. Loss attributable to the owners of the parent for the six months ended June 30, 2015 was approximately RMB31.6 million, compared to a loss of approximately RMB48.0 million for the six months ended June 30, 2014.

Trade Receivables Turnover Days

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

Net Construction Turnover Days

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

Trade Payables Turnover Days

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

Inventory Turnover Days

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

Liquidity and Financial Resources

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

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

Contingent Liabilities

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

Charges on Group Assets

As at June 30, 2015, (i) the Group had secured deposits (current portion) of approximately RMB159.0 million (as at December 31, 2014: RMB79.7 million); (ii) the Group had secured deposits (non-current portion) of nil (as at December 31, 2014: RMB4.5 million); and (iii) the Group pledged its building having net book values of approximately RMB119.0 million (as at December 31, 2014: RMB119.0 million) and trade receivables with a total value of RMB186.9 million (as at December 31, 2014: RMB120.0 million) to banks to secure banking facilities granted to the Group. Save as disclosed above, as at June 30, 2015, the Group had no other asset charged to financial institution.

Material Acquisitions or Disposals of Subsidiaries and Associates

Disposal of Shandong Yigou

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

Disposal of VA Holding

In June 2015, China ITS (Holding) Co., Ltd ("**Company**"), entered into an equity transfer agreement in respect of the transfer of 100% of the equity interest in China ITS VA Holding Co., Limited ("**VA Holding**"), a wholly-owned subsidiary of the Company, with an independent third party (the "**VA Holding Purchaser**"). Pursuant to the equity transfer agreement, the Company transferred 100% of the equity interest in VA Holding to the VA Holding Purchaser at a total consideration of RMB50,100, which was determined by reference to the negative net asset value of RMB77,300 as recorded in VA Holding's accounts as at May 31, 2015. The transfer generated a profit of RMB127,400. Prior to the transfer, VA Holding did not engage in actual business. The Group transferred 100% equity interest and all the businesses of VA Holding to the VA Holding Purchaser. The disposal of VA Holding is consistent with the Company's strategy of terminating the operation of the related business. As each of the relevant percentage ratios in respect of this transaction is below 5% and the transaction did not involve any securities for which listing would be sought, the transaction did not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Use of Proceeds

The shares of the Company were listed on the main board of the Stock Exchange on July 15, 2010 with net proceeds from the global offering of the Company of approximately HK$710.6 million (after deducting underwriting commissions and related expenses). The use of the net proceeds from the global offering had been fully utilised in accordance with the intended uses as disclosed in the prospectus of the Company as at June 30, 2015.

EMPLOYMENT AND EMOLUMENT POLICIES

As at June 30, 2015, the Group had 788 full-time employees. The remuneration of the existing employees includes basic salaries, discretionary bonuses and social security contributions. The emolument policy of the employees of the Group is set up by the Board on the basis of individual performance, the nature and responsibilities of the individual concerned and the performance of our Group and market conditions.

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

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

In February 2015, the Company exercised its early redemption right to redeem its convertible bonds with an aggregate principal amount of HK$200,000,000 due 2015 (the "**Convertible Bonds**") in full prior to their maturity. The Company settled the full amount of the redeemed principal of HK$200,000,000 and the premium of approximately HK$16,000,000 on February 26, 2015. The redemption was to minimize the Company's capital cost and optimize its capital structure and avoid potential equity dilution.

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

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders.

The Company has adopted the code provisions contained in the code of corporate governance practices (the "**CG Code**") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company has complied with the code provisions in the CG Code throughout the six months ended June 30, 2015.

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

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

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

PUBLICATION OF THE 2015 INTERIM REPORT

The 2015 Interim Report of the Company containing all the information as required under 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
China ITS (Holdings) Co., Ltd.
Liao Jie
Chairman

Hong Kong, August 27, 2015

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