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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, 2016

HIGHLIGHTS OF 2016 INTERIM RESULTS

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

Notes:

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

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, 2016, with comparative figures, as follows:

Interim Consolidated Income Statement
For the six-month period ended June 30, 2016

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

Interim Consolidated Statement of Comprehensive Income
For the six-month period ended June 30, 2016

	For the six-month period ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
PROFIT/(LOSS) FOR THE PERIOD	**27,192**	(44,951)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(6,225)**	907
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(6,225)**	907
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**20,967**	(44,044)
Attributable to:		
Owners of the parent	**39,325**	(30,695)
Non-controlling interests	**(18,358)**	(13,349)
	20,967	(44,044)

Interim Consolidated Statement of Financial Position
As at June 30, 2016

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

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

Selected Notes to the Financial Statements

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 Building 204, No. A10, Jiuxianqiao North Road, Chaoyang District, Beijing, 100015, the People's Republic of China (the "**PRC**").

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

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

The Group's principal operations and geographic market are in Mainland China.

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

Basis of presentation

The unaudited interim condensed consolidated financial statements for the six months ended June 30, 2016 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2015. The interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousands, except when otherwise indicated.

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 the expressway industry;

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

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

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

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

Six-month period ended June 30, 2016

	Expressway *RMB'000*	**Railway** *RMB'000*	**Urban traffic** *RMB'000*	**Total** *RMB'000*
Segment revenue				
Sales to external customers	**285,769**	**727,072**	**49,076**	**1,061,917**
Intersegment sales	**–**	**–**	**–**	**–**
	285,769	**727,072**	**49,076**	**1,061,917**
Reconciliation:				
Elimination of intersegment sales				**–**
Revenue				**1,061,917**
Segment results	**54,383**	**96,080**	**(24,549)**	**125,914**
Reconciliation:				
Finance income				**7,473**
Finance costs				**(27,958)**
Foreign exchange losses				**(966)**
Corporate and other unallocated expenses				**(57,762)**
Profit before tax				**46,701**
Other segment information:				
Share of losses/(profits) of joint ventures	**2,507**	**–**	**(1,294)**	**1,213**
Share of losses of associates	**311**	**–**	**2,610**	**2,921**
Loss on disposal of a subsidiary	**6**	**–**	**–**	**6**
Impairment losses recognised in the statement of profit or loss	**1,802**	**1,470**	**449**	**3,721**
Depreciation and amortisation	**1,491**	**598**	**1,518**	**3,607**
Capital expenditure*	**158**	**130**	**24,928**	**25,216**

* Capital expenditure represents the additions to property and equipment.

Six-month period ended June 30, 2015

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

* Capital expenditure represents the additions to property and equipment.

Geographical information

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

Information about a major customer

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

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,	
	2016	2015
	RMB'000	*RMB'000*
Revenue		
Implementation of projects	**1,036,214**	1,078,807
Sale of products	**11,924**	10,987
Rendering of services	**13,779**	31,834
	1,061,917	1,121,628
Other income and gains		
Gross rental income	**6,158**	6,235
Government grants	**–**	4,538
Others	**46**	587
	6,204	11,360

5. PROFIT/(LOSS) BEFORE TAX

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

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

6. INCOME TAX

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

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

Under the relevant PRC income tax law, except for certain preferential treatment available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (2015: 25%) on their respective taxable income. During the current period, 9 entities (2015: 9 entities) of the Group were entitled to 15% preferential corporate income tax rate as High and New Technology Enterprises, and 1 entity (2015: 1 entity) of the Group which is located in Tibet was entitled to 9% preferential corporate income tax rate.

No provision for Hong Kong profits tax has been made for the six-month periods ended June 30, 2016 and 2015, as the Group had no assessable profits arising in Hong Kong for each of the periods.

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

	For the six-month period ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
Current income tax:		
Current income tax charge in Mainland China	**26,252**	23,831
Deferred income tax:		
Relating to origination and reversal of temporary differences	**(6,743)**	(4,110)
Income tax expense reported in the interim condensed consolidated statement of profit or loss	**19,509**	19,721

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

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

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

No adjustment has been made to the basic earnings per share amounts presented for the six-month periods ended June 30, 2016 and 2015 in respect of a dilution as the impact of the share option scheme outstanding has an anti-dilutive effect on the basic profit/(loss) per share amounts presented.

	For the six-month period ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**45,550**	(31,602)

	For the six-month period ended June 30, 2016	2015
Shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	**1,654,024,868**	1,654,024,868

8. DIVIDENDS PROPOSED

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

9. CONSTRUCTION CONTRACTS

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

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

10. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

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

The cash and bank balances and pledged deposits of the Group denominated in RMB totalled RMB663,230,000 (RMB663,212,000 is located in Mainland China and RMB18,000 is located overseas) as at June 30, 2016 (December 31, 2015: RMB962,340,000 in total). In Mainland China, RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

12. TRADE AND BILLS PAYABLES

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

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

	June 30, 2016	December 31, 2015
	RMB'000	*RMB'000*
Current or less than 1 year	**770,617**	845,507
1 to 2 years	**188,560**	312,579
Over 2 years	**200,838**	134,104
	1,160,015	1,292,190

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

Trade payables are non-interest-bearing and generally have credit terms ranging from 1 to 360 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the overall operation of the Company during the reporting period

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

Core business of the Group and operation thereof

1. *Expressway*

   For the six months ended June 30, 2016, the Group's revenue from the expressway segment ("Expressway") reached RMB285.8 million, representing a decrease of RMB47.1 million as compared to six months ended June 30, 2015. Since 2014, the expressway industry entered a period of stable development, and the growth of the scale of industry investment was obviously lower than that in 2012 and 2013. The amount of the new contracts signed and order secured in the six months ended June 30, 2016 was RMB367.1 million representing an increase of RMB35.6 million as compared to the six months ended June 30, 2015.

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

2. *Railway*

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

   Under the environment of increasing investment in railway construction in China during 2016, the railway segment captured this opportunity for development and maintained the momentum of high growth in traditional communication solutions, further consolidating its leading position in the traditional segment.

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

3. *Urban Traffic*

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

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

BUSINESS AND FINANCIAL REVIEW

Revenue

By Industry Segment

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

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

(i) *Expressway*

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

(ii) *Railway*

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

(iii) *Urban Traffic*

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

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. This resulted in a higher backlog amount in comparison with the figure at the end of 2015. This business pattern remained similar in 2015, and the backlog amount was approximately RMB2,147.8 million as at June 30, 2016.

During this period, the Group has implemented more than 954 projects in varied sizes, covering most of the regions in Mainland China. The following table sets out the major projects generating revenue in each industry segment:

Industry segments	**Project name**
Expressway:	Yunnan Da-Li (Dali — Lijiang) Expressway Project
	Hubei Macheng — Zhuxi Expressway Project
	Hunan Expressway information construction project
Railway:	Nanchang Data Network Reform Project
	Harbin Data Network Reform Project
	Wuhan Data Network Reform Project
Urban traffic:	Wuhai ITS Management System Project
	Nanhai District ITS Management Project
	Weifang ITS Management System Project

By business sectors

For the six months ended June 30, 2016, the revenue from Turnkey Solution decreased by 18.3%, the revenue from Special Solution decreased by 1.0%, and the revenue from Value-added Operation and Services decreased by 5.9%. The following table sets out the revenue breakdown by business sectors:

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

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

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

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

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

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

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

Cost of sales

Cost of sales was incurred on a project-by-project basis for individual legal entities and was subsequently aggregated at sector or segment and corporate level. The cost of sales was based on the equipments and other direct relevant costs incurred for the completion of each of the relevant key projects. The cost of sales accounted for 80.2% of the Group's revenue for the six month ended June 30, 2016, representing a decrease of 0.5% compared to that for the six months ended June 30, 2015.

By Industry Segment

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

(i) Expressway

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

(ii) Railway

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

(iii) Urban Traffic

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

By business sectors

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

(i) TS

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

(ii) SS

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

(iii) VAOS

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

Gross Profit

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

By Industry Segment

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

(i) Expressway

The Expressway segment gross profit margin increased by 2.5% to 23.6% as compared to 21.2% for the six months ended June 30, 2015. The increase was mainly due to that the gross profit margin of some projects which implemented in 2016 was higher than the average level.

(ii) Railway

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

(iii) Urban Traffic

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

By Business Sectors

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

(i) TS

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

(ii) SS

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

(iii) VAOS

Gross profit margin for VAOS decreased by 9.6% as compared to 39.2% for the six months ended June 30, 2015. The gross profit margin for VAOS is varied from project to project and normally is within a range from 30% to 60%. The Group believes VAOS will continue to bring higher quality of profit in the coming years.

Other Income and Gains

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

Selling, General and Administration Expense

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

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

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

Staff costs remained as a large component of the Group's SG&A while travelling, entertainment and business expansion expenses ("**T&E Expenses**") and office supplies expenses are highly correlated with the headcount numbers. Therefore, the total amount of the aforesaid expenses (headcount related cost) constituted the largest portion of the Group's SG&A. The headcount related cost increased from RMB88.7 million in the six months ended June 30, 2015 to RMB97.4 million for the six months ended June 30, 2016, representing a 9.8% increase and accounting for 70.2% of the SG&A. This fluctuation was mainly due to that the Group had put more and more efforts in developing new business opportunities through the following ways: (a) hired talent people; (b) adjusted salary rate in order to retain loyal employees. Management believed the expenditure in human resource will yield higher profits for the Group in the coming future.

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

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

(ii) *Bad debts expenses*

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

Finance Revenue and Finance Cost

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

Share of Losses of Joint Venture/Associates

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

Income Tax Expenses

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

Profit for the year

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

Trade Receivables Turnover Days

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

Net Construction Turnover Days

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

Trade Payables Turnover Days

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

Inventory Turnover Days

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

Liquidity and Financial Resources

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

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

Contingent Liabilities

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

Charges on Group Assets

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

Material Disposals of Subsidiaries

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

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

EMPLOYMENT AND EMOLUMENT POLICIES

As at June 30, 2016, the Group had 765 full-time employees. The remuneration of the existing employees includes basic salaries, discretionary bonuses and social security contributions. The emolument policy of the employees of the Group is set up by the Board on the basis of individual performance, the nature and responsibilities of the individual concerned and the performance of our Group and market conditions.

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

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions contained in the code of corporate governance practices (the "**CG Code**") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company has complied with the code provisions in the CG Code throughout the six months ended June 30, 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "**Model Code**") as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2016.

AUDIT COMMITTEE

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

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

The audit committee has reviewed the accounting principles and practices and has also reviewed auditing, internal control and financial reporting matters, including the review of the interim results of the Group for the six months ended June 30, 2016 together with the management of the Company and external auditor, Ernst & Young.

PUBLICATION OF THE 2016 INTERIM REPORT

The 2016 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 29, 2016

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. Ye Zhou.