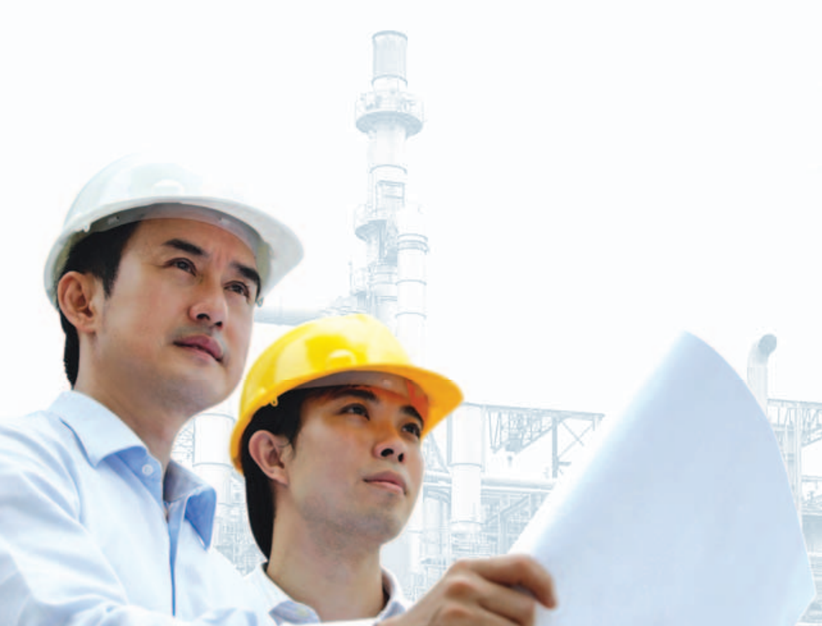
INTERIM REPORT 2011

"APPLY TOMORROW'S TECHNOLOGY,
SAFEGUARD SECURITY TODAY"



China Automation Group Limited
中國自動化集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 569)

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FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2011, revenue of the Group increased by 42% to RMB1,072.4 million (1H 2010: RMB755 million), compared with that of the corresponding period of last year.

Revenue generated from petrochemical segment significantly increased by 39.9% to RMB553.2 million (1H 2010: RMB395.4 million), whereas revenue generated from railway segment tremendously increased by 44.4% to RMB519.2 million (1H 2010: RMB359.6 million) for the six months ended 30 June 2011.

Turnover analysis by operating segment

	Six months ended 30 June				
	2011		2010		Change
	(RMB' million)	**%**	(RMB' million)	%	(%)
Petrochemical	**553.2**	**51.6**	395.4	52.4	39.9
Railway	**519.2**	**48.4**	359.6	47.6	44.4
	1,072.4	**100.0**	755.0	100.0	42.0

Turnover analysis by types of goods and services supplied

	Six months ended 30 June				
	2011		2010		Change
	(RMB' million)	**%**	(RMB' million)	%	(%)
System sales					
– Petrochemical	**487.6**	**45.5**	311.2	41.2	+56.7
– Railway	**334.2**	**31.2**	278.5	36.9	+20.0
Sub-total	**821.8**	**76.7**	589.7	78.1	+39.4
Provision of engineering and maintenance services	**48.8**	**4.5**	47.3	6.3	+3.2
Distribution of equipment	**201.8**	**18.8**	118.0	15.6	+71.0
Total	**1,072.4**	**100.0**	755.0	100.0	+42.0

Management Discussions and Analysis

On the basis of types of goods and services supplied by the Group, the revenue related to system sales, provision of engineering and maintenance services as well as distribution of equipment for the six months ended 30 June 2011 amounted to RMB821.8 million (1H 2010: RMB589.7 million), RMB48.8 million (1H 2010: RMB47.3 million) and RMB201.8 million (1H 2010: RMB118 million) respectively.

System sales to petrochemical industries

For the six months ended 30 June 2011, revenue generated from system sales in relation to the petrochemical industries significantly increased by 56.7% to RMB487.6 million (1H 2010: RMB311.2 million). The significant growth was mainly attributable to (i) the Group's satisfactory organic growth in the traditional petrochemical and emerging coal chemical industries; and (ii) the contribution from the new petrochemical engineering design business.

System sales to railway industries

For the six months ended 30 June 2011, revenue generated from system sales in relation to railway industries increased by 20.0% to RMB334.2 million (1H 2010: RMB278.5 million). The lower-than-expected growth was mainly attributable to the slow-down in the railway construction under the Ministry of Railways market in the second quarter of this year.

Provision of engineering and maintenance services

For the six months ended 30 June 2011, revenue generated from the provision of engineering and maintenance services increased by 3.2% to RMB48.8 million (1H 2010: RMB47.3 million). However, the management of the Group is confident that a faster growth rate could be achieved in the second half of this year.

Distribution of equipment

For the six months ended 30 June 2011, revenue in relation to equipment distribution significantly increased by 71.0% to approximately RMB201.8 million (1H 2010: RMB118 million). The management of the Group anticipates that this business segment could maintain the same momentum in the second half of this year.

In terms of business segment, 76.7% (1H 2010: 78.1%) of the revenue was generated from system sales, 4.5% (1H 2010: 6.3%) from the provision of engineering and maintenance services and 18.8% (1H 2010: 15.6%) was from distribution of equipment for the six months ended 30 June 2011.

In addition, in terms of industry segment, 51.6% (1H 2010: 52.4%) of the Group's revenue was generated from the petrochemical segment and 48.4% (1H 2010: 47.6%) was from the railway segment.

Gross profit

Gross profit for the six months ended 30 June 2011 was RMB425.5 million (1H 2010: RMB303.1 million), representing a 40.4% growth over that of the corresponding period of last year.

The overall gross profit margin slightly decreased by 0.4% to 39.7% for the six months ended 30 June 2011 (1H 2010: 40.1%).

Management Discussions and Analysis

Gross profit analysis by types of goods and services supplied

	Six months ended 30 June		
	2011	2010	Change
	(%)	(%)	(%)
System sales			
– Petrochemical	**43.0**	42.6	+0.4
– Railway	**40.9**	44.0	-3.1
Sub-total	**42.1**	43.3	-1.2
Provision of engineering and maintenance services	**69.9**	67.8	+2.1
Distribution of equipment	**22.4**	15.0	+7.4
Total	**39.7**	40.1	-0.4

Gross profit margin of system sales in relation to petrochemical industries

The gross profit margin slightly increased by 0.4% to 43.0% (1H 2010: 42.6%). The normal gross profit margin of system sales in relation to petrochemical industries is ranging from 40-45%. As such, the gross profit margin achieved was within the norm.

Gross profit margin of system sales in relation to railway industries

The gross profit margin decreased by 3.1% to 40.9% (1H 2010: 44.0%). The decline in gross profit margin was mainly due to the increase in hardware price resulted from appreciation of Japanese Yen.

Gross profit margin of the provision of engineering and maintenance services

The overall gross profit margin increased by 2.1% to 69.9% (1H 2010: 67.8%) compared with that of the corresponding period of the previous year.

Gross profit margin of distribution of equipment

For the six months ended 30 June 2011, the gross profit margin of equipment distribution business increased by 7.4% to 22.4% (1H 2010: 15%). The increase in gross profit margin was mainly due to more value added works performed such as system integration, assembly works and skilled labor services rendered for the equipments distributed in the period under review.

Other income

For the six months ended 30 June 2011, other income amounted to RMB2.5million (1H 2010: RMB16.8 million). The reason is that there was VAT refunds from the local tax bureau of RMB16 million in the corresponding period of previous year but application for the same had been pended for the first half of this year. However, the management of the Group believes that the VAT refunds could be received in the second half of this year.

Other gains

For the six months ended 30 June 2011, other gains of RMB8.1 million (1H 2010: losses of RMB3.3 million) were mainly comprised foreign exchange gains and write-back of bad debt provision as well as gain on redemption of senior notes.

Selling and distribution expenses

Selling and distribution expenses for the six months ended 30 June 2011 were RMB51.0 million, representing a growth of 18.9% compared with that of the corresponding period of last year.

Such increase was mainly attributable to (i) the increase in staff costs resulted from increased staff head-count resulted from the newly acquired petrochemical engineering design business and other business expansion; (ii) more traveling and cargo expenses incurred in line with the expanded business activities nationwide; and (iii) more consultancy fees in connection with the large contracts.

Nevertheless, the significant increase in revenue of the Group in the six months ended 30 June 2011 resulted in a decline in selling and distribution expenses as a percentage of the Group's full year revenue from 5.7% to 4.8%.

Administrative expenses

Administrative expenses for the six months ended 30 June 2011 were RMB107.7 million (1H 2010: RMB77.2 million), representing an increase of 39.5% when compared with that of the corresponding period of previous year.

Such increase was mainly attributable to (i) the increase in staff costs for the increased staff head-count for new petrochemical engineering design business as well as other business; (ii) increased rental and related utilities expenses resulted from new petrochemical engineering design business and enlarged office space to cope with the expansion of business operation; (iii) increased amortization expenses for intangible assets; and (iv) the increase in due diligence expenses in connection with a number of investments contemplated during the period under review.

As a result of the significant increase in the Group's revenue for the six months ended 30 June 2011, the administrative expenses as a percentage of its revenue fell by 0.2% to 10% compared to that of previous year.

Research and development expenses

Research and development expenses for the six months ended 30 June 2011 were RMB 12.2 million (1H 2010: RMB 10.1 million), a 20.8% increase from that of the corresponding period of previous year.

Such increase was mainly attributable to the increase in research and development projects in relation to the development of new signaling related technology and products as well as upgrading the existing ones.

Finance costs

Finance costs for the six months ended 30 June 2011 amounted to RMB53.7 million (1H 2010: RMB10.9 million). Such significant increase was mainly attributable to (i) interest expenses incurred on senior notes amounted to RMB1,306.4 million (equivalent to USD200 million) issued in April this year; and (ii) written-off of issue costs in connection with early repayment of syndicated loan.

Management Discussions and Analysis

Income tax expenses

Income tax expenses amounted to RMB32.8 million for the six months ended 30 June 2011 which was 78.3% higher than that for the corresponding period of previous year (1H 2010: RMB18.4 million). The effective tax rate of the Group for the six months ended 30 June 2011 increased by 5.3% to 15.8% (1H 2010: 10.5%) due to higher taxable profit arising from the income generated from Hong Kong operation which was engaged in more equipment distribution business as well as the effect of VAT refunds not yet received for the period of under review.

Profit for the year

As a result of the foregoing, the Group recorded a net profit of the Company of RMB175.2 million for the six months ended 30 June 2011 (1H 2010: RMB157 million), representing an increase of RMB18.2 million or 11.6% when compared with that of the corresponding period last year.

Liquidity, financial resources and capital structure

The Group remained in a strong capital and cash position for the period under review.

The net cash from operating activities of the Group increased by RMB27.5 million to RMB45.5 million for the six months ended 30 June 2011 (1H 2010: RMB18 million), which was mainly attributable to (i) the decrease in other receivables and prepayments; (ii) the decrease in amounts due from customers for contract work; as well as (iii) the increase in trade and bills payables which was partially offset by the increase in trade and bills receivables and inventories.

Net cash used in investing activities of the Group increased by RMB61.7 million to RMB183 million for the six months ended 30 June 2011 (1H 2010: RMB121.3 million). The investments during the period were mainly (i) the acquisition a further 25% equity interests in Wuzhong Instrument Company Limited at a consideration of RMB100 million; and (ii) the purchase of available-for-sale financial assets amounted to RMB60.8 million.

Net cash from financing activities increased by RMB772.6 million to RMB811.2 million for the six months ended 30 June 2011 (1H 2010: RMB38.6 million).

On 20 April 2011, the Company issued 5-year senior notes in the aggregate principle amount of US$200 million (equivalent to approximately RMB1,306.4 million) with issue price at USD98.986 and redemption price of 100%, which are unconditionally and irrevocably guaranteed by four guarantor subsidiaries. The coupon of the bonds is 7.75%, and interests are paid semi-annually. As majority of Group's operations are in China, if RMB appreciates in the future, the Group will benefit from earning RMB and repaying foreign currency debts, and the costs for foreign currency debt will be lowered indirectly.

As at 30 June 2011, cash and bank balances (including bank deposits under conditions) amounted to RMB1,398.6 million (31 December 2010: RMB695.9 million). The working capital (net current assets) of the Group as at 30 June 2011 amounted to RMB2,355.8 million (31 December 2010: RMB1,372.1 million), representing an increase of 71.7% from that of 31 December 2010. The current ratio remained at a healthy level of 4.4 times (31 December 2010: 3.0 times).

Management Discussions and Analysis

Gearing position

The Group's prudent financial management policies enabled it to maintain a healthy net cash position as at 30 June 2011 (31 December 2010: net cash position). All of which was deposited with commercial banks.

As at 30 June 2011, the total liabilities to shareholders equity increased to 111.2 % (31 December 2010: 60.3%). Total liabilities of the Group amounted to RMB2,045.2 million (31 December 2010: RMB1,027.4 million).

As at 30 June 2011, the total borrowings of the Group amounted to RMB1,373.7 million (31 December 2010: RMB488.5). The total borrowings mainly comprised the senior notes amounted to RMB1,306.4 million (equivalent to USD200 million) issued in April this year.

Currently, the Group's operating and capital expenditures are funded by operating cash flow, internal liquidity, bank loans and issued senior notes. The Group has sufficient sources of funds and unutilized banking facilities to meet the future capital expenditure and working capital requirements.

Significant investments, mergers and acquisitions

For the six month ended 30 June 2011, the Group had made the following significant investments:

(i) In March this year, the Group completed the acquisition of a further 25% equity interests in Wuzhong Instrument Company Limited ("Wuzhong Instrument") at a consideration of RMB100 million;

(ii) In May this year, the Group signed an agreement to acquire a further 30% equity interests in Wuzhong Instrument at a consideration of RMB97.8 million and it is expected that the transaction could be completed by the end of this year;

(iii) In April this year, the Group completed the purchase of available-for-sale financial assets amounted to RMB50 million;

(iv) In July this year, the Group, through Beijing Consen Process Control Technology Company Limited, entered into an agreement to acquire 48% equity interest in Nanjing Huashi Electronic Scientific Co., Ltd. ("Nanjing Huashi") at a consideration of RMB113 million. Concurrently, Beijing Consen Process Control entered into a capital injection agreement to invest RMB 6.2 million in Nanjing Huashi, which increase to 51% equity interests in Nanjing Huashi.

Contingent liabilities

As at 30 June 2011, the Group had no material contingent liabilities.

Management Discussions and Analysis

FUTURE OUTLOOK

As the largest safety and critical control system solution provider in the petrochemical industry and one of the largest providers of railway signaling system in China, the Group will continue to leverage its strength in existing product, technology, market, and engineering service to expand its product range from safety and critical control systems to control valves in petrochemical industry and from signaling systems to traction control systems in railway industry.

Petrochemical business

The Group will maintain its leading position of safety and critical control system in petrochemical industry by enhancing R&D, expanding product application, and extending service coverage. The Group will continue to maintain long-term co-operation relationships with reputable clients such as Sinopec, PetroChina so as to maintain its market share. The Group will continue to make steady improvement for safety and critical control system solution business in coal chemical and other chemical industries.

The Group has expanded its product range from safety and critical control systems to control valves. This horizontal business expansion enables the Group to enter into the large and lucrative market of control valve. In order to enhance the high-value added product range and optimize its product mix, the Group will continue to deploy resources in R&D to develop new and upgrade existing models of control valves. The Group will also endeavor to capture the huge market opportunity of control valve business through its extensive sales and marketing network in China. Moreover, the Group will expand its revenue contribution from recurring after-sales engineering and maintenance services through expanding installation base as well as striving to acquire more large-scale petrochemical engineering design projects.

Railway business

The Group will continue to consolidate its leading position in railway signaling market and its top focus will be to strengthen the safety and reliability of its signaling systems throughout all stages in R&D, manufacturing, testing and application.

In the longer run, the Group will dedicate itself to developing into an advanced solution provider with a full range of signaling products and serve urban rail transit as a general contractor, and national railway as an equipment supplier. The Group will continue to develop and expand its market share of existing railway signaling products such as CTC, TCC, etc. and will further accelerate the on-board signaling product development (such as ATP, ATO) through R&D and propel cooperation with overseas partners in order to capture the growing opportunities of urban rail transit market.

Management Discussions and Analysis

The Group has expanded its business scope from signaling system to traction converter by the formation of ABB Microunion, an associate with ABB (China) Limited. Together with the newly acquired Nanjing Huashi, the Group can form a consortium comprising ABB Microunion and Huashi to tap into the market of traction control system for urban rail transit projects. The Group can hence provide a selection of products for railway industry including signaling system, traction converter, auxiliary converter, auxiliary electricity supply systems, and TCMS ("Train Control and Monitoring System").

Merger and Acquistion

The Group will continue to seek M&A targets in a prudent manner so as to create synergies with the Group's core businesses in petrochemical industries. On the other hand, we will be on the lookout for cooperation partners with competitive edges in terms of self-developed intellectual property right, core technology, marketing, sales and engineering resources. With the outstanding track records of our M&A, we will focus on the integration and development of the newly acquired companies so as to turn them into the new growth engines of the Group.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF CHINA AUTOMATION GROUP LIMITED

INTRODUCTION

We have reviewed the interim financial information set out on pages 11 to 33, which comprise the condensed consolidated statement of financial position of China Automation Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provision thereof and International Accounting Standard 34 "Interim Financial Reporting"("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by International Aduditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 August 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

		Six months ended 30 June	
	NOTES	**2011**	2010
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	**1,072,434**	754,996
Cost of sales		**(646,952)**	(451,900)
Gross profit		**425,482**	303,096
Other income	4	**2,469**	16,806
Other gains and losses	5	**8,114**	(3,314)
Selling and distribution expenses		**(51,009)**	(42,892)
Administrative expenses		**(107,713)**	(77,192)
Research and development expenses		**(12,230)**	(10,103)
Finance costs	6	**(53,653)**	(10,923)
Share of results of associates		**(3,449)**	—
Profit before taxation		**208,011**	175,478
Income tax expense	7	**(32,784)**	(18,442)
Profit for the period	8	**175,227**	157,036
Other comprehensive income for the period			
Exchange differences arising on translation of foreign operations		**3,003**	(246)
Total comprehensive income for the period		**178,230**	156,790
Profit for the period attributable to:			
Owners of the Company		**153,134**	141,962
Non-controlling interests		**22,093**	15,074
		175,227	157,036
Total comprehensive income attributable to:			
Owners of the Company		**156,137**	141,716
Non-controlling interests		**22,093**	15,074
		178,230	156,790
Earnings per share	10		
Basic (RMB cents)		**14.99**	14.06
Diluted (RMB cents)		**14.96**	13.97

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	NOTES	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	11	**136,294**	129,925
Prepaid lease payments - non-current portion		**24,062**	24,354
Intangible assets		**287,681**	295,282
Goodwill		**85,064**	85,064
Interests in associates	12	**193,284**	96,720
Pledged bank deposits		**19,023**	17,375
Deferred tax assets	13	**9,552**	15,159
Available-for-sale financial assets	14	**64,217**	3,373
Deposits for acquisition of a subsidiary		**20,000**	—
		839,177	667,252
Current Assets			
Prepaid lease payments - current portion		**584**	584
Inventories		**535,859**	403,597
Trade and bills receivables	15	**1,003,378**	842,897
Amounts due from customers for contract work		**33,934**	10,857
Other receivables and prepayments		**93,457**	128,420
Pledged bank deposits		**122,458**	96,260
Bank balances and cash		**1,257,142**	582,238
		3,046,812	2,064,853
Current Liabilities			
Trade and bills payables	16	**389,102**	255,334
Other payables, deposits received and accruals		**178,873**	167,721
Dividend payable		**3**	3
Tax liabilities		**18,206**	23,157
Bank borrowings - due within one year	17	**104,786**	246,569
		690,970	692,784
Net Current Assets		**2,355,842**	1,372,069
Total Assets less Current Liabilities		**3,195,019**	2,039,321

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	NOTES	**At 30 June 2011 RMB'000 (unaudited)**	At 31 December 2010 RMB'000 (audited)
Capital and Reserves			
Share capital	19	**9,562**	9,491
Share premium and reserves		**1,659,903**	1,547,648
Equity attributable to owners of the Company		**1,669,465**	1,557,139
Non-controlling interests		**170,353**	147,548
Total Equity		**1,839,818**	1,704,687
Non-current liabilities			
Deferred tax liabilities	13	**41,038**	41,168
Bank borrowings - due after one year	17	**7,065**	192,560
Long-term debenture		**49,342**	49,288
Guaranteed notes	18	**1,212,501**	—
Deferred income		**45,255**	51,618
		1,355,201	334,634
Total Equity and Liabilities		**3,195,019**	2,039,321

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory surplus reserves RMB'000	Contribution from owners RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
For the six months ended 30 June 2010 (Unaudited)											
At 1 January 2010	9,376	756,126	(18,335)	38,536	619	(6,065)	24,026	480,217	1,284,500	117,759	1,402,259
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(246)	–	–	(246)	–	(246)
Profit for the period	–	–	–	–	–	–	–	141,962	141,962	15,074	157,036
Total comprehensive income for the period	–	–	–	–	–	(246)	–	141,962	141,716	15,074	156,790
Dividend paid by a subsidiary	–	–	–	–	–	–	–	–	–	(11,980)	(11,980)
Issue of shares on exercise of share options	111	37,307	–	–	–	–	(12,090)	–	25,328	–	25,328
Recognition of share-based payments	–	–	–	–	–	–	2,468	–	2,468	–	2,468
At 30 June 2010	9,487	793,433	(18,335)	38,536	619	(6,311)	14,404	622,179	1,454,012	120,853	1,574,865
For the six months ended 30 June 2011 (Unaudited)											
At 1 January 2011	**9,491**	**751,299**	**(18,335)**	**54,538**	**619**	**(5,769)**	**15,500**	**749,796**	**1,557,139**	**147,548**	**1,704,687**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**3,003**	**–**	**–**	**3,003**	**–**	**3,003**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**153,134**	**153,134**	**22,093**	**175,227**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**3,003**	**–**	**153,134**	**156,137**	**22,093**	**178,230**
Dividend distributed (Note 9)	**–**	**(59,828)**	**–**	**–**	**–**	**–**	**–**	**–**	**(59,828)**	**–**	**(59,828)**
Issue of shares on exercise of share options	**71**	**24,724**	**–**	**–**	**–**	**–**	**(8,778)**	**–**	**16,017**	**–**	**16,017**
Contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**712**	**712**
At 30 June 2011	**9,562**	**716,195**	**(18,335)**	**54,538**	**619**	**(2,766)**	**6,722**	**902,930**	**1,669,465**	**170,353**	**1,839,818**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**45,541**	17,970
Interest received	**1,125**	829
Purchases of property, plant and equipment	**(14,171)**	(22,699)
Purchases of available-for-sale financial assets	**(60,844)**	—
Withdraw of deposits for acquisition of a subsidiary	**40,800**	—
Deposits for acquisition of a subsidiary	**(20,000)**	—
Development costs paid	**(2,025)**	(1,680)
Proceeds on disposal of property, plant and equipment	**5**	116
Placement of pledged bank deposits	**(90,740)**	(38,458)
Withdraw of pledged bank deposits	**62,894**	20,567
Investment in an associate	**—**	(80,000)
Acquisition of a subsidiary (Note 20)	**(100,000)**	—
Net cash used in investing activities	**(182,956)**	(121,325)
New borrowings raised	**368,415**	270,944
Repayments of borrowings	**(695,693)**	(234,808)
Interest paid	**(31,685)**	(10,923)
Proceeds from issue of guarantee notes	**1,293,124**	—
Guarantee notes expenses paid	**(38,081)**	—
Repurchase of guarantee notes	**(41,799)**	—
Proceeds from issue of shares on exercise of share option	**16,017**	25,328
Contribution from non-controlling interests	**712**	—
Dividends paid to owners of the Company	**(59,828)**	—
Dividends paid to non-controlling shareholders	**—**	(11,980)
Net cash generated from financing activities	**811,182**	38,561
Net increase (decrease) in cash and cash equivalents	**673,767**	(64,794)
Cash and cash equivalents at 1 January	**582,238**	536,598
Effect of foreign exchange rate changes	**1,137**	(251)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**1,257,142**	471,553

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

1. GENERAL AND BASIS OF PREPARATION

The Company was an exempted company with limited liability incorporated in the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman KY1-1111, Cayman Islands and its place of business in Hong Kong is located at Suite 3205B-3206, 32/F, Office Tower, Convention Plaza, No. 1, Harbour Road, Wanchai, Hong Kong. The Company is an investment holding company, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company's subsidiaries are principally engaged in the research and providing the solution for the safety and critical control system in chemical, petrochemical, coal chemical, oil and gas market and the railway safety control system in national railway/urban railway market.

The condensed consolidated financial statement of the Company and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below:

In the current interim period, the Group has applied, for the first time, the following new or revised Standards and Interpretations ("new or revised IFRS") issued by the International Accounting Standards Board ("IASB"):

Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009) *Related Party Disclosures*
Amendments to IAS 32 *Classification of Right Issues*
Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

The application of the new and revised IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of the new and revised Standards and Interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group's operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), being the Operating Management Committee, in order to allocate resources to the segment and to assess its performance.

The information reported to the CODM for the purposes of resource allocation and performance assessment focuses more specifically on the category of customer. The principal categories of customers are petrochemical and railway.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

3. REVENUE AND SEGMENT INFORMATION (CONT'D)

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

Six months ended 30 June 2011 (unaudited)

	Petrochemical RMB'000	Railway RMB'000	Consolidated RMB'000
Revenue	553,209	519,225	1,072,434
Segment profit before taxation	116,362	130,591	246,953
Income tax expense	(12,580)	(20,204)	(32,784)
Segment profit	104,282	110,887	214,169
Unallocated other income			142
Unallocated other gains and losses			910
Unallocated administrative expenses			(5,844)
Unallocated finance costs			(34,150)
Profit for the period			175,227

Six months ended 30 June 2010 (unaudited)

	Petrochemical RMB'000	Railway RMB'000	Consolidated RMB'000
Revenue	395,426	359,570	754,996
Segment profit before taxation	82,012	97,314	179,326
Income tax expense	(6,914)	(11,528)	(18,442)
Segment profit	75,098	85,786	160,884
Unallocated other income			154
Unallocated other gains and losses			(42)
Unallocated administrative expenses			(3,960)
Profit for the period			157,036

All of the segment revenue reported above is from external customers.

3. REVENUE AND SEGMENT INFORMATION (CONT'D)

Segment profit represents the post-tax profit earned by each segment without allocation of central administrative expenses, interest income, other gains and losses and finance costs of the Company. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets by operating segment:

Segment assets	**30 June 2011 RMB'000**	31 December 2010 RMB'000
Petrochemical	**2,458,444**	1,467,324
Railway	**1,333,443**	1,206,653
Total segment assets	**3,791,887**	2,673,977

4. OTHER INCOME

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Bank interest income	**1,125**	829
Value added tax ("VAT") refund (Note)	**—**	15,977
Others	**1,344**	—
	2,469	16,806

Note: The amount represents the VAT refund from local tax bureau in accordance with the preferential policy on VAT of software manufacturers.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Net foreign exchange gain (loss)	**2,803**	(1,106)
Reversal of allowance for (allowance for) bad and doubtful debts	**2,589**	(2,298)
(Loss) gain on disposal of property, plant and equipment	**(27)**	90
Gain on repurchase of guaranteed notes (Note 18)	**2,749**	—
	8,114	(3,314)

6. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Interest on borrowings wholly repayable within five years	**22,424**	11,468
Expenses on early repayment of syndicated loan (Note)	**9,261**	—
Interest on long-term debenture	**1,338**	—
Interest on guaranteed notes	**21,534**	—
	54,557	11,468
Less: amount capitalised under construction in progress	**(904)**	(545)
	53,653	10,923

Note: During the period, the Company early repaid the syndicated loan and the corresponding arrangement fee of approximately RMB9,261,000 was recognised as expense.

Borrowing costs capitalised during the period are calculated by applying a capitalisation rate of 5.99% (2010: 4.06%) per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Current tax charge comprises:		
Hong Kong Profits Tax	**7,330**	4,661
People's Republic of China ("PRC") enterprise income tax	**19,977**	12,449
	27,307	17,110
Deferred tax (Note 13)	**5,477**	1,332
	32,784	18,442

PRC enterprise income tax is calculated at 25% of the estimated assessable profit of the Company's subsidiaries located in the PRC as determined in accordance with relevant tax rules and regulations in the PRC for current period, except for certain subsidiaries of the Company which were enjoyed substantially lower than 25% tax rate due to relevant incentive policies.

Certain subsidiaries of the Company operating in the PRC are eligible for tax holiday and concession. The tax holiday and concession are in the form of two years tax exemption from the first profit-making year, followed by 50% reduction of the applicable tax rate in the following three years. Beijing Consen Automation Control Co., Ltd. ("Beijing Consen") and Beijing Tri-Control Automation Co., Ltd. ("Beijing Tri-control") were under the third year of 50% tax reduction in 2010 and ceased to enjoy this tax benefit from 1 January 2011.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Cost of inventories expensed	**597,086**	449,697
Depreciation of property, plant and equipment	**7,770**	5,704
Amortisation of intangible assets included in:		
Cost of sales	**3,688**	1,488
Administrative expenses	**5,939**	—
	9,627	1,488
Release of prepaid lease payment	**292**	292
Share-based payments	**—**	2,468
Operating lease rentals in respect of rented premises	**13,285**	8,438

9. DIVIDENDS

Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
2010 final dividends-HK$ 7 cents per share	**59,828**	—

The final dividend of RMB 59,828,000 in respect of the year end 31 December 2010, was paid in 2011. The directors recommend the payment of an interim dividend of HKD20,555,000 at HKD2.0 cents per share for the six months ended 30 June 2011 (Six months ended 30 June 2010: Nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June	
Earnings	**2011**	2010
	RMB'000	RMB'000
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**153,134**	141,962

	Six months ended 30 June	
Number of shares	**2011**	2010
	'000 shares	'000 shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,021,445**	1,009,386
Effect of dilutive share options	**2,306**	6,461
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,023,751**	1,015,847

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group purchased property, plant and equipment approximately RMB6,955,000 (six months ended 30 June 2010: RMB14,022,000) from third parties and disposed property, plant and equipment of approximately RMB32,000 to third parties (six months ended 30 June 2010: RMB532,000).

In addition, the Group spent approximately RMB7,216,000 on the construction of its new office premises and buildings improvements in the current period (six months ended 30 June 2010: RMB8,677,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

12. INTERESTS IN ASSOCIATES

	30 June 2011 RMB'000	31 December 2010 RMB'000
Cost of investments, unlisted	**200,165**	100,152
Share of post-acquisition loss and other comprehensive loss, net of dividends received	**(6,881)**	(3,432)
	193,284	96,720

Details of the Group's associates as at 30 June 2011 are set out below.

Name of entity	Date and place of establishment	Place of operation	Fully paid up registered capital	Equity interest attributable to the Group	Principal activities
吳忠儀表有限責任公司 Wuzhong Instrument Co. Ltd ("Wuzhong")	27 January 2010 PRC	PRC	RMB320,000,000	50%	Manufacture of industry automatic control valves
廣州 ABB 微聯牽引設備有限公司 ABB Microunion Traction Equipment Limited ("ABB Microunion")	16 July 2010 PRC	PRC	US$6,000,000	50%	Traction converters and auxiliary converters

During the period, the Group obtained another 25% equity interest in Wuzhong through the acqusition of a new subsidiary disclosed in note 20.

13. DEFERRED TAX ASSETS/LIABILITIES

The deferred tax assets recognised by the Group and movements thereon during current and prior periods are as follows:

	Allowance for doubtful debts	Deferred income	Tax losses	Fair value adjustment of intangible assets (note a)	Distri-butable profits of subsidiary (note b)	Other temporary difference (note c)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	2,534	9,078	—	(37,789)	(1,000)	4,539	(22,638)
(Charge) credit to profit or loss	325	(332)	—	—	—	(1,325)	(1,332)
At 30 June 2010	2,859	8,746	—	(37,789)	(1,000)	3,214	(23,970)
(Charge) credit to profit or loss	374	(1,003)	764	(2,379)	—	205	(2,039)
At 31 December 2010	3,233	7,743	764	(40,168)	(1,000)	3,419	(26,009)
(Charge) credit to profit or loss	(2,940)	(954)	—	1,130	(1,000)	(1,713)	(5,477)
At 30 June 2011	293	6,789	764	(39,038)	(2,000)	1,706	(31,486)

Notes:

(a) Deferred tax liabilities of fair value adjustment recognised by the Group represented the fair value adjustment on intangible assets arising from the business acquisition.

(b) Under the PRC Tax Law, withholding tax is imposed on dividends declared in respect of profit earned by PRC subsidiaries from 1 January 2008 onwards at 5% according the relevant tax treaties. During the reporting period, deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries generated during the period amounting to RMB163,456,000 (six months ended 30 June 2010: RMB130,481,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(c) Other temporary differences mainly represent the temporary differences arising from the leasehold improvements, unpaid payroll and unexercised share option expenses.

13. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

The following is the analysis of the deferred tax balances for financial reporting purpose:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Deferred income tax assets	**9,552**	15,159
Deferred income tax liabilities	**(41,038)**	(41,168)
	(31,486)	(26,009)

At 30 June 2011, the Group had unused tax losses of approximately RMB52,423,000 (2010: RMB44,973,000) available to offset against future profits of respective subsidiaries. No deferred tax asset has been recognised in respect of the unrecognised tax losses due to the unpredictability of future profit streams of respective subsidiaries.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2011 RMB'000	31 December 2010 RMB'000
Unlisted equity investment, at cost less impairment	**64,217**	3,373

The unlisted equity investment represents equity investments in private entities established in the PRC and United States of America ("USA"). It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair values cannot be measured reliably.

15. TRADE AND BILLS RECEIVABLES

The normal credit period except for the retention receivables granted to the Group's customer is 90 to 365 days. The following is an aged analysis of trade and bills receivables (based on invoice date) at the reporting date:

	30 June 2011 RMB'000	31 December 2010 RMB'000
0 - 90 days	**650,851**	486,663
91 - 180 days	**158,132**	105,177
181 - 365 days	**126,239**	173,673
1 - 2 years	**67,581**	66,679
2 - 3 years	**575**	10,386
More than 3 years	**—**	319
	1,003,378	842,897

16. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables (based on invoice date) at the reporting dates:

	30 June 2011 RMB'000	31 December 2010 RMB'000
0 - 90 days	**316,196**	176,857
91 - 180 days	**22,670**	53,006
181 - 365 days	**39,088**	19,410
1 - 2 years	**11,148**	6,055
More than 2 years	**—**	6
	389,102	255,334

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

17. BANK BORROWINGS

During the period, the Group obtained new short-term bank loans amounting to approximately RMB 196,376,000 (six months ended 30 June 2010:RMB 247,609,000) and repaid short-term bank loans amounting to approximately RMB 338,159,000 (six months ended 30 June 2010:RMB 220,923,000).The Group obtained new long-term bank loans (including syndicated loan amounting to RMB 172,039,000) amounting to approximately RMB 172,039,000 (six months ended 30 June 2010:RMB 23,385,000) and repaid long-term bank loans (including syndicated loan amounting to RMB 329,442,000) amounting to approximately RMB 357,534,000 (six months ended 30 June 2010:RMB 13,885,000). The loans carry interest at market rates of 3.53% to 6.94% (six months ended 30 June 2010: 2.52% to 5.94%). The proceeds were used to finance capital expenditure and general working capital of the Group.

At 30 June 2011, certain assets of the Group including land, buildings, constructions in progress and bank deposits with aggregate carrying value of RMB111,862,000 (2010: RMB130,563,000) were pledged as security for loan facilities granted by banks.

18. GUARANTEED NOTES

	2011	2010
	RMB'000	RMB'000
Guaranteed notes	**1,212,501**	—

On 20 April 2011, the Company issued guaranteed notes with the aggregate principal amount of US$200,000,000 (equivalent to approximately RMB1,306,371,000) which are unsecured, unconditionally and irrecoverably guaranteed by certain oversea subsidiaries of the Company. During the period, the Company repurchased guaranteed notes with the aggregate principal amount of US$7,000,000 (equivalent to approximately RMB45,723,000) and a gain of approximately RMB2,749,000 (Note 5) was recognized in the profit or loss.

The guaranteed notes are denominated in United States ("US") dollars at fixed interest rate of 7.750% per annum due in April 2016.

According to the terms and conditions of the guaranteed notes, at any time or from time to time prior to the maturity date, the Company may at its option to redeem the notes at a redemption price equal to the principal amount and appropriate premium, thereof plus accrued and unpaid interest to such redemption date. The effective interest rate is approximately 8.742% per annum after adjusted for transaction costs.

19. SHARE CAPITAL

	Number of shares '000 shares	Amount HK'000
Authorised:		
Ordinary shares of HK$0.01	3,000,000	30,000
Issued and fully paid:		
At 1 January 2011	1,019,754	10,198
Issue of shares on exercise of share options (Note 21)	8,002	80
At 30 June 2011	1,027,756	10,278

	30 June 2011 RMB'000
Shown in the condensed consolidated statement of financial position	9,562

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

20. ACQUISITON OF A SUBSIDIARY

The Company's subsidiary, Consen International, has entered into a share purchase agreement with Cowin Global Investments Limited on 24 January 2011, to acquire 100% equity interest in 科文投資（中國）有限公司 (Cowin Global Investments China Limited) ("Cowin Global") which holds 25% equity interest in Wuzhong, an existing associate of the Group at a consideration of RMB100,000,000.

As at the date of acquisition, Cowin Global has not yet commenced operation. As it did not constitute a business under IFRS 3 "Business Combinations" and the acquisition was in substance an acquisition of the net assets of Cowin Global, the above transaction was accounted for as acquisition of assets and liabilities. The transaction was accounted for acquisition of assets through acquisition of a subsidiary and the assets and liabilities acquired as follows:

	RMB'000
Non-current assets	
Interests in associates	100,013
Current liabilities	
Other payables	(13)
Net assets acquired	100,000
Total consideration satisfied by cash	100,000
Net cash outflow arising on acquisition:	
Cash consideration paid	100,000
Less: cash and cash equivalents acquired	—
	100,000

21. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

Details of the share options outstanding during the six months ended 30 June 2011 and 30 June 2010 are as follows:

	Outstanding at 1 January 2011	Lapsed during the period (note a)	Exercised during the period (note b)	Outstanding at 30 June 2011
Key management	**3,984,000**	**—**	**(2,988,000)**	**996,000**
Other employees	**7,698,000**	**(20,000)**	**(5,014,000)**	**2,664,000**
	11,682,000	**(20,000)**	**(8,002,000)**	**3,660,000**
Exercisable at the end of the period				**3,660,000**

	Outstanding at 1 January 2010	Lapsed during the period	Exercised during the period	Outstanding at 30 June 2010
Key management	9,632,000	(332,000)	(4,984,000)	4,316,000
Other employees	17,776,000	(2,352,000)	(7,670,000)	7,754,000
	27,408,000	(2,684,000)	(12,654,000)	12,070,000
Exercisable at the end of the period				598,000

Note:

(a) During the current period, totally 20,000 share options were lapsed.

(b) During the period, options to subscribe for 332,000 shares and 7,670,000 shares in the Company at HK$2.26 and HK$2.27 per share respectively were exercised. The weighted average closing prices of the Company's shares quoted on the Stock Exchange immediately before the exercise date was HK$6.08.The weighted average market price at the dates of exercise for the period is HK$6.08 (six months ended 30 June 2010: HK$6.15).

The Group recognised total expense of Nil for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB2,468,000) in relation to the share options granted by the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

22. OPERATING LEASES

The Group as lessee

At the reporting date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Within one year	**26,056**	24,971
In the second to fifth year inclusive	**23,061**	25,464
	49,117	50,435

23. COMMITMENTS

(a) Capital commitments

	30 June 2011 RMB'000	31 December 2010 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– in respect of acquisition of leasehold land and building	**3,722**	18,871

(b) Other commitments

Other than the commitment in respect of acquisition of a subsidiary disclosed in note 25, the Company's subsidiary, Consen International, entered into an agreement with 寧夏銀星能源股份有限公司 (NingXia YinXing Energy Co.,Ltd.) on 20 May 2011, to acquire 30% equity interest in Wuzhong, an existing associate of the Group at a consideration of RMB97,786,000.

24. RELATED PARTY TRANSACTIONS

The remuneration of key management personnel during the period was as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Salaries and other benefits	**3,902**	4,299
Retirement benefit scheme contributions	**60**	303
Share-based payments	**—**	697
	3,962	5,299

25. EVENTS AFTER THE END OF THE INTERIM PERIOD

The following event took place subsequent to 30 June 2011:

On 7 July 2011, the Group, through Beijing Consen Process Control Technology Company Limited ("Beijing Consen Process Control"), entered into an agreement to acquire 48% equity interest in Nanjing Huashi Electronic Scientific Co., Ltd. ("Nanjing Huashi") at a consideration of RMB113,000,000. Concurrently, Beijing Consen Process Control entered into an capital injection agreement to invest RMB 6,200,000 in Nanjing Huashi, which increase to 51% equity interests in Nanjing Huashi.

Other Information

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial report has been reviewed by the Company's Audit Committee and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

For the six months ended 30 June 2011, the board of directors of the Company ("Directors") recommends the payment of an interim dividend of HK$20,555,000 at 2.0 HK cents per share. The above interim dividend will be paid on or before Friday 23 September 2011 to shareholders whose names appear on the register of member of the company at the close of business on Wednesday 14 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from Thursday, 8 September 2011, to Wednesday, 14 September 2011, both days inclusive, for the purpose of determining shareholders' entitlements to the proposed interim dividend. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrars and transfer office, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 7 September 2011.

Other Information

USE OF NET PROCEEDS FROM THE IPO EXERCISE

The Company raised an aggregate net proceeds of approximately HK$319.5 million from the issuance of equity securities pursuant to the issue of an aggregate of 230,000,000 shares of HK$0.01 each in the Company (the "Shares") pursuant to the Share Offer. As at 30 June 2011, the Group had used the net proceeds from the Share Offer as follows:-

		Net IPO proceeds (HK$ million)	
Use of Proceeds	**Available**	**Utilised**	**Unutilised**
Construction of a new complex	40.0	40.0	0.0
Research and development expenses	40.0	40.0	0.0
Expansion and improvement of the Group's sales network	30.0	30.0	0.0
Expansion and improvement of the Group's service network	25.0	25.0	0.0
Pursuing suitable acquisition	60.0	60.0	0.0
Setting up an overseas office	30.0	30.0	0.0
General corporate purposes and working capital	94.5	94.5	0.0
	319.5	319.5	0.0

Upto 30 June 2011, all net proceeds from the Share Offer were used as described in the prospectus of the Company dated 28 June 2007.

Other Information

USE OF NET PROCEEDS FROM THE PLACING EXERCISE

Pursuant to a placing and subscription agreement dated 5 May 2009 entered into among the Company, Consen Group Holding Inc. ("Consen Group"), CLSA Limited, Daiwa Securities SMBC Hong Kong Limited and Mr. Xuan Rui Guo which was completed on 15 May 2009, 126,000,000 Shares then held by Consen Group were placed at a placing price of HK$2.30 per Share (the "Placing") and subsequently Consen Group subscribed for 86,000,000 new Shares at a price of HK$2.3 per Share (the "Subscription") and such Shares ranked pari passu in all respects with the existing issued Shares on the completion date of the Subscription. The Placing and the Subscription were effected to raise funds for the long-term benefit of the Company. The net proceeds from the Subscription, amounting to approximately HK$193.3 million, were duly received by the Company on 15 May 2009. As at 31 December 2010 the unutilized proceeds from the Subscription amounted to approximately HK$74 million.

During the six months ended 30 June 2011, the Group acquired a further 25% equity interests in Wuzhong Instrument Company Limited at a consideration of approximately HK$113.6 million (or RMB100 million) and therefore all remaining net proceeds from the placing exercise were fully used.

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

The Group is exposed to the exchange rate risk between United States dollars, Japanese Yen and Renminbi. In practice, the majority of the Group's sales are denominated in Renminbi. However, the purchases of raw materials from its suppliers are mainly denominated in United States dollars and Japanese Yen. Given the appreciation of Renminbi against the United States dollars announced in July 2005, favorable impacts are expected to be brought to the Group's future financial performance in terms of reducing raw material costs. For the core hardware purchase from a Japanese supplier denominated in Japanese Yen for developing the railway signaling system, the Group monitors closely the fluctuation of Japanese Yen and shall procure any hedging contracts if necessary. The Group's bank deposits are predominantly denominated in Hong Kong dollars and Renminbi. The Directors are of the opinion that appreciation of Renminbi would not cause any significant adverse effect on the financial performance and position of the Group.

It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, will appropriately hedge its foreign currency exposure. For the six months ended 30 June 2011, the Company did not use any financial instruments or enter into any contracts in order to hedge against its foreign currency exchange risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2011, the Group had a total of 1,435 employees (31 December 2010: 1,236). The significant increase in staff headcount was mainly attributable to the newly acquired petrochemical engineering design business and other business expansion. The emoluments payable to the employees of the Group are determined by their responsibilities, qualifications and experience and the related industrial practices.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Hong Kong Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Director's interests in the shares of the Company

	No. of Shares						
Name of Director	Personal interest	Family interest	Corporate interest	Other interest	Interest in underlying shares pursuant to share options	Total	Approximate percentage of shareholding
Mr. Xuan Rui Guo (Note)	—	—	457,633,541	—	—	457,633,541	44.53%

Note: Consen Group is the legal and beneficial owner of 457,633,541 Shares. Since 27 April 2010 Consen Group is owned as to 93.8% by Consen Investments Holding Inc. ("Consen Investments") and 6.2% by Gembest Investment Limited ("Gembest"). Consen Investments is in turn owned as to 50%, 25% and 25% by Mr. Xuan Rui Guo ("Mr. Xuan"), Mr. Huang Zhi Yong ("Mr. Huang") and Mr. Kuang Jian Ping ("Mr. Kuang") respectively. Accordingly, Mr. Xuan is deemed to be interested in the 457,633,541 Shares held by Consen Group by virtue of the SFO.

(ii) Director's interests in the shares of associated corporations

		No. or shares					
Name of Associated corporation	Name of Directors	Personal interest	Family interest	Corporate interest	Interest in underlying shares pursuant to share options	Total	Percentage of shareholding
Consen Investments	Mr. Xuan	3,000,000	—	—	—	3,000,000	50%
	Mr. Huang	1,500,000	—	—	—	1,500,000	25%
	Mr. Kuang	1,500,000	—	—	—	1,500,000	25%
Consen Group (Note)	Mr. Xuan	—	—	5,000,000	—	5,000,000	93.8%

Note: Consen Investments is the legal and beneficial owner of 5,000,000 shares in Consen Group. Consen Investments is legally and beneficially owned as to 50% by Mr. Xuan, 25% by Mr. Huang and 25% by Mr. Kuang. Accordingly, Mr. Xuan is deemed to be interested in the 5,000,000 shares held by Consen Investments in Consen Group.

Other Information

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive were taken or deemed to have under the provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

(a) Interest in the Company

As at 30 June 2011, the persons (not being a Director or chief executive of the Company), had interests and short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:-

Name	Capacity	Number of shares	Percentage of holding
Consen Group	Registered & beneficial owner	457,633,541	44.53%
Consen Investments (Note)	Interest in a controlled corporation	457,633,541	44.53%
FMR LLC	Registered & beneficial owner (Investment Manager)	81,408,000	7.92%

Note: Since 27 April 2010, Consen Group is owned as to 93.80% by Consen Investments and 6.20% by Gembest. Therefore, Consen Investments is deemed to be interested in such 457,633,541 shares held by Consen Group under the SFO.

(b) Interest in other members of the Group

As at 30 June 2011, so far as the Directors are aware, no persons were directly or indirectly interested in 10% or more of the voting power at any general meeting of any member of the Group

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2011, the Company has not repurchased any shares through the Stock Exchange.

Other Information

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 16 June 2007 for the primary purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the following participants: (i) any executive or non-executive Directors including independent non-executive Directors or any employees (whether full-time or part-time) of each member of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive Directors of each member of the Group; (iii) any consultants, professional and other advisers to each member of the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) any chief executives of the Company or substantial shareholders of the Company; (v) any associates of directors, chief executive or substantial shareholder of the Company; and (vi) any employees (whether full-time or part-time) of substantial shareholders of the Company. The Scheme will remain valid for a period of ten years commencing on 16 June 2007.

As at 30 June 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 3,660,000, (31 December 2010: 11,682,000) representing 0.36% (31 December 2010: 1.15%) of the total number of shares of the Company in issue as at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the total number of shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted to substantial shareholders of the Company or independent non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

An amount of HK$1 is payable by eligible employee to the Company on acceptance of the option as consideration for the grant. Options may be exercised at any time from twelve months from the date of grant of the share option to the fifth anniversary of the date of grant. The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Other Information

Details of the share options exercised during the period and outstanding at 30 June 2011 are as follows:

	Outstanding at 1 January 2011	**Cancelled during the period**	**Exercised during the period**	**Outstanding at 30 June 2011**
Key management	**3,984,000**	**0**	**2,988,000**	**996,000**
Other employees	**7,698,000**	**20,000**	**5,014,000**	**2,664,000**
	11,682,000	**20,000**	**8,002,000**	**3,660,000**
Exercisable at the end of the period				**3,660,000**

Details of the share options exercised during the period and outstanding at 30 June 2010 are as follows:

	Outstanding at 1 January 2010	Cancelled during the period	Exercised during the period	Outstanding at 30 June 2010
Key management	9,632,000	332,000	4,984,000	4,316,000
Other employees	17,776,000	2,352,000	7,670,000	7,754,000
	27,408,000	2,684,000	12,654,000	12,070,000
Exercisable at the end of the period				598,000

Other Information

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE

The Company continues to achieve high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. The Company had complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In respect of the six months ended 30 June 2011 (the "Relevant Period"), all the code provisions set out in the Code were complied with by the Company, except for the following deviation:

Code provision E.1.2

The code provision E.1.2 of the Corporate Governance Code provides that the chairman of the board shall attend the annual general meeting of the company. Due to business commitment, Mr. Xuan, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 17 May 2011. This constituted a deviation from the code provision E.1.2 of the Corporate Governance Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all the Directors, and all of them had confirmed that they have complied with the required standard of dealings set out therein throughout the six months ended 30 June 2011.

MATERIAL LITIGATION AND ARBITRATION

The Group was not involved in any material litigation and arbitration during the six months ended 30 June 2011.

INFORMATION REGARDING CHANGE OF DIRECTORS UNDER LISTING RULE 13.51(B)

Below is the information regarding change of directors required to be disclosed pursuant to Listing Rules 13.51(B).

Mr. Sui Yong Bin ("Mr. SUI") was appointed as an independent non-executive director of the Company Company on 01 July 2011 to replace Mr. Tang Min who passed away on 20 April 2011.

Mr. Sui has been an independent director of Xi'an Shangu Power Co., Ltd. since April 2010, an external director of Harbin Air Conditioning Co., Ltd. since May 2008 and an external director of Jiangsu Shuangliang Air-conditioning Equipment Co., Ltd. since July 2010.

Other Information

AUDIT COMMITTEE

The Company has set up an audit committee in accordance with the requirements of the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The audit committee meets at least twice each year together with the Company's management and its external auditor, Deloitte Touche Tohmatsu, have reviewed the accounting principles and practices adopted by the Company and discussed over and reviewed the auditing and financial matters, including all significant aspects involving financial, operational and compliance controls.

The consolidated financial statements of the Group for the six months ended 30 June 2011 and the related disclosures have been reviewed and approved by the audit committee.

Corporate Information

DIRECTORS

Executive Directors:
Mr. Xuan Rui Guo *(Chairman)*
Mr. Huang Zhi Yong
Mr. Kuang Jian Ping

Independent Non-executive Directors:
Mr. Wang Tai Wen
Mr. Sui Yong Bin
Mr. Ng Wing Fai

AUTHORIZED REPRESENTATIVES

Mr. Xuan Rui Guo
Mr. Chow Chiu Chi

AUDIT COMMITTEE

Mr. Ng Wing Fai *(Chairman)*
Mr. Wang Tai Wen
Mr. Sui Yong Bin

REMUNERATION COMMITTEE

Mr. Wang Tai Wen *(Chairman)*
Mr. Sui Yong Bin
Mr. Ng Wing Fai
Mr. Xuan Rui Guo
Mr. Huang Zhi Yong

NOMINATION COMMITTEE

Mr. Sui Yong Bin *(Chairman)*
Mr. Wang Tai Wen
Mr. Ng Wing Fai
Mr. Xuan Rui Guo
Mr. Kuang Jian Ping

SENIOR MANAGEMENT

Mr. Cui Da Chao
Mr. Wang Wen Hui
Mr. Zhou Zheng Qiang
Mr. Li Hai Tao
Mr. Duan Min
Mr. Zhang Wei
Ms Wang Yan Mei
Mr. Wang Jing Hua
Mr. Wang Shi Wei
Mr. Chow Chiu Chi

STOCK CODE

Hong Kong Stock Exchange 569

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

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PRC

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36 Beisanhuan Road East
Dongcheng District
Bejing
PRC

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services Limited
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Hong Kong:
Australia and New Zealand Banking Group Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited

PRC:
Agricultural Bank of China
Bank of Beijing
Bank of Communications
China Construction Bank
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
Shenzhen Development Bank Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

Deloitte Touche Tohmatsu Certified Public Accountants

LEGAL ADVISERS

As to Hong Kong law
Woo, Kwan, Lee & Lo
As to Cayman Islands law
Conyers Dill & Pearman
As to PRC law
Commerce & Finance Law Offices