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)

Apply Tomorrow's Technology, Safeguard Security Today

2011

ANNUAL REPORT

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COMPANY PROFILE

China Automation Group Limited (the "Company") was established in 1999 and listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2007. The Company and its subsidiaries (collectively referred to as the "Group") specialize in providing safety and critical control systems, control valves, signaling systems, and traction control

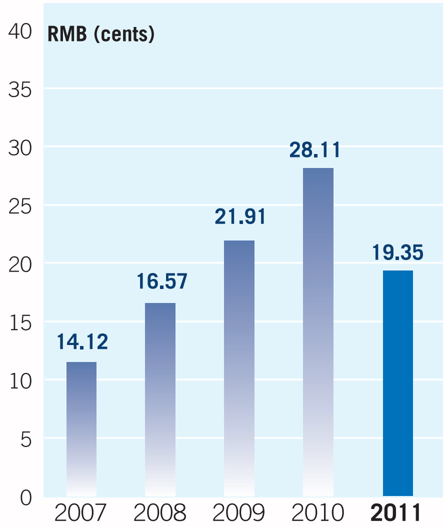


systems and related products for the petrochemical, railway and other industries. The Group is the largest integrated solution provider of safety and critical control systems in the petrochemical industry and one of the largest solution providers of railway signaling systems in the People's Republic of China (the "PRC"). Leverage on its solid business with four product series, strong engineering capability, and extensive distribution network, the Group endeavors to become a large control system provider in China.

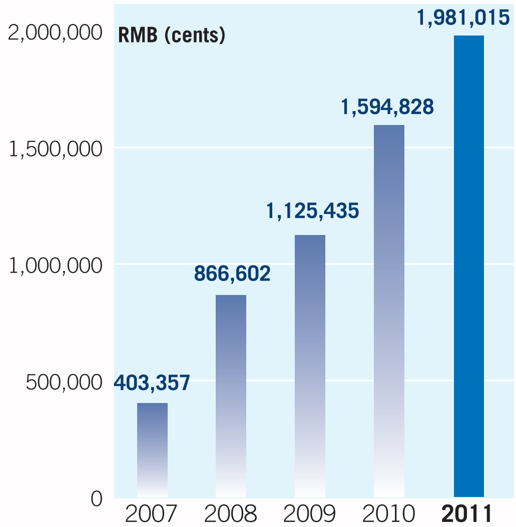
FINANCIAL HIGHLIGHTS

	2011 RMB'000	2010 RMB'000	Change (%)
Turnover	**1,981,015**	1,594,828	24.2
Profit attributable to equity holders of the company	**195,774**	285,581	-31.4
Earnings per share			
- basic	**RMB19.35 cents**	RMB28.11 cents	-31.2
- diluted	**RMB19.33 cents**	RMB27.94 cents	-30.8
Dividend per share	**5.0 HK cents**	7.0 HK cents	-28.6

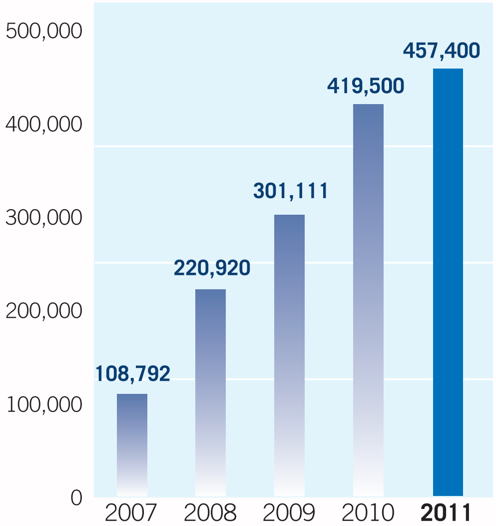
Earnings Per Share - Basic



Turnover

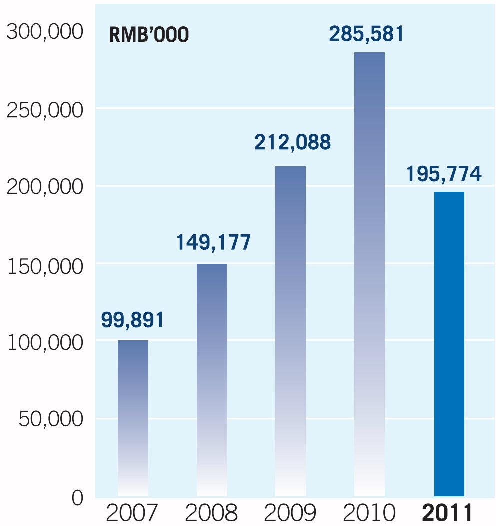


EBITDA*



* EBITDA figures shown are before deduction of amortisaion of intangible assets, share-based payment expenses and translational gain / loss.

Profit Attributable to Equity Holders of the Company



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("the Board") of the Company, I am pleased to report the audited annual results of the Company and its subsidiaries ("the Group") for the year ended 31 December, 2011.

2011 marked a volatile year for the global economy with the European debt crisis, a continued slackening US economy and the catastrophic earthquake in Japan jeopardizing the global economic recovery. As a major power fuelling the global economic

We are dedicated to providing high-tech products and services to the highest standard ensuring a safe environment for our people

Leverage on its strong competitive advantages in engineering capability, top quality high-tech products and customized services, the Group will sustain its leading positions of safety and critical control systems and signaling systems in the petrochemical and railway industries. Meanwhile, the Group will further enhance its business development of control valves as well as traction control systems and related products. In addition, the Group will actively explore business opportunities in other industries, while still keeping its focus on petrochemical and railway industries. In the long run, the Group aims to become an advanced integrated solution provider with multiple series of products for the petrochemical, railway, and other sectors.

pickup, China recorded an 8.5% increase in its gross domestic product (GDP). However, China's economy was also hampered by the external environment as well as its domestic austerity measures and monetary tightening policies. In addition, the railway business sector suffered a severe setback due to the serious injuries and death tolls of the Wenzhou train collision in July 2011, which put a brake on the rapidly developing rail construction projects. As a result, the railway signalling business of the Group was inevitably affected..

As the largest integrated solutions provider of safety and critical control systems for the petrochemical industry and one of the largest solution providers of railway signalling systems in China, China Automation Group is dedicated to providing high-tech products and services of top quality, to meet people's needs of safe and comfortable transportation. The results of our railway business segment of the year fell far behind our expectations due to a series of negative incidents of the year, which halted the existing railway projects of the Group and caused delays in the delivery of our signalling systems and the execution of new contracts. Notwithstanding the fact that the Group's petrochemical business successfully achieved stable business growth capitalizing on the opportunities arising from the economic recovery and the strategic policies of China, the decline in our railway business cannot be fully offset. Hence, the operating results were not as satisfactory as expected. During the year under review, the turnover of the Group increased by 24.2% to RMB1,981 million. Gross profit rose 14.1 % to RMB757.6 million (2010: RMB664.1 million). Profit attributable to shareholders decreased by 31.4% to RMB195.8 million (2010: RMB 285.6 million). Earnings per share amounted to RMB 19.35 cents. The Board proposed a final dividend of HK$3 cents per share for the year.

Adjusting Strategies and Optimizing Products to Capture Business Opportunities of the Railway Signalling Industry

2011 is a challenging year for China's railway industry, with Former Minister of Railways, Mr. Liu Zhijun, removed from office in February, followed by the Wenzhou train collision in July and the Shanghai Metro Line No. 10 accident in September 2011. Although none of the products of the Group were involved in these railway incidents, it was difficult for the Group to remain unscathed by the sudden halt in the overall railway business sector. In the second half of 2011, the railway construction in China encountered deferral and lack of liquidity. Certain projects in progress were delayed or suspended. Fortunately, the Ministry of Railways was granted facilities of over RMB200 billion in the fourth quarter and successfully launched its initial bond issue of RMB20 billion to ensure its repayment capacity and the progress of its major projects.

The Group always places safety and effectiveness of its products in first priority so as to provide end-users with peace-of-mind products. Despite the delays of railway orders resulted from the series of negative events, the Group has been actively expanding and optimizing its product ranges in a bid to provide comprehensive and reliable products to the industry. In addition, the Group actively prepared itself to capture the opportunities from the recovery of the railway industry in the future.

The Group currently owns 51% of the Nanjing Huashi Electronic scientific Co., Ltd. and Nanjing Power Equipment Co. Ltd. (collectively known as "Nanjing Huashi") by acquiring 48% of its equity interests and enlarging its shareholding by 3% through capital injection in July 2011. Nanjing Huashi is one of the five qualified suppliers of electrified equipment recognized by the Ministry of Railways and also one of the qualified suppliers of the domestic metro railway and electrified equipment market. The product portfolio of Nanjing Huashi covers train auxiliary electricity supply systems for urban rail transits (including light rails, metro transit railways and cross-cities railways), exchange transmission hauling inversion power source, high efficiency auxiliary inversion power source, braking systems, and network control systems. The acquisition of Nanjing Huashi allowed the Group to overcome the high entry barrier of the electrified equipment sector of railway rolling stock and the locomotive industry of China. It also laid a solid foundation for ABB Microunion Traction Equipment Limited ("ABB Microunion"), a joint venture of the Group, to introduce its traction convertors into the urban rail transit market.

As the saying goes, "one must sharpen his tools in order to get the job done." Despite the challenges last year, the Group considered it a valuable opportunity to adjust its strategies and integrate its resources. The Group extended its product mix in the year from the existing railway signalling system to railway traction control system. As a result, the Group's railway business evolved from a single product line into dual product lines, enhancing the development potential of its railway business in the future.

Consolidating Leading Position in Petrochemical Industry, the Group Undertakes the Petrochemical Automation Control System Business

As for the petrochemical business, with on-going technological innovations, the Group continues to secure over 70% of market share of petrochemical safety and critical control systems. The Group also maintains good co-operation and long-term relationships with reputable clients such as China Petroleum & Chemical Corporation and China National Petroleum Corporation.

In 2011, the inaugural year of the Twelfth Five-Year Plan, the petrochemical industry continued its steady growth. As such, the Group actively expanded its product lines within the year. The Group added control valves to its existing product range of controllers. The Group increased its equity stake to 50% in the Wuzhong Instrument Company Ltd. ("Wuzhong Instrument") joint venture in 2011. Wuzhong Instrument primarily engages in the production of industrial control valves. By increasing its equity interest in Wuzhong Instrument, the Group was able to enter the sector of control valves, which are widely applied in the petrochemical, coal chemical, chemical and metallurgy industries. This creates a growth driver for the long-term development of the Group.

Excellent Capital Market Performance

The Group's performance in the capital market was well recognized, despite the impact of a spate of railway incidents. The Group was selected as "200 Best Under A Billion" in the Asia-Pacific region for the third consecutive year by Forbes, a well-known U.S. financial magazine in November 2011, reflecting the Group's solid strength in terms of profit and sales growth as well as return on equity. The Group was also listed in the Deloitte Technology Fast500 Asia Pacific 2011 in December 2011, which acknowledged the strong income growth of the Group over the past three years.

Strategy and Prospects

Looking ahead, the business environment in 2012 will still be challenging, and uncertainties cloud prospects of the global economic development. Demand from overseas markets will shrink as a result of the slow recovery of the US economy, coupled with the ongoing European debt crisis.. Meanwhile, the domestic market will possibly be affected by a declining international market and encounter problems such as inflation and stringent policies of China. Nevertheless, most renowned institutions believe the Chinese economy will maintain steady long-term growth and expect a soft landing for China in 2012 due to its enormous domestic demand, economic restructuring and low effective interest rate. In addition, many infrastructure projects have commenced construction following the implementation of the Twelfth Five-Year Plan. It is expected that significant progress will be made in 2012.

The Ministry of Railways previously announced an investment of RMB500 billion in fixed assets in 2012 based on the Twelfth Five-Year Plan and its liquidity condition. Of which, RMB400 billion will be invested in infrastructure projects which adhered to the principle of ensuring progress of projects under construction, commencing construction of essential infrastructure and improving ancillary facilities. The Group believes the deceleration of railway construction progress represents a justifiable adjustment for an originally over-hyped sector. This adjustment helps maintain a healthy and orderly development of the industry. As one of the national strategic industries, the railway transportation and construction industry has plenty of room for growth and expansion in the future. During this transitional period of the Twelfth Five-year Plan, the petrochemical industry's structural adjustment will be accelerated to meet the demand of upgraded industries for higher standards of petrochemical products.

The Group have improved in 2011 its development progress and directions, R&D, product portfolios, sales network and quality through adjustment and integration, which are expected to continue in 2012. With the proceeds from the issuance of USD200 million senior notes in April 2011, the Group will adopt various measures to further consolidate its market-leading position in both the railway and petrochemical industries.

With regards to the railway business, the Group will actively integrate the newly-acquired technology, products and human resources from Nanjing Huashi. It will also focus on optimizing its existing product mix and accelerating R&D to develop urban rail and high-speed related products. As for the petrochemical business, the Group plans to further increase its stake in Wuzhong Instrument. It will continue to deploy R&D resources to enhance the development of the hardware and software of its products. Application of its existing technology and products will be expanded. It will enlarge coverage of its installed base for after-sales engineering and maintenance services. Apart from strengthening the Group's leading position in these two business sectors, the Group will also seek co-operation of business partners for synergies with the Group's existing businesses, in a prudent manner.

Acknowledgement

On behalf of the Board, I would like to take this opportunity to express my appreciation to our customers, business partners and shareholders for their continued support for the Group. I would also like to thank every member of our staff for their contribution to the Group during the year. Capitalizing on our unique competitive edge, clear development strategies and experienced professional management team, the Group will continue to maximize returns for our shareholders and continue to create remarkable results.

Xuan Ruiguo
Chairman
Hong Kong
27 March 2012

OPERATION AND BUSINESS REVIEW

The Group maintained its leading position of safety and critical control systems in petrochemical and railway industries in 2011. In addition, the Group, based on its business development strategy, expanded its businesses through R&D and M&A in both petrochemical and railway sectors. With this business expansion, the Group is capable to supply multiple product series, contrasting with the single product series before, for each sector. The management of the Group believes this enlarged product portfolio can tap into a huge market to grow its business in the future.

Petrochemical Industry

- Safety and Critical Control Systems and Related Business
  In 2011, The Group's petrochemical business segment maintained stable growth despite the slow recovery of US economy, European debt issue and concern of China's economic growth slowdown. The Group's safety and critical control systems applied in traditional petrochemical and coal chemical industries maintained stable growth. In addition, the application of the Group's safety and critical control systems in local and privately-invested petrochemical and chemical plants as well as metallurgical and power industries showed considerable increase in 2011. Meanwhile, the Group's petrochemical engineering design business made a great contribution to the Group's petrochemical revenue growth.

As at 31 December 2011, the Group successfully completed and delivered approximately 328 systems, bringing the cumulative number of delivered systems to approximately 2,186. The Group was continuously awarded large-scale projects in 2011 from famous petrochemical companies as well as coal-chemical related companies, such as Sinopec, PetroChina, Shenhua, China Datang, Yanzhou Coal Mining, etc.

In 2011, the extension in application of the Group's safety and critical control systems from downstream refinery to upstream oil and gas pipelines and transportation as well as from petrochemical companies to other industries achieved remarkable results. For example, the application of the Group's safety and critical control systems in metallurgical and power industries has increased significantly. In addition, as the qualified vender for GE Oil & Gas, MAN Turbo, Hitachi, Kobelco, Air Product, Air Liquide, Siemens, Atlas Copco, Mitsubishi, Dresser Rand, Elliott-Ebara and YORK, the Group was continually awarded contracts in 2011 from these multinational corporations.

With widespread popularity of the customized maintenance services package, the Group's revenue generated from the provision of engineering and maintenance services was continuously raising in 2011. The Group's large installation base of 2,186 systems in total by the end of 2011 will enable the Group to further grow this business.

The Group was continuing to deploy resources in technology innovation and product upgrading. In 2011, the Group, marked as the first domestic company, successfully revamped the safety and critical control system for Man Turbo air compressor which reuses the energy from the tail gas. As at 31 December of 2011, the Group's national software copyrights increased to 37. The Group's newly developed products of iMAC (Intelligent Machinery Expert Control), iSOM (Intelligent Safety Operation Management), and ITCC-OTS (Operator Training System) gained more and more recognition and market acceptance.

- Control valve business

  The Group is proactively expanding its business by integrating the products which can generate great synergies with its existing products through R&D and M&A. Acquiring Wuzhong Instrument is an important milestone of the Group toward this direction. This acquisition enables the Group to expand its petrochemical business portfolio and diversify its petrochemical product range, adding control valves to the safety and critical control systems. By March 2011, the Group has acquired 50% equity interest in Wuzhong Instrument. In May 2011, the Group signed an agreement to acquire a further 30% of equity interest in Wuzhong Instrument.

  Wuzhong Instrument, as the largest state-owned control valve manufacturer with over 50 years of history, already established a solid foundation and good reputation for its control valve products in China. With the support of the Group from August 2010, Wuzhong Instrument has taken various measures to further improve its overall capability in sales and marketing, production, internal operation and R&D. In 2011, Wuzhong Instrument upgraded its fixed assets to optimize its production capacity. Wuzhong Instrument also reorganized its sales team and set incentives for sales people to pursue large projects, as a result, Wuzhong Instrument won several large contracts in 2011. Meanwhile, the Group has started to share its sales and marketing resources with Wuzhong Instrument and help Wuzhong Instrument rebuild its sales networks.

  Control valves are widely applied in petrochemical, coal-chemical, chemical, metallurgical and power industries, etc. It is a very profitable business with huge market potential. The management of the Group believes this newly acquired control valve business, apart from its safety and critical control system, will become another growth engine for the Group.

Railway Industry

- Railway Signaling Systems

  In 2011, China's national railway sector was hit significantly by the Wenzhou train accident and the change of leadership in the Ministry of Railways. Almost all ongoing projects were either slowed down or completely suspended, and a lot of new projects were delayed for bidding. Under such circumstance, the Group's national railway business encountered various problems such as delay of the system delivery and lack of new orders in 2011. The Group for the first time experienced an observable decline in its railway signaling system sales.

As at 31 December 2011, the Group completed and delivered approximately 144 systems, bringing the cumulative number of delivered systems to approximately 1,395. In 2011, the Group completed the east & central sections of Beijing Subway Line #15 as well as Phase II of Chongqing Monorail Line #3. Meanwhile, the Group was awarded Phase III of Chongqing Monorail Line #3.

The Group's persistent efforts in R&D yielded a great result. The Group's Communication Based Train Control ("CBTC") system for Beijing Subway Line #15 was successfully commissioned in line with the opening date of this subway line in December 2011. As this result had only been achieved in China by Siemens before, it demonstrated the Group's overall capability to undertake subway signaling projects as a general contractor.

- Traction control systems

  Same as its petrochemical business, the Group is seeking multiple product series for its railway business as well. In July 2011, the Group acquired 51% of equity interest in Nanjing Huashi. With this acquisition, the Group, apart from its core business of railway signaling systems, is able to provide additional products of auxiliary electricity supply system, traction converter, auxiliary converter, train control and monitoring system for railway rolling stocks as well as locomotives. Moreover, by working together with the Group's associate ABB Microunion, the Group is capable to bid for subway projects of traction control systems as a general contractor. The Group believes this newly integrated business will broaden the Group's potential market and become a new growth engine to drive the Group's railway business development.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2011, revenue of the Group increased by 24.2% to RMB1,981 million (2010: RMB1,594.8 million), compared with the previous year.

Revenue generated from the petrochemical segment significantly increased by 31.6% to RMB1,045 million (2010: RMB793.9 million), whereas revenue generated from the railway segment increased by 16.9% to RMB936.0 million (2010: RMB801.0 million) for the year ended 31 December 2011.

Turnover analysis by operating segment

	2011		2010		Change
	For the years ended 31 December				
	(RMB' million)	**(%)**	(RMB' million)	(%)	(%)
Petrochemical	**1,045.0**	**52.8**	793.9	49.8	31.6
Railway	**936.0**	**47.2**	801.0	50.2	16.9
	1,981.0	**100.0**	1,594.8	100.0	24.2

Turnover analysis by types of goods supplied and services rendered

	2011		2010		Change
	For the year ended 31 December				
	(RMB' million)	**%**	(RMB' million)	%	(%)
System sales and Engineering design services					
– Petrochemical	**796.2**	**40.2**	609.9	38.3	+30.5
– Railway	**584.0**	**29.5**	588.9	36.9	-0.8
Sub-total	**1,380.2**	**69.7**	1,176.7	75.2	+4.6
Provision of maintenance and engineering services	**150.7**	**7.6**	123.6	7.7	+21.9
Distribution of equipment	**450.1**	**22.7**	272.4	17.1	+65.2
Total	**1,981.0**	**100.0**	1,594.8	100.0	+24.2

System sales and engineering design services to petrochemical industries

For the year ended 31 December 2011, revenue generated from system sales and engineering design services in relation to petrochemical industries increased by 30.5% to RMB796.2 million (2010: RMB609.9 million).

The significant increase was mainly attributable to the contribution from the engineering design services business upon completion of the preliminary design of the Sinochem project in Fujian province. However, the increase was offset by the relatively stable growth in relation to system sales owing to : (i) the capital expenditure of the Group's main customers, such as Sinopec and Petrochina, was slowing down in 2011 subsequent to years of high growth and after their refinery capacities had reached a certain scale; and (ii) the procurement from another class of customers such as Shenyang Blower and Shanxi Blower in 2011 was also slowing down after a few years of double-digit growth.

System sales to railway industries

For the year ended 31 December 2011, revenue generated from system sales in relation to railway industries slightly decreased by 0.8% to RMB584.0 million (2010: RMB588.9 million).

Revenue generated from system sales in relation to signalling systems and traction control systems were RMB476.2 million (2010: RMB588.9) and RMB107.8 million (2010: Nil) respectively. The management of the Group would like to emphasize that the decrease of 19.1% in revenue generated from system sales in relation to signalling systems was mainly attributable to the fact that China's national railway sector was hit significantly by the Wenzhou train accident as well as the change of leadership in the Ministry of Railway. Therefore many ongoing projects were either slowed down or completely suspended, and the bidding of a lot of new projects was also put on hold. The adverse impact was partly mitigated by the completion of the east and central sections of Beijing Subway Line Number 15 and Phase II of Chongqing Monorail Line Number 3. The newly acquired Nanjing Huashi also contributed RMB107.8 million from the sales of its traction control systems.

Provision of engineering and maintenance services

For the year ended 31 December 2011, revenue generated from the provision of engineering and maintenance services increased by 21.9% to RMB150.7 million (2010: RMB123.6 million). The increase was mainly due to (i) the large and expanding installation base as well as the wide acceptance of the customized maintenance services framework packages offered by the Group to the petrochemical business; and (ii) growth in engineering services businesses for the petrochemical business segment. The management of the Group believes that more recurring income related to maintenance services will be generated owing to the enlarging installation base.

Distribution of equipment

For the year ended 31 December 2011, revenue in relation to equipment distribution significantly increased by 65.2% to RMB450.1 million (2010: RMB272.4 million). The management of the Group considers that the equipment distribution business is incidental to its core system sales and provision of engineering and maintenance services business.

In terms of the types of goods and services rendered, 69.7% (2010: 75.2%) of the Group's revenue was generated from system sales, 7.6% (2010: 7.7%) from the provision of engineering and maintenance services and 22.7% (2010: 17.1%) from equipment distribution.

In addition, in terms of operating segment, 52.8% (2010: 49.8%) of the Group's revenue was generated from petrochemical-related business and 47.2% (2010: 50.2%) from railway-related business.

Gross profit

Gross profit for the year ended 31 December 2011 amounted to RMB757.6 million (2010: RMB664.1 million), representing an increase of RMB93.4 million or 14.1% over the previous year.

The overall gross profit margin was 38.2% (2010: 41.6%) for the year ended 31 December 2011, representing a decrease of 3.4 percentage points year-on-year.

Gross profit analysis by types of goods supplied and services rendered

	For the year ended 31 December		
	2011 (%)	2010 (%)	Change (%)
System sales and engineering design services			
– Petrochemical	**42.4**	45.5	-3.1
– Railway	**40.1**	43.5	-3.4
Sub-total	**41.4**	44.5	-3.1
Provision of maintenance and engineering services	**68.8**	68.0	+0.8
Distribution of equipment	**18.2**	17.0	+1.2
Total	**38.2**	41.6	-3.4

Gross profit margin of system sales and engineering design services in relation to petrochemical industries

The gross profit margin decreased by 3.1 percentage points to 42.4% (2010: 45.5%). It was mainly due to: (i) the rising proportion of revenues from new systems such as the upstream oil and gas pipeline and transportation systems as well as the process control systems which offered lower margins for market penetration; and (ii) increased labor costs.

Gross profit margin of system sales in relation to railway industries

The gross profit margin decreased by 3.4 percentage points to 40.1% (2010: 43.5%). The decrease in margin was mainly due to the lower-margin revenue generated from traction control systems with margins ranging from 35% to 40%. The gross profit margin of signalling systems was slightly affected due to lower level of production resulting from the incidents as discussed in the "System sales to railway industries" section.

Gross profit margin of the provision of engineering and maintenance services

The gross profit margin slightly improved year-on-year by 0.8 percentage points to 68.8% (2010: 68.0%). The management of the Group expects that given a large and expanding installation client base for both the petrochemical and railway businesses, there is huge potential for the after sales engineering support services to become a significant and stable source of recurring revenue.

Gross profit margin of distribution of equipment

For the year ended 31 December 2011, the gross profit margin of the equipment distribution business increased by 1.2 percentage points to 18.2% (2010: 17%).

Other Income

For the year ended 31 December 2011, other income increased by RMB3.4 million to RMB47.8 million (2010: RMB44.4 million). Thanks to the government grants of RMB42.5 million (2010: RMB38.8 million) in relation to VAT refund from the local tax bureau, due to the preferential policy on VAT software manufacturers. The Group has a number of major operating subsidiaries which enjoy the preferential policy on VAT refund for the sales of embedded software. Bank interest income also increased by RMB2.1 million to RMB3.7 million (2010: RMB1.6 million) resulting from the larger deposits base maintained after the issuance of the 7.75% guaranteed notes.

Other Gains and Losses

For the year ended 31 December 2011, other gains amounted to RMB35 million (2010: RMB14.4 million losses). The turnaround was mainly due to: (i) net foreign exchange gain of RMB28.7 million mainly resulting from operating activities (2010: foreign exchange loss of RMB8.2 million); (ii) reversal of allowance for bad and doubtful debts amounting to RMB3.5 million (2010: allowance for bad and doubtful debts amounting to RMB6.2 million); and (iii) gains arising on repurchase of 7.75% guaranteed notes amounting to RMB2.7 million.

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2011 were RMB162.1 million (2010: RMB102.5 million), which increased by 58.1% year-on-year. The increase was mainly attributable to (i) the increase in staff costs resulting from a higher staff head-count as well as upward adjustment of staff salaries and benefits with an aim to attract talents; (ii) more entertaining, travelling expenses and cargo charges incurred in line with the expanded business activities nationwide; and (iii) the increase in technology consultancy fees in relation to large contracts won during the year under review.

Selling and distribution expenses as a percentage of the Group's full year revenue increased by 1.8 percentage points to 8.2% (2010: 6.4%).

Administrative expenses

Administrative expenses for the year ended 31 December 2011 amounted to RMB209.3 million (2010: RMB160.6 million), representing an increase of 30.3% year-on-year.

Such increase was mainly attributable to (i) the increase in staff costs for the increased staff head-count for new petrochemical engineering design services business as well as traction control system business; (ii) increased rental and related utilities expenses resulting from the new petrochemical engineering design services and traction control system business and increased office space to cope with the expansion of business operation; (iii) increased amortization expenses for intangible assets.

Administrative expenses as a percentage of the Group's full year revenue increased by 0.5 percentage point to 10.6% (2010: 10.1%).

Research and development expenses

Research and development expenses for the year ended 31 December 2011 were RMB34.0 million, in line with the previous year. The expenses spent in the year under review were mainly related to the research and development projects concerning the development of new signalling related technology and products as well as upgrading the existing ones.

Share of results of associates

Losses arising from share of results of associates for the year ended 31 December 2011 amounted to RMB7.0 million (2010: RMB3.4 million) which was mainly attributable to the losses made by ABB Microunion.

Finance costs

Finance costs for the year ended 31 December 2011 increased by 4.8 times to RMB122.9 million (2010: RMB25.4 million).

The increase was mainly attributable to (i) the interest expenses incurred resulting from the issuance of 7.75% guaranteed notes with the aggregate principal amount of US$200 million; and (ii) write-off of RMB9.3 million expenses on early repayment of a syndicated loan.

Income tax expenses

Income tax expenses amounted to RMB53.2 million (2010: RMB41.8 million) for the year ended 31 December 2011, which was 27.2% higher than that of the previous year. This was mainly due to (i) tax losses of holding company and certain subsidiaries not recognized; and (ii) deferred tax provision associated with withholding tax on undistributed profit of PRC subsidiaries. As such, the effective tax rate of the Group for the year ended 31 December 2011 increased by 5.2 percentage points to 16.7% (2010: 11.5%).

Profit for the year

As a result of the foregoing, the Group recorded RMB195.8 million in profit attributable to equity holders of the Company for the year ended 31 December 2011 (2010: RMB285.6 million), representing growth of RMB89.8 million or 31.5% when compared with that of the previous year.

Earnings per share

Earnings per share decreased by RMB8.76 cents (or 31.2%) from that of the previous year to RMB19.35 cents (2010: RMB28.11 cents) for the year ended 31 December 2011.

Dividend

The Board recommends distribution of a final dividend of HK$3.0 cents per share, equivalent to RMB2.4 cents per share (2010: HK$7.0 cents per share, equivalent to RMB6.0 cents per share) in the year. The Company already paid an interim dividend of 2.0 HK cents per share in September 2011. The interim dividend together with the proposed final dividend represents a total payout of RMB41.1 million and 21.0% distribution of the current year's profit.

Liquidity, financial resources and capital structure

The Group's liquidity position remains strong.

Net cash used in the Group's operating activities amounted to RMB123.2 million (2010: net cash generated from operating activities: RMB90.2 million) for the year ended 31 December 2011. This was mainly attributable to the increase in trade and bills receivables as well as inventories. The substantial increase in trade and bills receivables was mainly due to the delay in payment by the Ministry of Railways.

Net cash used in investing activities of the Group increased by RMB129.9 million to RMB374.6 million (2010: RMB244.7 million) for the year ended 31 December 2011. The investments made during the year were: (i) acquisition of 25% equity interest in Wuzhong Instrument at a consideration of RMB100 million; and (ii) acquisition of 48% equity interest and 3% equity injection in Nanjing Huashi at a consideration of RMB160 million.

Net cash from financing activities increased by RMB532.2 million to RMB732.1 million (2010: RMB199.9 million) for the year ended 31 December 2011. The increase was mainly due to the net proceeds received from issuance of 7.75% guaranteed notes of RMB1,254.8 million.

As at 31 December 2011, cash and bank balances (including pledged bank deposits) amounted to RMB920.9 million (31 December 2010: RMB695.9 million). The working capital (net current assets) of the Group as at 31 December 2011 amounted to RMB2,222.7 million (31 December 2010: RMB1,372.1 million), representing an increase of 62% from the previous year-end. The current ratio stood at 4.0 times (31 December 2010: 3.0 times).

Gearing position

The Group continues to adopt prudent financial management policies. As at 31 December 2011, the Group's gearing ratio (net debt over equity ratio) stood at 23.8% (31 December 2010: net cash position).

As at 31 December 2011, the borrowings of the Group amounted to RMB1,392 million (31 December 2010: RMB488.5).The increase was mainly attributable to the issuance of the 7.75% guaranteed notes.

The management of the Group is confident that the Group's existing financial resources and banking facilities will be sufficient for its future expansion plans. Should other opportunities arise and additional funding be required, the management also believes that the Group is in a good position to obtain financing on favorable terms.

Significant investments, mergers and acquisitions

For the year ended 31 December 2011, the Group has made the following investments: (i) acquisition of 25% equity interest in Wuzhong Instrument at a consideration of RMB100 million; (ii) acquisition of 51% equity interest in Nanjing Huashi at a consideration of RMB160 million; (iii) investments of RMB60.8 million in unlisted equity in private entities established in the PRC and the US.

Contingent liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

FUTURE OUTLOOK

The Group will strive to maintain its leading position of safety and critical control systems and signaling systems in the petrochemical and railway industries. Meanwhile, the Group will put great emphasis on consolidating newly acquired control valves and traction control systems businesses so as to create additional engines to drive its future growth. The Group will actively explore business opportunities in other industries, while still keeping its focus on petrochemical and railway industries. In the long run, the Group aims to supply multiple series of products for petrochemical, railway and other sectors.

For the petrochemical segment, the Group will continue to fully support the business development of control valves in Wuzhong Instrument so as to further enhance Wuzhong Instrument's overall capability of sales and marketing, production, internal operation and R&D. The Group will sustain its efforts in extending the applications of its safety control systems to the upstream oil & gas field as well as metallurgical, power and other industries. The Group will also strive to expand in overseas markets. At the same time, the Group will increase the revenue contribution from recurring after-sale engineering and maintenance services by enhanced after-sale service team and value-added services.

For the railway segment, the Group will further enhance the business development of traction control systems and related products. The Group, through the consortium of ABB Microunion and Nanjing Huashi, will endeavor to win subway contracts for traction control systems. The Group will continue to dedicate itself to developing into a total solution provider with full range of signaling products for urban rail transit projects as a general contractor and national railway projects as an equipment supplier.

The Group has and will always place great importance on R&D in order to further improve its technology and products. The Group has already set up several targets to accelerate its technology and product development. With these targets in mind, the Group has been working on various R&D projects, such as control valves applied in extreme conditions, upgraded control valve positioners and on-board signaling products of ATP (Automatic Train Protection) and ATO (Automatic Train Operation), etc.

Riding on its solid business with four key growth engines — safety and critical control systems, control valves, signaling systems and traction control systems, the Group will strive to maximize returns of its stakeholders in the future.

INVESTOR RELATIONS REPORT

In 2011, the Group continued to adopt a proactive and open approach while conducting extensive information exchanges and communication with investors, so that they could have better knowledge and understanding of the Group's future development strategy, operational situation and financial performance. Such efforts enhanced the transparency of the Group in the capital market and offered strong support to the Group's investors to make informed and reasonable investment decisions.

On the basis of fair disclosure, the Group has maintained sincere and timely communication with investors through various channels to report the Group's latest development:

– Annual and Interim results announcement and press conference

– Road shows

– Investment forums

– Publicity through the mass media

– Continually arranging meetings between senior management and investors and site visits to the Group's facilities and customer sites

– Prompt response to investor enquiries

– The Group's website

– Strive to enlarge the research coverage

In 2011, the Group's top management and IR team participated in over 40 investment forums and road shows. The team paid visit to the Group's shareholders and potential investors in USA, Europe, Hong Kong, Singapore, Taipei and China, so as to inform and update them about the Group's latest developments. Meanwhile, the Group has hosted site visits for more than 600 investors in Hong Kong and Beijing during the Year, during which visitors could witness the Group's rapid growth with their own eyes. The Group's effort in the aspects has been paid off and its outstanding performance has been widely recognized by professional bodies:

– In November 2011, the Group was selected as "200 Best Under A Billion" by Forbes, a well-known U.S. financial magazine. Since the year 2009, the Group outplayed again among 13,000 -15,000 listed companies in the Asia-Pacific region and it fully reflected the Group's strength in earning growth, sales growth and shareholder's return on equity.

– In December 2011, the Group was honored "Deloitte Technology Fast 500 Asia Pacific 2011" in recognition of the Group's remarkable revenue growth as well as its technology leadership in the past three years.

As at the end of January 2012, international investment firm FIL Limited increased its holdings in the Group to 7.3%. The shareholder structure of the Group remains in a good and stable position.

In 2012, the Group will continuously enhance investor relations. The senior management of the Group will consistently support investor relations, and the Group will persistently make transparent disclosures.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

DIRECTORS

Executive Directors

Mr. Xuan Rui Guo (宣瑞國), aged 43, the Group's founder, Executive Director and Chairman, is mainly responsible for the overall strategic, financial planning and long-term development. Mr Xuan is also one of the winners of the Ernst & Young Entrepreneur of The Year 2009 China. Mr. Xuan graduated from the Renmin University of China (中國人民大學) with a bachelor's degree in international politics. He has extensive experience in management, administration and business development in different industries including industrial automation, biotechnology, telecommunication and trading in the PRC. He was the general manager of Boda Telecommunication and Electronics Company Ltd. in Yunnan, China, manager of Beijing Invention Biology Company Ltd. and the general manager of Beijing Consen Automation Control Co., Ltd.

Mr. Huang Zhi Yong (黃志勇), aged 45, is a co-founder of the Group and Executive Director. He is also the head of the Group's software development team. Mr. Huang holds a master's degree in mechanical engineering in Dalian University of Technology (大連理工大學). He has over four year's experience in the research & development of mechanical engineering and over twelve years' experience in the management of corporate operation, automation engineering and trading. He is in charge of the internal operations of the Group including R&D, financial management and customer service. Mr. Huang was an engineer of the Machinery Research Institute of Sinopec Tianjin Petrochemical Corp. and was the deputy general manager of Beijing Consen Automation Control Co., Ltd.

Mr. Kuang Jian Ping (匡建平), aged 48, the Group's co-founder and Executive Director and Chief Executive Officer, is mainly responsible for the Group's daily operation, merger and acquisition strategies and investors relation. Mr. Kuang holds a master's degree in mechanical engineering in Dalian University of Technology (大連理工大學). He has over 15 years of experience in sales and marketing as well as management in the instrument and automation business in the China chemical and petrochemical industry. Mr. Kuang was a sales manager of the Instrumentation Technology Company of Dalian University of Technology who was responsible for trading instruments and automation systems. He also worked as a sales manager and subsequently a deputy general manager in a subsidiary of China Chemical Industry Equipment and Instrumentation Company in Hainan province and was responsible for trading chemical equipment and instruments. Besides, Mr. Kuang worked in Beijing Consen Automation Control Co., Ltd. as the deputy general manager in charge of sales and marketing.

Mr. Wang Tai Wen (王泰文), aged 65, is an independent Nonexecutive Director since January 2008 while being an external director of China National Foreign Trade Transportation (Group) Corporation. Prior to joining the Company, He also held various managerial positions in Ziyang Internal Combustion Locomotive Plant; the chairman, general manager and secretary to the communist party committee of China National Railway Locomotive Corporation; and also served as chairman and secretary to the communist party committee of China Southern Locomotive Industrial Group Corporation. In November 2006, Mr. Wang joined China Railway Engineering Group Company Limited as an external director. According to the Notice on board of directors of wholly state-owned company issued by Stateowned Assets Supervision and Administration Commission of the State Council, being an external director of China National Foreign Trade Transportation (Group) Corporation, Mr. Wang's main responsibilities are to attend meetings of its board of directors and to make decision in the capacity as a director. He did not participate in any daily operation at both China National Foreign Trade Transportation (Group) Corporation and its group companies. He graduated from Dalian Railway Institute (中國大連鐵道學院), the PRC, majoring in machinery and manufacturing.

Mr. SUI Yong-bin (隋永濱), aged 70, is an independent Nonexecutive Director since July 2011. Mr. Sui obtained an undergraduate degree in 1965. He served as a Commissioner and the Deputy Director of Department of Machinery Industry from 1965 to 1997. From 1997 to 2000, he was the Deputy Chief Engineer (bureau level) of Machinery Industry Bureau of the State, and also served as the Dean of Machinery Industry Information Research Institute and the Publisher of Machinery Industry Publishing House. Mr. Sui was the Chief Engineer and a member of Specialized Committee of China Machinery Industry Federation from 2000 to 2008. From 2008 to present, he has been the Special Consultant of China Machinery Industry Federation. Mr. Sui has long been engaging in the management of the industry in areas such as machinery industry technology, planning, research and development of major technologies and equipment, as well as organizing or participating in the preparation of mid-to-long-term planning of the machinery industry and drafting major policy documents. Mr. Sui has also been serving as the President of China General Machinery Industry Association since 1995. Mr. Sui has been an independent director of Xi'an Shangu Power Co., Ltd. (西安陝鼓動力股份有限公司) since April 2010, an external director of Harbin Air Conditioning Co., Ltd. (哈爾濱空調股份有限公司) since May 2008 and an external director of JiangsuShuangliang Air-conditioning Equipment Co., Ltd (江蘇雙良空調設備股份有限公司) since July 2010.

Mr. Ng Wing Fai (吳榮輝), aged 53, is an independent Nonexecutive Director. Mr. Ng joined the Group in Jume 2007. He has over 15 years' experience in audit, taxation and consultancy in government and non-government institutes. Mr. Ng holds a bachelor's degree of arts in accountancy and a master's degree of arts in international accounting from City University of Hong Kong. He also holds a postgraduate diploma in English and Hong Kong law from The Manchester Metropolitan University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Institute of Chartered Accountants in England and Wales, a council member of the Society of Chinese Accountants & Auditors, and a member of the Hong Kong Securities Institute.

SENIOR MANAGEMENT

Mr. Cui Da Chao (崔大潮), aged 55, is the Chief Financial Officer of the Group. He is primarily responsible for overseeing the Group's financial planning and control, accounting and financial affairs. Prior to joining the Group in 2004, Mr. Cui worked as an executive director and financial manager at a Canadian company principally engaged in trading of chemical raw materials. From 1999 to 2001, he was a partner and deputy general manager of a PRC accountancy firm. He graduated from Xiamen University (廈門大學), the PRC, with a specialization in international accounting.

Mr. Wang Wen Hui (王文輝), aged 52, the Group's Vice-President and the Chairman of Beijing Jiaoda Microunion Technology Co., Ltd.. In 1984, he graduated from the Information Research Institute of Northern Jiaotong University (北方交通大學資訊研究所), majoring in information processing, and was awarded a master degree in engineering. During the period between 1984 and 1993, Mr. Wang held a teaching post at the Information Research Institute of Northern Jiaotong University and was invited to Tokyo Institute of Technology as senior visiting scholar. During the period between 1993 and 2000, he served as department manager and general manager of Beijing Jiaotong University Technology Company and Beijing New Electrical Technology Company, respectively. Before taking up the post of the Chairman, he was a general manager of Beijing Jiaoda Microunion Technology Co., Ltd. since April 2000.

Mr. Zhou Zheng Qiang (周政強), aged 46, is a deputy general manager of the Group. He is primarily responsible for overseeing the marketing development of the group. He graduated with a bachelor's degree of process automation in the Department of Chemical Engineering in Zhejiang University (浙江大學) and also holds the Certificate of Senior Automation Engineer in China. He has worked in China Hua Lu Engineering company for 15 years from 1988 to 2002. From April 2002 to January 2006, he was the general manager of Xian Lan Qi Control System Engineering Company Ltd (西安籃溪控制系統工程有限責任公司). He joined the Group in February 2006

Mr. Zhang Wei (張偉), aged 51, is the general manager of Beijing Jiaoda Microunion Technology Co., Ltd. (BJM). He graduated from the School of Electronic and Information Engineering of Northern Jiaotong University (北方交通大學電子資訊工程學院) in 1985, with a master's degree in engineering, majoring in Transportation Automation. From 1985 to 1993, Mr. Zhang held a teaching post at the School of Electronic and Information Engineering and Research Institute of Management and Science of Northern Jiaotong University respectively and was invited to Tokyo University as a senior visiting scholar. From 1993 to 2000, he served as the department manager and vice general manager of Beijing Jiaotong University Technology Company and Beijing New Electrical Technology Company, respectively. Since April 2000, Mr. Zhang was assistant general manager of BJM, and was subsequently promoted to general manager.

Mr. Li Hai Tao (李海濤), aged 42, is a Head of Strategic Development of the Group. Mr. Li joined the Group in March 2008, mainly responsible for investment and merger and acquisition issues of the Group. He obtained a MBA and a double bachelor's degree in engineering from Tsinghua University (清華大學). He has expensive experience in investment, strategic development and corporate management, leading various merger and acquisition, as well as integration and new business development. Mr. Li was a vice president, general manager of investment department and general manager of corporate management department at Fei Shang Group in Shenzhen. He also served as general manager of investment management department at Hua Bao Group, managing director of Hua Bao Group Shenzhen Metropolis Trading Co. Ltd. and deputy managing director of Hua Bao Group Shenzhen Metropolis Logistic Co. Ltd.. From 1998 to 2001, Mr. Li was the head of development and research department at China International Marine Containers (Group) Co., Ltd.

Mr. Duan Min (段民), aged 45, is a deputy general manager of the Group. He is primarily responsible for overseeing the sales departments of the Group. He graduated with a bachelor's degree in automation of chemical engineering in Dalian University of Technology (大連理工大學). He has over 16 years working experience in the automation systems and instruments industry in the PRC. He joined the Group in May 1999.

Mr. Wang Jing Hua (王景華), aged 50, is the general manager of Beijing Consen Oil and Gas Process Control Company Limited. He graduated from the School of Technology & Business Management of the Renmin University of China, with a master's degree in MBA. From 1998 to 2002, he served as director and general manager of Petrochemical Thermal Power Plant of Taxinan of Xinjiang Petroleum Administration Bureau and Beijing Feida gas turbine engineering company. During the period between 2002 and 2006, he served as vice general manager of the Beijing Kang Bosen Gas Turbine Engineering Co. Ltd. In the next year, he held the position of Executive Officer of Hong Kong Fei Lite International, LLC. Mr. Wang joined the Group in 2008 and transferred to general manager of Beijing Consen Oil and Gas Process Control Company Limited.

Mr. Wang Shi Wei (王世偉), aged 40, the Group's director of human resources. He graduated with a bachelor's degree of Economics from the school of Technology & Business Management of Shandong University, majoring in business management. He obtained the master's degree in Economics from the Renmin University of China in 2005. From 1994 to 1999, He held a teaching post at the School of International Economics of Qingdao Science and Technology University. From 1999 to 2007, he worked as human resources manager of global supply chain in Lenovo. He worked for Beijing Tianshan New Materials Technology Co., Ltd as Human Resources Director in the period between 2007 and 2010. In 2010, he was the deputy general manager (human resources) of Anbang Property Insurance Co., Ltd. He joined the Group in 2011.

Ms Wang Yan Mei (王彥梅), aged 71, is the chairman and also the general manager of the Beijing Haidian ZhongJing Engineering Software Technologies Ltd. She graduated from the Department of Mechanical Engineering of fuel storage and transportation professional of the Petroleum Institute in 1964. Then she served a position of the Ministry of Petroleum Industry, Beijing Design Institute. From 1973 to 1998 she served as vice president of Beijing Design Institute of China Petrochemical Corporation. During the period between 1985 and now, she work for Ministry of Construction, China Exploration & Design Association and National survey and design computer applications Association as the chairman.

Mr. Chow Chiu Chi (周昭智), aged 53, is the Financial Controller and Company Secretary. He joined the Group in June 2006. He graduated from the Hong Kong Polytechnic University with a bachelor of arts' degree in Accountancy. He is an associate member of the Chartered Institute of Management Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. He also obtained a master's degree in business administration from the Hong Kong Polytechnic University. He has over 25 years of experience in finance, accounting and internal audit.

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSES OF OPERATIONS

The Company is an investment holding company. The Group is engaged in the provision of safety and critical control system specialized for petrochemical and railway industries, along with related maintenance and engineering services.

The activities of the Group are mainly based in the PRC. Analyses of the Group's revenue and contribution to operating result by principal activities and by principal markets are set out in notes 6 and 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of Comprehensive income on page 33 of this annual report.

The Board recommends distribution of a final dividend of 3.0 HK cents per share (2010: 7.0 HK cents), amounting to a total of approximately HK$30.79 million for the year ended 31 December 2011 (2010: HK$71.5 million) to the shareholders on the register of members of the Company on Thursday, 07 June 2012.

Upon the approval being obtained in the forthcoming annual general meeting to be hold on 29 May 2012, the above final dividend will be paid on or before 22 June 2012 to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 07 June 2012..

CLOSURES OF REGISTER OF MEMBERS

In order to qualify for attending and voting at the forthcoming annual general meeting, the register of members of the Company will be closed from Wednesday, 23 May 2012 to Tuesday, 29 May 2012 (both dates inclusive), during such period no transfer of shares of the Company will be registered. For determining the entitlement of the aforementioned proposed, the unregistered holders of shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, 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 Tuesday, 22 May 2012.

For determining the entitlement to the Dividend, the register of members of the Company will be closed from Monday, 04 June 2012 to Thursday, 07 June 2012, (both dates inclusive), during such period no transfer of shares will be registered. In order to qualify for the Dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, 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 Friday, 01 June 2012.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 102 of this annual report. The summary of results is for comparative purposes only, and does not form an integral part of the audited financial statements.

DISTRIBUTABLE RESERVES

Movements in the reserves of the Group during the year ended 31 December 2011 are set out on page 36 of this annual report. As at the balance sheet date, the Company's distributable reserves amounted to RMB926,663,000 (2010: RMB749,796,000).

SHARE CAPITAL

Movements of the share capital of the Company is set out in note 36 to the financial statements.

CHARITABLE CONTRIBUTIONS

Charitable contribution made by the Group during the year ended 31 December 2011 amounted to RMB100,000 (2010: RMB100,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2011 are set out in note 50 to the financial statements.

EMPLOYEES

As at 31 December 2011, the Group had a total of 1,813 employees (2010: 1,236). The emoluments payable to the employees of the Group are based on their responsibilities, qualifications, performance, experience and the related industrial practices.

DIRECTORS

The Directors during the year and as at the date of this report were:

Executive Directors

Mr. Xuan Rui Guo
Mr. Huang Zhi Yong
Mr. Kuang Jian Ping

Independent non-executive Directors

Mr. Wang Tai Wen	
Mr. Sui Yong Bin	(appointed on 01 July 2011)
Mr. Ng Wing Fai	
Mr. Tang Min	(passed away on 20 April 2011)

Pursuant to article 86(3) of the articles of association of the Company, Mr. Sui Yong-bin who is appointed director on 1st July, 2011, will retire from office at the Annual General Meeting and being eligible, offer himself for re-election. Pursuant to article 87 of the articles of association of the Company, Mr. Xuan Rui Guo and Mr. Ng Wing Fai shall retire from office by rotation at the Annual General Meeting and shall be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is of a duration exceeding three years or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

The emoluments payable to the Directors are based on terms of their respective service contracts with the Company. The Directors' fee payable is subject to annual assessment and approval by the Board and shareholders of the Company at annual general meetings. Details of the emoluments paid and payable to the Directors for the year ended 31 December 2011 are shown in note 13 to the financial statements.

The contributions to pension schemes for the Directors for the year ended 31 December 2011 are disclosed in note 13 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management of the Group are set out on pages 20 to 22 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the share option scheme of the Company as disclosed in note 46 to the financial statements, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 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) Long positions in the shares of the Company

Name of Director	No. of shares: Personal interest	Family interest	Corporate interest	Other interest	Interest in underlying shares pursuant to share options	Total	Approximate percentage of shareholding
			(Note)				
Mr. Xuan Rui Guo	1,000,000	—	457,933,541	—	—	458,933,541	44.72%

Note: Consen Group Holdings Inc. ("Consen Group") was the legal and beneficial owner of 457,933,541 Shares. Consen Group was owned as to 93.80% by Consen Investments Holding Inc. ("Consen Investments"), which was 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, and owned as to 6.20% by Gembest Investment Limited ("Gembest"). Accordingly, Mr. Xuan was deemed to be interested in the 457,933,541 Shares held by Consen Group by virtue of the SFO.

(ii) Long positions in the shares of associated corporations

Name of Associated corporation	Name of Directors	No. or shares: 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 was the legal and beneficial owner of 5,000,000 shares in Consen Group. Consen Investments was legally and beneficially owned as to 50% by Mr. Xuan, 25% by Mr. Huang and 25% by Mr. Kuang. Accordingly, Mr. Xuan was deemed to be interested in the 5,000,000 shares held by Consen Investments in Consen Group.

Save as disclosed above, as at 31 December 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

As at 31 December 2011, the interests of persons (not being a Director or chief executive of the Company) in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:-

Name	Capacity	Number of shares	Percentage of holding
Consen Group	Registered & beneficial owner	457,933,541	44.62%
Consen Investments (Note)	Interest in a controlled corporation	457,933,541	44.62%
FIL Limited	Registered & beneficial owner (Investment Manager)	54,177,000	5.28%

Note: Consen Group was owned as to 93.80% by Consen Investments and 6.20% by Gembest. Therefore, Consen Investments was deemed to be interested in such 457,933,541 shares held by Consen Group under the SFO.

All the interests stated above represent long positions.

Save as disclosed above, as at 31 December 2011, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

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 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 3,652,271 (2010: 11,682,000) (representing 0.36% (2010: 1.15%) of the total number of shares of the Company in issue as at the date of annual report). 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 as at 12 April 2010, 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 any 12-month period in excess of 0.1% of the Company's share capital in issue and with an aggregate value, based on the closing price of the shares at the date of each grant, 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 participants on acceptance of the option as consideration for the grant within 28 days from the date upon which the offer is made. Options may be exercised at any time from twelve months from the date of grant of the share option to the five anniversary of the date of grant. The exercise price is determined by the directors of the Company, 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 trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of the share options granted and exercised during the current year and outstanding at 31 December 2011 are as follows:

	Outstanding at 1 January 2011	Cancelled during the year	Exercised during the year	Outstanding at 31 December 2011
Key management	3,984,000	0	2,988,000	996,000
Other employees	7,698,000	20,000	5,021,729	2,656,271
	11,682,000	20,000	8,009,729	3,652,271
Exercisable at the end of the year				3,652,271

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company has repurchased certain of its own shares through the Stock Exchange. Details of the movements in share capital of the Company during the year are set out in note 36 to the financial statements.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the Cayman Islands in respect of the Company's share capital.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and revenue for the year ended 31 December 2011 attributable to the Group's major suppliers and customers respectively are as follow:

	2011 %	2010 %
Purchases		
- the largest supplier	27.1	15.4
- the five largest suppliers combined	61.5	62.4
Revenue		
- the largest customer	11.9	13.0
- the five largest customers combined	38.1	51.3

None of the Directors, their associates, or shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) held any interests in the five largest suppliers or customers noted above.

INDEPENDENT NON-EXECTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers the independent non-executive Directors to be independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to and within the knowledge of the Directors, it is confirmed that there is sufficient public float of the Company's issued shares in the market at the date of this report.

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 of the Listing Rules. The consolidated financial statements of the Group for the six months ended 30 June 2011 and the year ended 31 December 2011 and the related disclosures have been reviewed and approved by the audit committee.

AUDITORS

The financial statements have been audited by Deloitte Touche Tohmatsu Certified Public Accountants who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Xuan Rui Guo
Chairman
Hong Kong, 27 March 2012

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures which serve as an important element of risk management throughout the growth and expansion of the Company. The Company emphasizes on maintaining and carrying out sound, solid and effective corporate governance principles and structures.

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 year ended 31 December 2011 (the "Relevant Period"), all the code provisions set out in the Code were met by the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of 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 during the year ended 31 December 2011.

BOARD OF DIRECTORS

The overall management of the Company's business is vested in the Board. The Board has delegated the day-to-day management of the Company's business to the executive management team, and focuses its attention on matters affecting the Company's overall strategic policies, finances and shareholders. Major responsibilities of the Board include approving the Company's overall business, financial and technical strategies, setting key performance targets, approving budgets and overseeing the performance of management.

As at the date of this annual report, the Board comprised six members, consisting of three executive Directors, namely Mr. Xuan Rui Guo (the chairman), Mr. Huang Zhi Yong and Mr. Kuang Jian Ping (the chief executive officer); and three independent non-executive Directors, namely Mr. Wang Tai Wen, Mr. Sui Yong Bin and Mr. Ng Wing Fai. The roles of the chairman and chief executive officer are segregated. The profile of all the Directors, including the chairman, executive Directors and independent non-executive Directors are set out on pages 20 to 22 of this annual report. The relationship among members of the Board (including financial, business, family or other material or relevant relationships, if any) are also disclosed.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the Listing Rules, and considers all of the independent non-executive Directors to be independent.

Eight Board meetings were held during the Relevant Period. Directors actively participated in each meeting in person or via telephone conferencing. Directors received reports on the activities of the operating divisions and present papers supporting decisions which required the Board approval. The Board consents were given by vote at the Board meetings.

If a Director has conflict of interest in a transaction or proposal to be considered by the Board and which the Board has determined to be material, the individual Director concerned declares his interest and is required to abstain from voting. The matter is considered at a Board meeting attended by independent non-executive Directors who have no material interest in the transaction.

Details of the attendance of Directors at these Board meetings and at three committee meetings (the audit committee, the remuneration committee and the nomination committee) in the Relevant Period are set out in the following table:

		Meetings attended / Meetings held		
Name of director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Xuan Rui Guo	8/8	N/A	1/1	1/1
Mr. Huang Zhi Yong	8/8	N/A	1/1	N/A
Mr. Kuang Jian Ping	8/8	N/A	N/A	1/1
Independent non-executive Directors				
Mr. Tang Min (passed away on 20 April 2011)	6/8	1/2	1/1	1/1
Mr. Wang Tai Wen	8/8	2/2	1/1	1/1
Mr. Ng Wing Fai	8/8	2/2	1/1	1/1
Mr. Sui Yong Bin (appointed on 01 July 2011)	2/8	1/2	N/A	N/A

All the Directors have access to the services of the company secretary who regularly updates the Board on governance and regulatory matters.

Minutes of Board meetings are taken by the company secretary and, together with any supporting documents, are available to all the Directors. Draft and final versions of the minutes are sent to all the Directors for their comment and record respectively.

AUDIT COMMITTEE

The Company established an audit committee on 16 June 2007 with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The audit committee oversees the overall financial reporting process, as well as the adequacy and effectiveness of the Company's internal control. It also reviews and monitors the external auditor's independence and objectivity as well as the effectiveness of the audit process to make sure that it is in full compliance with applicable standards. There had not been any disagreement between the Board and audit committee on appointment and dismissal of external auditors during the Relevant Period.

The audit committee met twice during the Relevant Period to review and discuss with the management of the Company the internal controls and financial reporting matters including a review of the financial statements for the six months ended 30 June 2011 and the year ended 31 December 2011.

The audit committee comprises three members, all of whom are independent non-executive Directors, being Mr. Ng Wing Fai ("Mr. Ng"), Mr. Wang Tai Wen ("Mr. Wang") and Mr. Sui Yong Bin ("Mr. Sui"). The audit committee is chaired by Mr. Ng.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 16 June 2007 with written terms of references in compliance with the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. The remuneration of Directors is determined by the Board based on the advice of the remuneration committee with reference to their responsibilities with the Company.

The emolument policy and long term incentive schemes as well as the basis of determining the emolument payable to the directors are set out on page 63 of this report.

The remuneration committee met once during the Relevant Period to review and approve the remuneration of the directors and senior management of the Company.

The remuneration committee comprises five members, three of whom are independent non-executive Directors, namely Mr. Wang, Mr. Sui and Mr. Ng, and the other two of whom are executive Directors, namely Mr. Xuan and Mr. Huang. The remuneration committee is chaired by Mr. Wang.

NOMINATION COMMITTEE

The Company established a nomination committee on 16 June 2007 with written terms of references in compliance with the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the composition of the Board and make recommendations to the Board on the selection of individuals nominated for directorship. The selection of individual to become directors is based on assessment of their professional qualifications, experience and prevailing industry practices.

The nomination committee met once during the Relevant Period to review and recommend the appointment of the independent non-executive director and reappointment of the retiring Directors for shareholders' approval at the forthcoming annual general meeting.

The nomination committee comprises five members, three of whom are independent non-executive Directors, being Mr. Sui, Mr. Wang and Mr. Ng, and the other two of whom are executive Directors, namely Mr. Xuan and Mr. Kuang. The nomination committee is chaired by Mr. Sui.

AUDITORS' REMUNERATION

For the year ended 31 December 2011, the fees charged by the Company's auditors in respect of audit and taxation services amounted to approximately RMB2,953,000 (2010: RMB2,883,000 and RMB500,000 (2010: RMB500,000) respectively.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance and prospects. The Directors are responsible for the preparation of accounts which give a true and fair view of the state of affairs and of the results and cash flows of the Group on a going concern basis. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently and that judgments and estimates made are prudent and reasonable. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. The responsibilities of the auditors for the accounts are set out in the Independent Auditors' Report on page 32 of this annual report.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. In this connection, the management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; ensuring the maintenance of proper accounting records for internal use or for publication; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

COMMUNICATION WITH SHAREHOLDERS

The Group believes that effective communication with investors in developing of business is essential. Since the listing of the Company in July 2007, it has devoted itself to strengthen the good communication with all shareholders, investors, analysts and public media all the time in order to enhance the level of corporate governance.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are printed and sent to all shareholders. Press releases are posted on the Company's corporate website www.cag.com.hk, which is constantly being updated in a timely manner, and so contains additional information on the Group's business activities.

The Directors have been continuing to put their utmost effort to develop the direct communication channels with all investors to deepen their understanding in business, strategy and future development of the Group.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHINA AUTOMATION GROUP LIMITED
(incorporated in Caymans Islands with limited liability)

We have audited the consolidated financial statements of China Automation Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 101, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 RMB´000	2010 RMB´000
Revenue	6	**1,981,015**	1,594,828
Cost of sales		**(1,223,461)**	(930,672)
Gross profit		**757,554**	664,156
Other income	8	**47,780**	44,406
Other gains and losses	9	**35,033**	(14,410)
Selling and distribution expenses		**(162,063)**	(102,498)
Administrative expenses		**(209,327)**	(160,620)
Research and development expenses		**(34,023)**	(34,023)
Other expense		**(8,288)**	(5,893)
Finance costs	10	**(122,869)**	(25,438)
Share of results of associates		**(6,993)**	(3,432)
Profit before tax		**296,804**	362,248
Income tax expenses	11	**(53,156)**	(41,802)
Profit for the year	12	**243,648**	320,446
Exchange differences arising on translation of foreign operations		**5,353**	296
Total comprehensive income for the year		**249,001**	320,742
Profit for the year attributable to:			
Owners of the Company		**195,774**	285,581
Non-controlling interests		**47,874**	34,865
		243,648	320,446
Total comprehensive income attributable to:			
Owners of the Company		**201,127**	285,877
Non-controlling interests		**47,874**	34,865
		249,001	320,742
Earnings per share	16		
Basic (RMB cents)		**19.35**	28.11
Diluted (RMB cents)		**19.33**	27.94

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 RMB´000	2010 RMB´000
Non-current Assets			
Property, plant and equipment	17	**200,970**	129,925
Prepaid lease payments - non-current portion	18	**42,497**	24,354
Intangible assets	19	**365,510**	295,282
Goodwill	20	**141,792**	85,064
Interests in associates	22	**189,740**	96,720
Pledged bank deposits	29	**13,385**	17,375
Deposits for acquisition of a subsidiary		**53,782**	—
Deferred tax assets	23	**15,218**	15,159
Available-for-sale investments	24	**64,217**	3,373
		1,087,111	667,252
Current Assets			
Prepaid lease payments - current portion	18	**981**	584
Inventories	25	**596,769**	403,597
Trade and bills receivables	26	**1,332,957**	842,897
Other receivables and prepayments	27	**96,119**	128,420
Amounts due from customers for contract work	28	**33,175**	10,857
Pledged bank deposits	29	**89,656**	96,260
Bank balances and cash	30	**817,905**	582,238
		2,967,562	2,064,853
Current Liabilities			
Trade payables	31	**386,258**	255,334
Other payables, deposits received and accruals	32	**179,388**	167,721
Amount due to a non-controlling shareholder		**1,595**	—
Dividend payable		**5**	3
Income tax payable		**14,040**	23,157
Bank borrowings - due within one year	33	**163,558**	246,569
		744,844	692,784
Net Current Assets		**2,222,718**	1,372,069
Total Assets less Current Liabilities		**3,309,829**	2,039,321

	Notes	2011 RMB´000	2010 RMB´000
Capital and Reserves			
Share capital	36	**9,548**	9,491
Share premium and reserves	37	**1,684,898**	1,547,648
Equity attributable to owners of the Company		**1,694,446**	1,557,139
Non-controlling interests		**281,376**	147,548
Total Equity		**1,975,822**	1,704,687
Non-current Liabilities			
Deferred tax liabilities	23	**57,377**	41,168
Bank borrowings - due after one year	33	**3,990**	192,560
Long-term debenture	34	**49,399**	49,288
Guaranteed notes	35	**1,174,979**	—
Deferred income	38	**48,262**	51,618
		1,334,007	334,634
Total Equity and Liabilities		**3,309,829**	2,039,321

The consolidated financial statements on pages 33 to 101 were approved and authorised for issue by the Board of Directors on 27 March 2012 and are signed on its behalf by:

Xuan Rui Guo	**Huang Zhi Yong**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note 37 a)	Statutory surplus reserves RMB'000 (Note 37 b)	Contribution from owners RMB'000	Translation reserve RMB'000	Share option reserve RMB'000 (Note 37 c)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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
Profit for the year	—	—	—	—	—	—	—	285,581	285,581	34,865	320,446
Exchange difference arising on translation of foreign operations	—	—	—	—	—	296	—	—	296	—	296
Total comprehensive income for the year	—	—	—	—	—	296	—	285,581	285,877	34,865	320,742
Acquisition of a subsidiary (Note 41)	—	—	—	—	—	—	—	—	—	6,904	6,904
Appropriations to reserves	—	—	—	16,002	—	—	—	(16,002)	—	—	—
Dividend declared to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	(11,980)	(11,980)
Dividend distributed (Note 15)	—	(43,341)	—	—	—	—	—	—	(43,341)	—	(43,341)
Issue of shares on exercise of share options	115	38,514	—	—	—	—	(12,526)	—	26,103	—	26,103
Recognition of share-based payments (Note 46)	—	—	—	—	—	—	4,000	—	4,000	—	4,000
At 31 December 2010	9,491	751,299	(18,335)	54,538	619	(5,769)	15,500	749,796	1,557,139	147,548	1,704,687
Profit for the year	—	—	—	—	—	—	—	195,774	195,774	47,874	243,648
Exchange difference arising on translation of foreign operations	—	—	—	—	—	5,353	—	—	5,353	—	5,353
Total comprehensive income for the year	—	—	—	—	—	5,353	—	195,774	201,127	47,874	249,001
Acquisition of subsidiaries (Note 41)	—	—	—	—	—	—	—	—	—	99,222	99,222
Appropriations to reserves	—	—	—	18,907	—	—	—	(18,907)	—	—	—
Dividend declared to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	(13,980)	(13,980)
Dividend distributed (Note 15)	—	(76,921)	—	—	—	—	—	—	(76,921)	—	(76,921)
Issue of shares on exercise of share options	70	24,748	—	—	—	—	(8,787)	—	16,031	—	16,031
Share repurchased and cancelled	(13)	(2,917)	—	—	—	—	—	—	(2,930)	—	(2,930)
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	712	712
At 31 December 2011	**9,548**	**696,209**	**(18,335)**	**73,445**	**619**	**(416)**	**6,713**	**926,663**	**1,694,446**	**281,376**	**1,975,822**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**296,804**	362,248
Adjustments for:			
Share of results of associates		**6,993**	3,432
Finance costs		**122,869**	25,438
Depreciation of property, plant and equipment		**17,726**	12,740
Share-based payment expense		**—**	4,000
Deferred income released to income		**(12,528)**	(9,667)
Gain on repurchase of guarahnteed notes		**(2,749)**	—
(Reverse of) impairment losses on trade and other receivables		**(3,544)**	6,259
Prepaid lease payments released		**750**	584
Amortisation of intangible assets		**21,887**	4,313
Loss (gain) on disposal of property, plant and equipment		**5**	(45)
Interest income		**(3,663)**	(1,562)
Operating cash flows before movements in working capital		**444,550**	407,740
Increase in inventories		**(143,650)**	(84,998)
Increase in trade and bills receivables		**(396,682)**	(246,508)
Increase in other receivables and prepayments		**22,659**	(34,929)
Increase in amounts due from customers for contract work		**(22,318)**	(7,705)
(Decrease) increase in trade payables		**90,604**	45,183
Increase in deferred income		**9,172**	764
Increase in other payables and accruals		**(69,407)**	38,562
Cash generated from operations		**(65,072)**	118,107
Income tax paid		**(58,100)**	(29,645)
Income taxes returned		**—**	1,703
Net cash (used in) generated from operating activities		**(123,172)**	90,165
INVESTING ACTIVITIES			
Interest received		**3,663**	1,562
Purchases of property, plant and equipment		**(74,831)**	(47,641)
Proceeds on disposal of property, plant and equipment		**36**	103
Deposits for acquisition of a subsidiary		**(53,782)**	(40,800)
Acquisition of an available-for-sale investment		**(60,844)**	—
Refund of deposits for acquisition of a subsidiary		**40,800**	—
Development costs paid		**(4,579)**	(7,144)
Placement of pledged bank deposits		**(150,106)**	(113,635)
Withdrawal of pledged bank deposits		**160,700**	86,538
Investment in associates		**—**	(100,152)
Acquisition of subsidiaries	41	**(135,682)**	(23,519)
Acquisition of an associate	42	**(100,000)**	—
Net cash used in investing activities		**(374,625)**	(244,688)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
FINANCING ACTIVITIES			
New bank borrowings raised		**353,366**	835,032
Repayments of bank borrowings		**(673,447)**	(629,797)
Proceeds from issuance of long-term debenture		**—**	49,288
Interest paid		**(85,295)**	(25,438)
Net proceeds from issue of guaranteed notes		**1,254,761**	—
Repurchase of guaranteed notes		**(41,799)**	—
Contribution from non-controlling shareholders		**712**	—
Borrowing from non-controlling shareholders		**1,595**	—
Dividends paid to owners of the Company		**(76,921)**	(43,341)
Dividends paid to non-controlling shareholders		**(13,980)**	(11,980)
Repurchase of shares		**(2,930)**	—
Proceeds from issue of shares on exercise of share options		**16,031**	26,103
Net cash generated from financing activities		**732,093**	199,867
Net increase in cash and cash equivalents		**234,296**	45,344
Cash and cash equivalents at beginning of the year		**582,238**	536,598
Effect of foreign exchange rate changes		**1,371**	296
Cash and cash equivalents at end of the year		**817,905**	582,238
Analysis of the balances of cash and cash equivalents:			
represented by			
Bank balances and cash		**817,905**	582,238

1. GENERAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its parent is Consen Group Holding Inc. incorporated in the British Virgin Islands ("BVI") and its ultimate parent is Consen Investment Holding Limited incorporated in BVI. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report.

The activities of its subsidiaries are set out in note 50.

The consolidated financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for the first time, the following new and revised Standards and Interpretation ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB which are or have become effective.

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

The adoption of the new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[1]
	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
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[5]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONT'D)

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of IFRS 9 may affect the measurement of the available-for-sale equity investment currently measured at cost less impairment. Other than the available-for-sale equity investments, the directors do not expect IFRS9 will have any material impact on the results and financial position of the Group based on an analysis of the Group's investment as at 31 December 2011.

Except for IFRS 9, the directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. CHANGE OF THE USEFUL LIFE OF LICENSE IN THE CURRENT YEAR

In prior year, the Group acquired license of RMB190,002,000 which was issued by the Ministry of Railway ("MOR") and represented the access right of the business of railway safety equipment manufacture. The MOR license is classified as indefinite-life intangible assets. Upon the changes of the market in the current year, the management reassessed and concluded that the license has a finite useful life. As a result, the license is now amortised in 30 years and the change has increased the amortisation of intangible assets charge for the year by approximately RMB6,333,000.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by the non-controlling interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation was initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. When a single transaction requires two or more separate goods or services to be delivered at difference times, revenue is allocated to each identifiable components.

Revenue from system sales is recognised when the system is delivered and accepted by the customers. When the system sales contract includes an identifiable amount for warranty service, that amount is deferred and recognised as revenue over the period during which the service is performed. For the product warranty service, the Group recognises revenue when the services are provided using the percentage of completion method. The percentage of completion is determined on the basis of costs incurred to date relative to estimated total costs for the duration of the services contracted. Service fees received in advance are recorded as deferred income and recognised as service fee income when the services are rendered.

Revenue from sale of goods is recognised when goods are delivered and title has passed.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Servicing fees are recognised by reference to the proportion of the total cost of providing the service.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition (CONT'D)

Revenue for provision of maintenance and engineering service is recognised when the services are provided.

Revenue for software sales (that do not involve significant implementation or customisation) is recognised when the fee is determinable, collection is probable, and the products are delivered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting periodmeasured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as deposits received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payment can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency, i.e. RMB).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Retirement benefits costs

Payments to defined contribution retirement benefits schemes, including state-managed retirement benefits schemes in People's Republic of China ("PRC") and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets other than goodwill below).

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development or from the development phase of an internal project is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any).

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible assets (CONT'D)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets other than goodwill set out below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs necessary to make the sale.

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial asset. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees, points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments, of which interest income is included in other income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bill receivables, other receivables, bank balances and cash as well as pledged bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Group classified certain unlisted equity security as available-for-sale investments.

For available-for-sale financial equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (CONT'D)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of counterparty; or
- default or delinquency in settlement of receivables; or
- it becoming probable that the debtors will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all loans and receivables with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including bank borrowings, trade payables, other payables, dividend payable, amount due to a non-controlling shareholder, long-term debenture and guaranteed notes are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

If new share options are granted as replacement for the cancellation of previously granted share options, the grant of replacement share options is accounted for as modifications. The incremental fair value granted, representing the difference between the fair value of the modified/replacement share option and that of the original share option, at the date the modification/replacement is expensed over the remaining vesting period of the share options, in addition to the amount based on the grant date fair value of the original share options.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, the directors of the Company have made the following estimation with key assumptions at the end of reporting period. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of trade and other receivables

Trade receivables and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In making the estimates, management considered detailed procedures have been in place to monitor this risk. In estimating whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the aggregate carrying amount of trade and other receivables (net of allowance for doubtful debts), was approximately RMB1,398,067,000 (2010: RMB914,961,000). Details of movements of allowance for trade receivables and other receivables are disclosed in notes 26 and 27 respectively.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Indefinite useful life of trademarks

The trademarks are classified as indefinite-lived intangible assets and supported by the fact that trademarks are capable of being renewed indefinitely by the government of The People's Republic of China (the "PRC") upon its expiration at insignificant cost. Based on future financial performance of the Group, they are expected to generate positive cash flows indefinitely. The Group re-evaluates the useful life of trademarks each year to determine whether events and circumstances continue to support the view of indefinite useful life for these assets. The useful life of trademarks could be impacted as a result of the railway accident occurred due to the railway safety equipments manufactured by the Group's subsidiaries.

Useful lives of license

The Group's management determines the useful lives and related amortisation of the license. This estimate is based on the useful lives of the license of similar nature and functions. It could change significantly as a result of changes admission policy of MOR and the railway accident occurred due to the railway safety equipment manufactured by the Group's subsidiaries. Management will increase the amortisation where useful lives are less than previously estimated, or it will write-off the carrying amount (See note 3).

Estimation of the deferred income of system sales

A subsidiary is principally engaged in providing Railway Interlocking Systems ("RIS") and Centralised Traffic Control ("CTC") products to the national railway. Being the industry practice on RIS and CTC sales, certain RIS and CTC sales contracts include an identifiable amount for warranty service, that amount is deferred and recognised as revenue over the period during which the service is performed. The warranty services included replacement of spare parts, system upgrade and system maintenance. Considering the unique nature of system product, deferred income of system sales is recorded based on the anticipated total warranty costs to incur and anticipated margin of the warranty services. It requires management to apply judgment by reference to past warranty costs incurred. As at 31 December 2011, deferred income of approximately RMB39,462,000 (2010: RMB51,618,000) is made for the systems products sold as set out in note 38.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2011, the carrying amount of goodwill is RMB141,792,000 (2010: RMB85,064,000). Details of the recoverable amount calculation are disclosed in note 21.

6. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2011 RMB'000	2010 RMB'000
Sales of goods		
System sales	**1,209,014**	1,162,740
Trading of equipments	**450,079**	272,440
Software sales	**21,511**	13,924
	1,680,604	1,449,104
Provision of service		
Provision of maintenance and engineering services	**150,738**	123,588
Design services	**149,673**	22,136
	1,981,015	1,594,828

7. 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, being the Operating Management Committee ("CODM"), in order to allocate resources to the segments and to assess their 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. The Group's operating segments are identified and relevant information is presented below:

Petrochemical - integration and sales of safety and critical control systems, trading of equipment, provision of maintenance and engineering services, design services and sales of software products for the petrochemical, chemical, oil and gas and coal chemical industries

Railway - integration and sales of safety and critical control systems, trading of equipment, provision of maintenance and engineering services and sales of software products for the railway industry

7. SEGMENT INFORMATION (CONT'D)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

2011

	Petrochemical RMB'000	Railway RMB'000	Consolidated RMB'000
Revenue	**1,044,994**	**936,021**	**1,981,015**
Segment profit before tax	**248,358**	**144,106**	**392,464**
Income tax expense	**(30,550)**	**(22,606)**	**(53,156)**
Segment profit	**217,808**	**121,500**	**339,308**
Unallocated other income			**204**
Unallocated administrative expenses			**(10,236)**
Unallocated other gains and losses			**2,740**
Unallocated finance costs			**(88,368)**
Profit for the year			**243,648**

2010

	Petrochemical RMB'000	Railway RMB'000	Consolidated RMB'000
Revenue	793,874	800,954	1,594,828
Segment profit before tax	189,386	179,933	369,319
Income tax expense	(13,667)	(28,135)	(41,802)
Segment profit	175,719	151,798	327,517
Unallocated other income			339
Unallocated administrative expenses			(7,077)
Unallocated other gains and losses			(232)
Unallocated finance costs			(101)
Profit for the year			320,446

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. 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.

7. SEGMENT INFORMATION (CONT'D)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

Segment assets

	2011 RMB'000	2010 RMB'000
Petrochemical	2,120,763	1,467,324
Railway	1,901,067	1,206,653
Total segment assets	4,021,830	2,673,977
Other assets	32,843	57,523
Consolidated assets	4,054,673	2,732,105
Segment liabilities		
Petrochemical	497,027	408,265
Railway	406,836	459,674
Total segment liabilities	903,863	867,939
Guaranteed notes	1,174,979	—
Other liabilities	9	159,479
Consolidated liabilities	2,078,851	1,027,418

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash and property, plant and equipment of the Company.
- all liabilities are allocated to operating segments other than other payables, dividend payable, guaranteed notes and bank borrowings of the Company.

7. SEGMENT INFORMATION (CONT'D)

Other segment information

Amounts included in the measure of segment profit or segment assets:

2011

	Petrochemical RMB'000	Railway RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to non-current assets (Note)	**119,739**	**150,197**	**(10)**	**269,926**
Interests in associates	**181,032**	**8,708**	**—**	**189,740**
Depreciation and amortisation	**12,151**	**27,450**	**12**	**39,613**
Release of prepaid lease payment	**584**	**166**	**—**	**750**
Loss on disposal of property, plant and equipment	**5**	**—**	**—**	**5**
(Reversal of) Impairment losses on trade and other receivables recognised in profit or loss	**847**	**(4,391)**	**—**	**(3,544)**
Share of results of associates	**981**	**(7,974)**	**—**	**(6,993)**
Interest income	**2,584**	**870**	**209**	**3,663**
Interest expense	**20,972**	**13,529**	**88,368**	**122,869**

2010

	Petrochemical RMB'000	Railway RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to non-current assets (Note)	92,948	11,745	—	104,693
Interests in associates	80,038	16,682	—	96,720
Depreciation and amortisation	10,667	6,376	10	17,053
Release of prepaid lease payment	584	—	—	584
Gain on disposal of property, plant and equipment	—	45	—	45
Impairment losses on trade and other receivables recognised in profit or loss	641	5,618	—	6,259
Share-based payment expense	4,000	—	—	4,000
Share of results of associates	(39)	3,471	—	3,432
Interest income	687	774	101	1,562
Interest expense	18,211	7,126	101	25,438

Note: Non-current assets excluding financial instruments and deferred tax assets.

7. SEGMENT INFORMATION (CONT'D)

Geographical information

The Group operates principally in the PRC (including Hong Kong), and overseas countries (including the United States of America ("USA"), Japan and Singapore).

Information about the Group's revenue from external customers is presented based on the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets*	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
PRC	**1,889,758**	1,571,061	**800,620**	526,967
Overseas countries	**91,257**	23,767	**3,931**	7,658
	1,981,015	1,594,828	**804,551**	534,625

Note: Non-current assets excluded financial instruments and deferred tax assets.

Revenue by products and services

The Group's revenue analysed by goods or services are set out in note 6.

Information about major customers

Revenue from individual customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011 RMB'000	2010 RMB'000
Railway - Customer A	**235,824**	159,682
Railway - Customer B	**N/A[1]**	207,606

1 The corresponding revenue did not contribute over 10% of the total sales of the Group.

8. OTHER INCOME

	2011 RMB'000	2010 RMB'000
Bank interest income	**3,663**	1,562
Government grant (Note)	**43,877**	41,226
Others	**240**	1,618
	47,780	44,406

Note: The balance includes an amount of RMB42,515,000 (2010: RMB38,783,000) which represents the value added tax ("VAT") refund from local tax bureau in accordance with the preferential policy on VAT of software manufacturers. The remaining amount of RMB1,362,000 (2010: RMB2,443,000) represents the subsidy received from the government, in accordance with the temporary measures promulgated by HaiDian District regarding financing subsidy to small and medium enterprises.

9. OTHER GAINS AND LOSSES

	2011 RMB'000	2010 RMB'000
Net foreign exchange gain (loss)	**28,745**	(8,196)
Reversal of allowance for (allowance for) bad and doubtful debts	**3,544**	(6,259)
(Loss) gain on disposal of property, plant and equipment	**(5)**	45
Gain on repurchase of guaranteed notes (Note 35)	**2,749**	—
	35,033	(14,410)

10. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interest on borrowings wholly repayable within five years	**35,902**	28,449
Interest on long-term debenture	**2,701**	939
Interest on guaranteed notes	**75,909**	—
Arrangement of syndicated loan (Note)	**9,261**	—
	123,773	29,388
Less: amount capitalised under construction in progress	**(904)**	(3,950)
	122,869	25,438

Note: During the year, 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 year are calculated by applying a capitalisation rate of 5.94% (2010: 4.06%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSES

	2011 RMB'000	2010 RMB'000
Current tax charge comprises		
PRC enterprise income tax	**47,780**	38,274
Hong Kong Profits Tax	**1,172**	2,612
Other jurisdictions	**—**	8
	48,952	40,894
Deferred tax (Note 23)		
Current year	**4,567**	908
Attributable to a change in tax rate	**(363)**	—
	4,204	908
	53,156	41,802

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

Certain subsidiaries of the Group 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. During the year, Beijing Sindhu Industrial Software Co., Ltd. ("Beijing Software") is under the second year of 50% tax reduction and Beijing Shang Fang Yun Shui Software Technology Co., Ltd. ("Beijing ShangFang") is under the second year of tax exemption, and followed by a 50% tax reduction from 2012 to 2014. Beijing Consen Automation Control Co., Ltd. ("Beijing Consen") and Beijing Tri-Control Automation Co., Ltd. ("Beijing Tri-control") are under the third year of 50% tax reduction in 2010 and ceased to enjoy this tax benefit from 1 January 2011.

Beijing Consen, Beijing Consen Transportation Technology Co., Ltd. ("Beijing Transportation"), Beijing Jiaoda Microunion Technology Co., Ltd. ("Beijing Jiaoda Microunion"), Nanjing Huashi Electronic Scientific Co., Ltd. ("Nanjing Electronic Scientific ") and Zhongjing Engineering Software Technology Company Limited ("Zhongjing") are qualified as "New and High Tech Enterprises", which are subject to enterprise income tax at the preferential rate of 15% of the estimated assessable profit as determined in accordance with relevant tax rules and regulations in the PRC. This preferential rate could be applied for three years, and began from 2009 for Nanjing Electronic Scientific, 2010 for Zhongjing and 2011 for Beijing Consen, Beijing Transportation and Beijing Jiaoda Microunion.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year.

Taxation arising in the jurisdictions other than the PRC and Hong Kong is calculated at rates prevailing in the relevant jurisdictions.

11. INCOME TAX EXPENSES (CONT'D)

The income tax charge for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2011 **RMB'000**	2010 RMB'000
Profit before tax	**296,804**	362,248
Tax at the PRC income tax rate of 25% (2010: 25%)	**74,201**	90,562
Tax effect of share of results of associates	**1,748**	858
Tax effect of expenses not deductible for tax purpose	**14,334**	10,358
Tax effect of income not taxable for tax purpose	**(10,969)**	(9,696)
Tax effect of tax losses not recognised	**24,266**	4,946
Utilisation of tax losses previously not recognised	**—**	(250)
Effect of different tax rates of subsidiaries	**(596)**	(1,373)
Effect of tax benefit granted to certain PRC subsidiaries	**(55,165)**	(53,603)
Deferred tax changes resulting from changes in applicable tax rates	**(363)**	—
Deferred tax associated with withholding tax on undistributed profits of PRC subsidiaries	**5,700**	—
Tax charge for the year	**53,156**	41,802

Note: Under the EIT Law, withholding tax of 5% is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward. Deferred taxation was not provided for in the consolidated financial statements of the Group for the year ended 31 December 2010 in respect of undistributed profits of relevant PRC subsidiaries, as the management confirmed that profits generated by the relevant PRC subsidiary in 2008, 2009 and 2010 will not be distributed to its foreign investor in the foreseeable future. During the current year, the management of the Group has reassessed the dividend policy of its PRC subsidiaries based on the Group's current business plan and financial position. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiary will be distributed to its foreign investor and as such, deferred tax liability in this respect was provided for accordingly in the consolidated financial statements of the Group for the current year to the extent that such earnings are estimated by the management of the Group to be distributed in the foreseeable future.

The aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately RMB696,236,000 (2010: RMB590,525,000).

12. PROFIT FOR THE YEAR

	2011 RMB'000	2010 RMB'000
Profit for the year is arrived at after charging the following items:		
Auditors' remuneration	2,954	2,883
Depreciation of property, plant and equipment	17,726	12,740
Release of prepaid lease payment	750	584
Amortisation of intangible assets (included in administrative expenses)	14,601	556
Amortisation of intangible assets (included in cost of sales)	7,286	3,757
Staff costs:		
Directors' emoluments (Note 13)	12,773	12,359
Other staff costs		
– Salaries and other benefits	198,019	134,826
– Retirement benefits scheme contributions	6,295	4,870
– Share-based payments	—	4,000
	217,087	156,055

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the Company's directors were as follows:

	2011				
	Directors' fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Performance related incentive payments RMB'000	Total emoluments RMB'000
Executive directors					
Mr. Xuan Rui Guo	—	1,298	30	2,766	4,094
Mr. Kuang Jian Ping	—	1,302	30	2,766	4,098
Mr. Huang Zhi Yong	—	1,302	30	2,775	4,107
Sub-total	—	3,902	90	8,307	12,299
Independent non-executive directors					
Mr. Wang Tai Wen	150	—	—	—	150
Mr. Tang Min	50	—	—	—	50
Mr. Ng Wing Fai	199	—	—	—	199
Mr. Sui Yong Bin	75	—	—	—	75
Sub-total	474	—	—	—	474
Total	474	3,902	90	8,307	12,773

13. DIRECTORS' EMOLUMENTS (CONT'D)

	2010				
	Directors' fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Performance related incentive payments RMB'000	Total emoluments RMB'000
Executive directors					
Mr. Xuan Rui Guo	—	1,012	12	2,978	4,002
Mr. Kuang Jian Ping	—	910	12	2,978	3,900
Mr. Huang Zhi Yong	—	957	12	2,978	3,947
Sub-total	—	2,879	36	8,934	11,849
Independent non-executive directors					
Mr. Wang Tai Wen	153	—	—	—	153
Mr. Tang Min	153	—	—	—	153
Mr. Ng Wing Fai	204	—	—	—	204
Sub-total	510	—	—	—	510
Total	510	2,879	36	8,934	12,359

The performance related incentive payments of the executive directors are determined by the board and should not be more than 5% of the profit attributable to owners of the Company for the relevant financial year.

During both years, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

14. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included three directors (2010: three) for the year ended 31 December 2011, whose emoluments are disclosed in note 13 above. The emoluments of the remaining two (2010: two) individuals for the year ended 31 December 2011 are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other benefits	1,356	1,310
Contributions to retirement benefits scheme	30	25
Performance related incentive payments	1,600	2,522
	2,986	3,857

Their emoluments were within the following bands:

	Number of employees	
	2011	2010
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	1	—
HK$2,500,001 to HK$3,000,000	—	1
	2	2

15. DIVIDENDS

Dividends recognised as distribution during the year:

	2011 RMB'000	2010 RMB'000
Dividends declared for distribution during the year:		
2010 final dividends-HK$ 7.0 cents per share		
(2009 final dividends-HK$ 5.0 cents per share)	59,828	43,341
2011 interim dividends-HK$ 2.0 cents per share	17,093	—
	76,921	43,341

15. DIVIDENDS (CONT'D)

A final dividend of HK$30,788,000 (equivalent to RMB24,960,000) at HK$3.0 cents per share in respect of the year ended 31 December 2011, based on 1,026,264,000 shares as at 31 December 2011, has been proposed by the directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting.

During the current year, dividends of HK$71,943,000 (equivalent to RMB59,828,000) at HK$7.0 cents per share in respect of the year ended 31 December 2010 and HK$20,555,000 (equivalent to RMB17,093,000) at HK$2.0 cents per share in respect of the six months ended 30 June 2011 were declared based on 1,027,756,000 shares, and paid to the owners of the Company. The dividend was paid out from the Company's share premium. In the opinion of the directors of the Company, such distribution is in compliance with the Articles of Association adopted by the Company and also the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

16. EARNINGS PER SHARE

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

Earnings

	2011 **RMB'000**	2010 RMB'000
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**195,774**	285,581

Weighted average number of shares

	2011 **'000 shares**	2010 '000 shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,011,901**	1,015,784
Effect of dilutive potential ordinary shares for share options	**1,020**	6,244
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,012,921**	1,022,028

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Fixtures and electronic equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST						
At 1 January 2010	37,931	8,294	25,146	21,179	21,047	113,597
Additions	—	2,514	23,328	11,284	10,515	47,641
Acquired on acquisition of a subsidiary (Note 41)	—	—	—	598	893	1,491
Disposals	—	—	—	(892)	(407)	(1,299)
At 31 December 2010	37,931	10,808	48,474	32,169	32,048	161,430
Acquired on acquisition of subsidiaries (Note 41)	—	1,892	3,376	7,367	1,346	13,981
Additions	—	—	50,849	23,054	928	74,831
Transfers	97,386	—	(97,386)	—	—	—
Disposals	—	—	—	(168)	(218)	(386)
At 31 December 2011	135,317	12,700	5,313	62,422	34,104	249,856
DEPRECIATION						
At 1 January 2010	2,692	872	—	6,340	10,102	20,006
Provided for the year	1,174	1,663	—	5,347	4,556	12,740
Disposals	—	—	—	(854)	(387)	(1,241)
At 31 December 2010	3,866	2,535	—	10,833	14,271	31,505
Provided for the year	1,256	2,957	—	9,768	3,745	17,726
Disposals	—	—	—	(144)	(201)	(345)
At 31 December 2011	5,122	5,492	—	20,457	17,815	48,886
CARRYING VALUES						
At 31 December 2011	130,195	7,208	5,313	41,965	16,289	200,970
At 31 December 2010	34,065	8,273	48,474	21,336	17,777	129,925

17. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Property, plant and equipment except for construction in process are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	3%
Leasehold improvements	Over the lease terms
Fixtures and electronic equipment	10% - 20%
Motor vehicles	20%

The leasehold land and buildings of the Group are located on land in the PRC.

The leasehold interests in land are included in property, plant and equipment as the directors consider that the allocations between the land and buildings elements cannot be made reliably.

Details of property, plant and equipment pledged are set out in note 43.

18. PREPAID LEASE PAYMENTS

Movements in the lease prepayments, which represent land use rights with the lease terms of 40 to 50 years in Mainland China, during the year are analysed as follows:

	2011 RMB'000	2010 RMB'000
CARRYING AMOUNT		
At 1 January	**24,938**	25,522
Acquired on acquisition of a subsidiary (Note 41)	**19,290**	—
Released to profit or loss	**(750)**	(584)
At 31 December	**43,478**	24,938
Analysed for reporting purpose as:		
Current asset	**981**	584
Non-current asset	**42,497**	24,354
	43,478	24,938

Details of land use rights pledged are set out in note 43.

19. INTANGIBLE ASSETS

	Development costs RMB'000 (Note)	Licenses RMB'000	Trademarks RMB'000	Backlog orders RMB'000	Patents RMB'000	Total RMB'000
COST						
At 1 January 2010	19,239	190,002	62,468	9,190	6,536	287,435
Additions	7,144	—	—	—	—	7,144
Acquired on acquisition of a subsidiary (Note 41)	—	16,422	—	—	—	16,422
At 31 December 2010	26,383	206,424	62,468	9,190	6,536	311,001
Additions	4,579	—	—	—	—	4,579
Acquired on acquisition of a subsidiary (Note 41)	—	84,658	—	2,878	—	87,536
At 31 December 2011	30,962	291,082	62,468	12,068	6,536	403,116
AMORTISATION						
At 1 January 2010	989	—	—	9,190	1,227	11,406
Provided for the year	3,388	556	—	—	369	4,313
At 31 December 2010	4,377	556	—	9,190	1,596	15,719
Provided for the year	4,039	14,601	—	2,878	369	21,887
At 31 December 2011	8,416	15,157	—	12,068	1,965	37,606
CARRYING VALUES						
At 31 December 2011	22,546	275,925	62,468	—	4,571	365,510
At 31 December 2010	22,006	205,868	62,468	—	4,940	295,282

Note: Development costs are internally generated.

The intangible assets, other than the trademarks which do not have finite useful lives and are stated at cost less impairment, are amortised on straight-line basis based on the estimated useful lives as follows:

Category	Estimated useful lives
Development costs	5 years
Licenses	2.5-30 years
Backlog orders	Over the service providing periods
Patents	5-15 years

19. INTANGIBLE ASSETS (CONT'D)

The trademarks have a legal life of 10 years but are renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademarks continuously and have the ability to do so. Various studies including product stability and security studies, market and admission policy trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademarks are considered by the management of the Group as having an indefinite useful life. They will be tested for impairment annually and whenever there are indications that they may be impaired. Particulars of the impairment testing are disclosed in note 21.

20. GOODWILL

	2011 **RMB'000**	2010 RMB'000
At 1 January	**85,064**	76,175
Arising on acquisition of a subsidiaries (Note 41)	**56,728**	8,889
At 31 December	**141,792**	85,064

21. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and trademarks with indefinite useful lives set out in notes 19 and 20 have been allocated to four individual cash generating units (CGUs), including four (2010:two) subsidiaries engaged in railway segment and two (2010: two) subsidiaries engaged in petrochemical sales segment. The carrying amounts of goodwill and trademarks as at 31 December 2011 allocated to these units are as follows:

	Goodwill		**Trademarks**	
	2011 **RMB'000**	2010 RMB'000	**2011** **RMB'000**	2010 RMB'000
Railway				
– Beijing Jiaoda Microunion Technology Co., Ltd (Unit A)	**72,778**	72,778	**61,922**	61,922
– Beijing Consen Transportation Technology Company Limited (Unit A)	**3,397**	3,397	**—**	—
– Nanjing Electronic Scientific (Unit B)	**39,695**	—	**—**	—
– Nanjing Huashi Power Equipment Co., Ltd. ("Nanjing Power Equipment") (Unit B)	**17,033**	—	**—**	—
Petrochemical				
– Tri-sen Systems Corporation (Unit C)	**—**	—	**546**	546
– Zhongjing (Unit D)	**8,889**	8,889	**—**	—
Total	**141,792**	85,064	**62,468**	62,468

During the year ended 31 December 2011, management of the Group determines that there are no impairments of any of its CGUs containing goodwill and trademarks with indefinite useful lives.

21. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (CONT'D)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount is determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rates of 17.0% (2010: 15.5%) for Unit A, 15.8% (2010:15.5%) for Unit B, 13.3% (2010: 13.4%) for Unit C, discount rate of 16.1% (2010: 13.6%) for Unit D depending on the industries in which the subsidiaries operate. One major assumption of the financial budgets is annual revenue growth rates of 10% (2010: 16%) for Unit A, 30% for Unit B, 25% (2010: 25%) for Unit C, 8% (2010: 8%) for Unit D. The cash flows of the respective CGUs beyond the five-year period are extrapolated using a steady growth rate of 3% (2010: 3%). The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each CGU to exceed its recoverable amount.

22. INTERESTS IN ASSOCIATES

	2011 RMB'000	2010 RMB'000
Cost of investments, unlisted	**200,165**	100,152
Share of post-acquisition loss and other comprehensive income, net of dividends received	**(10,425)**	(3,432)
	189,740	96,720
Representing:		
Share of net assets by the Group	**168,558**	96,720
Goodwill on acquisition of associates	**21,182**	—
	189,740	96,720

Details of the Group's associates 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 2011	2010	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%	25%	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%	50%	Traction converters and auxiliary converters

During the year, the Group obtained additional 25% equity interest in Wuzhong through the acqusition of a new subsidiary disclosed in note 42.

22. INTERESTS IN ASSOCIATES (CONT'D)

The summarised financial information in respect of the Group's associates which are accounted for using the equity accounting method is set out below:

	2011 RMB'000	2010 RMB'000
Total assets	**656,250**	560,252
Total liabilities	**(319,135)**	(210,039)
Net assets	**337,115**	350,213
Group's share of net assets of associates	**168,558**	96,720

	2011 RMB'000	2010 RMB'000
Revenue	**343,091**	133,738
Loss for the year	**(13,987)**	(6,784)
Group's share of losses and other comprehensive income of associates for the year	**(6,993)**	(3,432)

23. DEFERRED TAX ASSETS/LIABILITIES

The deferred tax assets (liabilities) recognised by the Group and movements thereon during the year are as follows:

	Impairment losses on trade and other receivables	Deferred income	Tax losses	Fair value adjustment of intangible assets (Note a)	Undistributed profits of subsidiary	Other temporary differences (Note b)	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)
Acquisition of a subsidiary (Note 41)	—	—	—	(2,463)	—	—	(2,463)
Credit (charge) to profit or loss	883	(1,335)	764	84	—	(1,304)	(908)
At 31 December 2010	3,417	7,743	764	(40,168)	(1,000)	3,235	(26,009)
Acquisition of a subsidiary (Note 41)	1,184	—	—	(13,130)	—	—	(11,946)
Credit (charge) to profit or loss	(45)	(1,823)	—	2,622	(5,700)	379	(4,567)
Effect of change in tax rate	21	—	—	—	—	342	363
At 31 December 2011	**4,577**	**5,920**	**764**	**(50,676)**	**(6,700)**	**3,956**	**(42,159)**

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 acquisitions during the current and prior years.

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

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

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

	2011 RMB'000	2010 RMB'000
Deferred income tax assets	15,218	15,159
Deferred income tax liabilities	(57,377)	(41,168)
	(42,159)	(26,009)

At 31 December 2011, the Group had unused tax losses of approximately RMB144,907,000 (2010: RMB47,843,000) available to offset against future profits of respective subsidiaries. Included in unrecognised tax losses are losses of RMB95,137,000 (2010: RMB23,446,000) that may be carried forward indefinitely.

The other tax losses unrecognised for deferred tax assets that will expire in

	2011 RMB'000	2010 RMB'000
2013	4,607	4,607
2015	19,790	19,790
2016	25,373	—
Total	49,770	24,397

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.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 RMB'000	2010 RMB'000
Unlisted equity investment, at cost less impairment	64,217	3,373

The above unlisted equity investments represent equity investments in private entities established in the PRC and 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.

25. INVENTORIES

	2011 RMB'000	2010 RMB'000
Raw materials	**518,590**	379,708
Work in progress	**58,972**	22,532
Finished goods	**19,207**	1,357
	596,769	403,597

For the year ended 31 December 2011, cost of inventories of approximately RMB1, 200,012,000 (2010: RMB916,751,000) is recognised as an expense in the consolidated statement of comprehensive income.

26. TRADE AND BILLS RECEIVABLES

	2011 RMB'000	2010 RMB'000
Trade receivables	**1,089,832**	806,452
Less: impairment losses on trade receivables	**(9,019)**	(14,107)
	1,080,813	792,345
Bills receivables	**252,144**	50,552
	1,332,957	842,897

Trade receivables denominated in the currency other than the functional currency of relevant group entities:

	2011 RMB'000	2010 RMB'000
United States Dollar ("US$")	**93,812**	89,806
Japanese Yen ("JPY")	**22,257**	1
European Dollar ("EUR")	**13,179**	15,252
Singapore Dollar ("SG$")	**116**	874
Great Britain Pound ("GBP")	**—**	—
	129,364	105,933

At 31 December 2011, included in trade receivables are retention receivable of RMB64,674,000 (2010: RMB61,565,000). Retention receivables are interest-free and recoverable at end of the retention period of individual contract from 12 to 18 months and within the Group's normal operating cycle. As at 31 December 2011, retention receivables with a carrying amount of RMB19,079,000 (2010: RMB10,301,000) are expected to be collected after 12 months from the end of the reporting period.

26. TRADE AND BILLS RECEIVABLES (CONT'D)

The normal credit period except for the retention receivables granted to the Group's customers is 90 to 365 days. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the reporting dates:

	2011 RMB'000	2010 RMB'000
0 - 90 days	602,153	486,663
91 - 180 days	177,396	105,177
181 - 365 days	387,369	173,673
1 - 2 years	166,037	66,679
2 - 3 years	2	10,386
More than 3 years	—	319
	1,332,957	842,897

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The creditability of customers is reviewed regularly. The Group maintains strict control over the creditability of customers and its outstanding receivables. More than 85% of the trade receivables that are neither past due nor impaired are from customers with good payment history.

As at 31 December 2011, trade receivables with a carrying amount of RMB166,039,000 (2010: RMB77,384,000) that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past collection history, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Aging of trade receivables which are past due but not impaired is as follows:

	2011 RMB'000	2010 RMB'000
1-2 years	166,037	66,679
2-3 years	2	10,386
More than 3 years	—	319
Total	166,039	77,384

Movement in the allowance for doubtful debts

	2011 RMB'000	2010 RMB'000
At 1 January	14,107	8,348
Impairment losses recognised on trade receivables	7,917	8,233
Amounts recovered during the year	(11,818)	(2,474)
Amounts written off as uncollectible	(1,187)	—
At 31 December	9,019	14,107

26. TRADE AND BILLS RECEIVABLES (CONT'D)

Details of trade receivables pledged to secure banking facilities are set out in note 43.

The Group had discounted bills receivable of approximately RMB3,023,000 as at 31 December 2011 (2010: Nil) to banks with full recourse. The Group would continue to recognise the full carrying amount of the bills receivable and recognised the cash received on the discounting as bank borrowings.

Bills receivable of approximately RMB53,167,000 as at 31 December 2011 (2010: RMB7,769,000) were endorsed with recourse to third party suppliers for purchase of raw material and corresponding trade payables of RMB53,167,000 as at 31 December 2011 (2010: RMB7,769,000) were included in the consolidated statement of financial position accordingly.

In determining the recoverability of the trade receivables, the Group reassesses the credit quality of the trade receivables since the credit was granted and up to the reporting date. Based on the historical experience of the Group, the directors of the Company believe that no further allowance is required.

27. OTHER RECEIVABLES AND PREPAYMENTS

An analysis of other receivables and prepayments is as follows:

	2011 RMB'000	2010 RMB'000
Prepayments to suppliers	31,009	56,356
Other receivables (Note)	65,231	72,586
Less: impairment losses on other receivables	(121)	(522)
	96,119	128,420

Movement in the allowance for doubtful debts

	2011 RMB'000	2010 RMB'000
At 1 January	522	22
Impairment losses recognised on other receivables	913	500
Amounts recovered during the year	(556)	—
Amounts written off as uncollectible	(758)	—
At 31 December	121	522

Note: At 31 December 2010, other receivables included a deposit of RMB40,800,000 to an intermediate holding company for the acquisition of a target company engaged in railway business. Pursuant to the terms of the agreement, the acquisition of the target company was terminated and the Group had got back the deposit during the year ended 31 December 2011.

28. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2011 RMB'000	2010 RMB'000
Constructions in progress at the end of reporting period		
Contract costs incurred plus recognised profits less recognised losses	**238,347**	129,172
Less: progress billings	**(205,172)**	(118,315)
Analysis for reporting purpose as:		
Amounts due from customers for contract work	**33,175**	10,857

29. PLEDGED BANK DEPOSITS

The pledged bank deposits have been pledged to secure banking facilities granted to the Group. The pledged bank deposits amounting to RMB89,656,000 (2010: RMB96,260,000) have been pledged to secure short-term banking facilities and are therefore classified as current assets. The remaining deposits amounting to RMB13,385,000 (2010: RMB17,375,000) have been pledged to secure long-term banking facilities and are therefore classified as non-current assets. The pledged bank deposits carry market interest rate of 0.78% to 3.1% per annum as at 31 December 2011 (2010: 0.36% to 3.0%).

Details of bank deposits pledged are set out in note 43.

Denominated in the currency other than the functional currency of relevant group entities:

	2011 RMB'000	2010 RMB'000
JPY	**9,979**	—
US$	**757**	19,388
	10,736	19,388

30. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group, and short-term bank deposits with an original maturity of three months or less which carry interest at prevailing deposit interest rate at 0.5% (2010: 0.4%) per annum.

Denominated in the currency other than the functional currency of relevant group entities:

	2011 RMB'000	2010 RMB'000
US$	**61,508**	47,294
JPY	**46,695**	43,389
EUR	**2,151**	1,087
Hong Kong Dollar ("HK$")	**153**	217
SG$	**42**	26
	110,549	92,013

31. TRADE PAYABLES

An aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2011 RMB'000	2010 RMB'000
0 - 90 days	222,960	176,857
91 - 180 days	79,498	53,006
181 - 365 days	45,847	19,410
1 - 2 years	31,898	6,055
Over 2 years	6,055	6
	386,258	255,334

The average credit period on purchases of is 90 to 180 days.

Denominated in the currency other than the functional currency of relevant group entities:

	2011 RMB'000	2010 RMB'000
US$	61,670	62,011
JPY	38,506	21,213
EUR	5,616	4,559
SG$	4	324
	105,796	88,107

32. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2011 RMB'000	2010 RMB'000
Advance from customers	16,702	54,565
Accrued payroll and welfare	44,204	30,794
Interest payable	21,428	901
Other deposits, payables and accruals	39,112	25,060
Other tax payable	57,942	56,401
	179,388	167,721

33. BANK BORROWINGS

	2011 RMB'000	2010 RMB'000
Bank loans:		
Secured	**161,721**	156,231
Unsecured	**5,827**	282,898
	167,548	439,129
Carrying amount repayable*:		
Within one year	**163,558**	246,569
More than one year but within two years	**1,995**	14,526
More than two years but within three years	**1,995**	93,915
More than three years but within four years	**—**	84,119
	167,548	439,129
Less: Amounts due within one year shown under current liabilities	**(163,558)**	(246,569)
	3,990	192,560

* The amounts due are based on scheduled repayment dates set out in the loan agreements. At the end of 31 December 2011 and 2010, no bank loans have contained a repayment on demand clause.

The carrying amount of the Group's borrowings denominated in the currency other than the functional currency of relevant group entities are as follows:

	2011 RMB'000	2010 RMB'000
US$	**5,827**	124,675
SG$	**3,686**	—
	9,513	124,675

Floating interest rate borrowings were charged at the rates ranging from 2.74% to 7.87% per annum for the year ended 31 December 2011 (2010: 3.30% to 5.84%).

On 6 December 2010, the Group signed a US$50 million (equivalent to RMB 333,628,000) syndicated loan agreement (comprising of US$40 million, RMB50 million and HK$22 million), of which the salient terms include a charge over 5% cash deposit or US$2.5 million equivalent of the facility amount, 3.5 years tenor with repayment in 7 installments commencing 24 months after the signing date, interest rate for the US$ and HK$ tranches are set at their respective inter-bank rates plus 2.85% whilst for the RMB tranche at 4.1%. At 31 December 2010, syndicated loan of approximately RMB159,209,000 was drawn down. During the current year, the Group early repaid the syndicated loan, the corresponding arrangement fee amounted to approximately RMB9,261,000 was charged to profit or loss immediately (note 10).

Details of pledge of assets for the Group's secured bank borrowings are set out in note 43.

34. LONG-TERM DEBENTURE

Pursuant to the approval [2010] No.1829 issued by National Development and Reform Commission ("NDRC") dated 13 August 2010, a subsidiary of the Group, Bejing Jiaoda Microunion obtained approval to issue Zhongguancun high-technology small medium enterprise collective debenture (「中關村高新技術中小企業集合債券」) with principal amount of RMB50,000,000. The debenture is unsecured, carries fixed interest at 5.18% per annum and will be repayable on the sixth anniversary from the date of issue.

35. GUARANTEED NOTES

	2011 **RMB'000**	2010 RMB'000
Guaranteed notes	**1,174,979**	—

On 20 April 2011, the Company issued 7.75% guaranteed notes with the aggregate principal amount of US$200,000,000 (equivalent to approximately RMB1,306,371,000) (the "2016 Guaranteed notes") which are unsecured, unconditionally and irrecoverably guaranteed by certain oversea subsidiaries of the Group. The 2016 Guaranteed notes matures on 20 April 2016. The 2016 Guaranteed notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2016 Guaranteed notes, at any time or from time to time prior to the maturity date, the Group may at its option to redeem the notes at a redemption price set forth below.

Period	**Redemption Price**
Prior to 20 April 2014	107.750% of the principal amount, plus accrued and unpaid interest
20 April 2014 to 20 April 2015	103.875% of the principal amount, plus accrued and unpaid interest
On 20 April 2015 and thereafter	101.9375% of the principal amount, plus accrued and unpaid interest

The estimated fair value the early redemption right is insignificant at initial recognition and at 31 December 2011. The effective interest rate is approximately 8.74% per annum after adjusted for transaction costs.

During the year, the Group repurchased guaranteed notes with the aggregate principal amount of US$7,000,000 (equivalent to approximately RMB44,548,000) and a gain of approximately RMB2,749,000 (Note 9) was recognised in the profit or loss.

36. SHARE CAPITAL OF THE COMPANY

	2011		2010	
	Number of shares '000 shares	Amount HK'000	Number of shares '000 shares	Amount HK'000
Authorised:				
Ordinary shares of HK$0.01	3,000,000	30,000	3,000,000	30,000
Issued and fully paid:				
At 1 January	1,019,754	10,197	1,006,712	10,067
Share repurchased and cancelled (Note a)	(1,500)	(15)	—	—
Issue of shares on exercise of share options (Note b)	8,010	80	13,042	130
At 31 December	1,026,264	10,262	1,019,754	10,197

	2011 RMB'000	2010 RMB'000
Shown in the consolidated statement of financial position	9,548	9,491

Notes:

(a) In August 2011, the Company repurchased certain of its own shares of 1,500,000 shares through the Stock Exchange at an aggregate consideration of HK$3,323,000 (equivalent to RMB2,930,000). All of the shares were subsequently cancelled. The nominal value of the cancelled shares of HK$15,000 (equivalent to RMB13,000) was charged in the share capital and the premium paid on repurchase of HK$3,308,000 (equivalent to RMB2,917,000) was charged against share premium in accordance with the Companies Law, Cap22 (Law3 of 1961, as consolidated and revised) of the Cayman Islands.

Details of the shares repurchased are as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration Paid HK$
August 2011	1,500,000	2.30	2.06	3,323,000

(b) During the year, options to subscribe for 7,678,000 shares and 332,000 shares in the Company at exercise price of HK$2.27 and HK$2.26 per share respectively were exercised. The weighted average closing prices of the Company's shares quoted on the Stock Exchange immediately before the exercise dates was HK$6.77.

During the year ended 31 Dec 2010, options to subscribe for 12,374,000 shares and 668,000 shares in the Company at exercise price of HK$2.27 and HK$2.26 per share respectively were exercised. The weighted average closing prices of the Company's shares quoted on the Stock Exchange immediately before the exercise dates was HK$6.155.

Other than disclosed above, during the year ended 31 December 2011 and 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

37. RESERVES

(a) Other reserve

The Group's other reserve represents amounts arising on the group reorganisation (the "Group Reorganisation").

(b) Statutory surplus reserves

As stipulated by the relevant PRC laws and regulations, before distribution of profit each year, the subsidiaries as wholly-owned foreign enterprise with limited liability which have been established in the PRC shall set aside 10% of their profit to the statutory surplus reserves. The statutory surplus reserves can only be used, upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

(c) Share option reserve

The Group's share option reserve represents the recognition of the fair value of share options of the Group determined at the date of grant of the share options over the vesting period.

38. DEFERRED INCOME

	Deferred income of system sales RMB'000 (Note i)	**Arising from government grants** RMB'000 (Note ii)	**Total** RMB'000
At 1 January 2010	60,521	—	60,521
Addition	764	—	764
Released to profit or loss	(9,667)	—	(9,667)
At 31 December 2010	51,618	—	51,618
Addition	372	8,800	9,172
Released to profit or loss	(12,528)	—	(12,528)
At 31 December 2011	39,462	8,800	48,262

Notes:

(i) The Group's subsidiary, Beijing Jiaoda Microunion has entered into arrangement to provide maintenance and operational services for the systems installed of up to ten years and it recognises revenue over the period during the services are provided using the percentage of completion method. Service fees received in advance are recorded as deferred income and recognised as service fee income when the services are rendered.

(ii) Deferred income arising from government grant represents the government subsidies obtained in relation to the purchase of the land use right and the infrastructure construction, which was included in the consolidated statements of financial position as deferred income and credited to the consolidated statements of comprehensive income on a straight-line basis over the expected useful life of the relevant assets.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt, which includes the bank borrowings, long-term debenture and guaranteed notes disclosed in notes 33, 34 and 35 respectively, and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on the results of the review of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, raising new share capital as well as the issue of new debt or the redemption of existing debt.

40. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2011 RMB'000	2010 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	2,319,013	1,599,063
Available-for-sale financial assets, at cost	64,217	3,373
Financial liabilities		
Amortised cost	1,884,528	800,509

b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivable, other receivables, pledged bank deposits, bank balances and cash, trade payables, other payables, dividend payable, amount due to a non-controlling shareholder, bank borrowings, long-term debenture and guaranteed notes. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, currency risk and liquidity risk. The Group's overall financial risk management objectives and policies remain unchanged from prior years. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

40. FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (CONT'D)

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual debt at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on cash and cash equivalents and bank deposits is limited because the counterparties have high credit ratings. The management of the Group do not expect any counterparty to fail to meet its obligations. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers spread across diverse geographical areas.

Currency risk

Several subsidiaries of the Group have foreign currency sales and purchases which expose the Group to foreign currency risk.

The carrying amounts of the Groups' foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
US$	**1,242,476**	186,686	**156,077**	156,488
HK$	**—**	—	**153**	217
JPY	**38,506**	21,213	**78,931**	43,390
EUR	**5,616**	4,559	**15,330**	16,339
SG$	**3,690**	324	**158**	900
TOTAL	**1,290,288**	1,503,070	**250,649**	217,334

The Group currently does not have a formal foreign currency hedging policy. The management reviewed and monitored the currency risk exposure regularly.

The following table details the Group's sensitivity to a reasonably possible change of 1% (2010: 1%) strengthening of RMB against the foreign currency list above. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 1% (2010: 1%) change in foreign currency rates.

	2011 RMB'000	2010 RMB'000
(Decrease) Increase in post-tax profit for the year		
– if RMB weakens against foreign currencies	**(8,603)**	17
– if RMB strengthens against foreign currencies	**(8,603)**	(17)

40. FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (CONT'D)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate long-term debenture and guaranteed notes (see Notes 34 and 35 for details of the debenture and guaranteed notes). The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

The Group was also exposed to cash flow interest rate risk in relation to pledged bank deposits, bank balances and variable-rate bank borrowings (see Note 33 for details of these borrowings). It is the Group policy to maintain certain borrowings at floating rate of interests and therefore the related fair value interest rate risk is considered limited.

The Group's sensitivity to cash flow interest rate risk is prepared assuming the amount of variable-rate borrowings at the end of the reporting period was outstanding for the whole year. A 27 (2010: 100) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates .

The management adjusted the sensitivity rate from 100 basis points to 27 basis points for assessing interest rate risk after considering the financial market conditions during the current year.

	2011	2010
Reasonably possible change in interest rate	**27 basis points**	100 basis points

	2011 **RMB'000**	2010 RMB'000
(Decrease) Increase in post-tax profit for the year		
as a result of increase in interest rate	**(578)**	(3,742)
as a result of decrease in interest rate	**578**	3,742

The sensitivity analysis in interest rate does not affect other components of equity.

40. FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (CONT'D)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework. The Group manages liquidity risk by maintaining adequate reserves, debenture and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at 31 December 2011, the Group has available unutilised banking facilities of approximately RMB671,922,000 (2010: RMB885,594,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived based on the interest rate outstanding at the end of each reporting period.

At 31 December 2011	Weighted average effective interest rate %	On demand and within 3 months RMB'000	3 months to 6 months RMB'000	6 months to 1 year RMB'000	1 years to 2 years RMB'000	2 years to 3 years RMB'000	3 years to 4 years RMB'000	4 years to 5 years RMB'000	5 years to 6 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade payables	—	86,413	65,446	234,399	—	—	—	—	—	386,258	386,258
Bank borrowings	6.48	77,423	63,971	24,637	2,065	2,065	—	—	—	170,161	167,548
Other payables	—	5,735	2,507	96,502	—	—	—	—	—	104,744	104,744
Divided payable	—	5	—	—	—	—	—	—	—	5	5
Amount due to a non-controlling shareholder	—	—	—	1,595	—	—	—	—	—	1,595	1,595
Long-term debenture	5.18	—	—	2,590	2,590	2,590	2,590	52,590	—	62,950	49,399
Guaranteed notes	7.75	—	48,881	48,881	97,762	97,762	97,762	97,762	1,359,212	1,848,022	1,174,979
		169,576	180,805	408,604	102,417	102,417	100,352	150,352	1,359,212	2,573,735	1,884,528

At 31 December 2010	Weighted average effective interest rate %	On demand and within 3 months RMB'000	3 months to 6 months RMB'000	6 months to 1 year RMB'000	1 years to 2 years RMB'000	2 years to 3 years RMB'000	3 years to 4 years RMB'000	5 years to 6 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade payables	—	126,497	67,141	61,696	—	—	—	—	255,334	255,334
Bank borrowings	3.75	213,720	11,442	24,451	15,125	102,601	94,531	—	461,870	439,129
Other payables	—	39,916	6,582	10,257	—	—	—	—	56,755	56,755
Divided payable	—	3	—	—	—	—	—	—	3	3
Long-term debenture	5.18	—	—	2,905	2,905	2,905	2,905	55,810	67,430	49,288
		380,136	85,165	99,309	18,030	105,506	97,436	55,810	841,392	800,509

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

40. FINANCIAL INSTRUMENTS (CONT'D)

c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values:

Fair value of the guaranteed notes measurements is derived from quoted prices (unadjusted) on the Singapore Exchange Securities Trading Limited.

	2011	
	Carrying amount RMB'000	Fair value RMB'000
Guaranteed notes	1,174,979	974,979

41. ACQUISITION OF BUSINESS

(a) Acquisition during the year ended 31 December 2011

On 14 July 2011, the Group's subsidiaries, Beijing Consen Process Control Technology Company Limited ("Consen Process Control") and Beijing Liboyuan Investment Management Company Limited ("Beijing Liboyuan") acquired a 51% equity interest in Nanjing Electronic Scientific and Nanjing Power Equipment, respectively.

Nanjing Electronic Scientific and Nanjing Power Equipment are engaged in the design, production, sale and installation of electrified equipment for the railway rolling stock and locomotive industries. They were acquired by the Group for the expansion of the Group's railway industry operations.

	Nanjing Electronic Scientific RMB'000	Nanjing Power Equipment RMB'000	Total RMB'000
Considerations transferred for the acquisitions	119,200	40,800	160,000

Acquisition-related costs relating to the above acquisitions in an aggregate amount of RMB227,000 has been excluded from the cost of acquisitions and have been recognised directly as an expense in the current year and included in the other expense line item in the consolidated statement of comprehensive income.

41. ACQUISITION OF BUSINESS (CONT'D)

(a) Acquisition during the year ended 31 December 2011 (CONT'D)

Assets and liabilities recognised at the date of acquisition are as follows:

	Nanjing Electronic Scientific RMB'000	Nanjing Power Equipment RMB'000	Total RMB'000
Non-current assets			
Property, plant and equipment (Note 17)	8,097	5,884	13,981
Prepaid lease payment (Note 18)	—	19,290	19,290
Intangible assets (Note 19)	87,536	—	87,536
Deferred tax assets (Note 23)	1,184	—	1,184
Current assets			
Trade and bills receivables	89,476	—	89,476
Other receivables	761	30,754	31,515
Inventories	47,711	1,811	49,522
Cash and cash equivalents	12,732	3,786	16,518
Current liabilities			
Trade payables	(35,207)	(1,296)	(36,503)
Other payables, deposits received and accruals	(3,240)	(5,124)	(8,364)
Bank borrowings - due within one year	(40,000)	(8,500)	(48,500)
Income tax payable	(28)	(3)	(31)
Deferred tax liabilities (Note 23)	(13,130)	—	(13,130)
	155,892	46,602	202,494

The intangible assets were recognised in the cost allocation of the acquisition, mainly representing the license used on the engagement of design, production, sale and installation of electrified equipment for the railway rolling stock and locomotive industries.

The aggregate fair value of receivables acquired as a result of the above acquisitions amounting to RMB120,991,000, which comprised trade and other receivables, approximates the gross contractual amount. There are no contractual cash flows not expected to be collected.

Non-controlling interests:

The non-controlling interests in Nanjing Electronic Scientific (49%) and Nanjing Power Equipment (49%) recognised at the acquisition dates, respectively, were measured by reference to the proportionate share of recognised amounts of net assets of Nanjing Electronic Scientific and Nanjing Power Equipment and amounted to RMB76,387,000 and RMB22,835,000, respectively.

41. ACQUISITION OF BUSINESS (CONT'D)

(a) Acquisition during the year ended 31 December 2011 (CONT'D)

Goodwill arising on acquisitions:

	Nanjing Electronic Scientific RMB'000	Nanjing Power Equipment RMB'000	Total RMB'000
Consideration transferred	119,200	40,800	160,000
Plus: non-controlling interests	76,387	22,835	99,222
Less: net assets acquired (100%)	(155,892)	(46,602)	(202,494)
Goodwill arising on acquisition	39,695	17,033	56,728

Goodwill arose on the above acquisitions because the costs of the combinations included a control premium. In addition, the considerations paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquirees. These benefits are not recognised separately from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or collectively.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on the above acquisitions:

	Nanjing Electronic Scientific RMB'000	Nanjing Power Equipment RMB'000	Total RMB'000
Cash consideration paid	119,200	40,800	160,000
Less: Cash and cash equivalents acquired	(12,732)	(3,786)	(16,518)
Other payables, deposits received and accruals	—	(7,800)	(7,800)
	106,468	29,214	135,682

41. ACQUISITION OF BUSINESS (CONT'D)

(a) Acquisition during the year ended 31 December 2011 (CONT'D)

Impact of acquisition on the results of the Group:

Included in the profit for the year was a profit of RMB21,295,000 attributable to Nanjing Electronic Scientific and a loss of RMB29,000 attributable to Nanjing Power Equipment. Revenue for the year includes RMB107,816,000 attributable to Nanjing Electronic Scientific, Nil attributable to Nanjing Power Equipment, respectively.

Had the acquisitions of Nanjing Electronic Scientific and Nanjing Power Equipment been completed on 1 January 2011, total group revenue for the year would have been approximately RMB2,076,318,000 and profit for the year would have been approximately RMB255,296,000.The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2011, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Nanjing Electronic Scientific and Nanjing Power Equipment been acquired on 1 January 2011, the directors of the Company have calculated depreciation of plant and equipment and intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combinations rather than the carrying amounts recognised in the pre-acquisition financial statements.

(b) Acquisition during the year ended 31 December 2010

On 9 December 2010, the Group's subsidiary, Beijing Liboyuan, has entered into a share purchase agreement on 1 July 2010, to acquire 70% equity interest in Zhongjing at a consideration of RMB25,000,000. Zhongjing is engaged in engineering design in petrochemical industry. Zhongjing was acquired so as to continue the expansion of the Group's petrochemical industry operations.

Consideration transferred

	RMB'000
Cash	25,000

Acquisition-related costs have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the other expenses line item in the consolidated statement of comprehensive income.

41. ACQUISITION OF BUSINESS (CONT'D)

(b) Acquisition during the year ended 31 December 2010 (CONT'D)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Non-current assets	
Property, plant and equipment	1,491
Intangible assets	16,422
Current assets	
Trade receivables	11,693
Other receivables	480
Cash and cash equivalent	1,481
Current liabilities	
Trade payables	(5,496)
Other payables, deposits received and accruals	(54)
Deferred tax liabilities	(2,463)
Income tax payable	(539)
	23,015

The intangible assets were recognised in the cost allocation of the acquisition, mainly representing the various engineering and design licenses owned by Zhongjing.

The fair value of receivables acquired amounting to RMB12,173,000, which principally comprised trade and other receivables, approximate the gross contractual amounts. There are no contractual cash flows not expected to be collected.

Non-controlling interests

The non-controlling interests (30%) in Zhongjing recognised at the acquisition date was measured at the non-controlling interests' proportionate share of the fair value of the identifiable net assets and amounted to RMB6,904,000.

	RMB'000
Goodwill arising on acquisition:	
Consideration transferred	25,000
Plus: non-controlling interests (30% in Zhongjing)	6,904
Less: net assets acquired	(23,015)
Goodwill arising on acquisition	8,889

Goodwill arose in the acquisition of Zhongjing because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Zhongjing. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

41. ACQUISITION OF BUSINESS (CONT'D)

(b) Acquisition during the year ended 31 December 2010 (CONT'D)

	RMB'000
Net cash outflow arising on acquisition:	
Cash consideration paid	25,000
Less: cash and cash equivalents acquired	(1,481)
	23,519

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB7,474,000 attributable to the additional business generated by Zhongjing. Revenue for the year includes RMB22,135,000 generated from Zhongjing.

Had the acquisition been completed on 1 January 2010, total group revenue for the period would have been RMB1,627,702,000 and profit for the year would have been RMB323,491,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2010, nor is intended to be a projection of future results.

42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARY

The Group's subsidiary, Consen International (Hong Kong) Ltd ("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

43. PLEDGE OF ASSETS

At the end of the reporting period, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each of the reporting periods is as follows:

	2011 RMB'000	2010 RMB'000
Leasehold land and buildings	**30,948**	33,491
Land use rights	**8,539**	8,674
Trade receivable	**50,000**	—
Bills receivable	**3,023**	—
Pledged bank deposits	**103,041**	113,635

The Group has pledged leasehold land and buildings having a carrying value of approximately RMB30,948 ,000 (2010: RMB33,491,000) and pledged land use right with a carrying value of approximately RMB8,539 ,000 (2010: RMB8,674,000) to obtain corporate guarantee from an independent third party for the banking facilities of RMB25,000,000 (2010: RMB70,000,000) granted to the Group. In addition, the Group paid approximately RMB510,000 (2009: RMB1,092,000) to the independent third party for the corporate guarantees provided.

44. OPERATING LEASES

The Group as lessee

	2011 RMB'000	2010 RMB'000
Minimum lease payments paid for the year under operating leases for premises	**31,605**	14,975

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 RMB'000	2010 RMB'000
Within one year	**17,467**	24,971
In the second to fifth year inclusive	**13,666**	25,464
	31,133	50,435

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

45. CAPITAL COMMITMENTS

(a) Capital commitments

	2011 RMB'000	2010 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements – in respect of acquisition of leasehold land and building	11,309	18,871
	11,309	18,871

(b) Other commitments

The Group'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. The acquisition is pending from the approval of China Securities Regulatory Commission at the issuance date of these consolidated financial statements.

46. SHARE-BASED PAYMENT

Equity-settled 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; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees (whether full-time or part-time) of substantial shareholders. The Scheme will remain valid for a period of ten years commencing on 16 June 2007.

At 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 3,652,000 (2010: 11,682,000), representing 0.35% (2010: 1.15%) of the shares of the Company in issue 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 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 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 excerised at any time from 12 months to the fifth anniversary of the date of grant. The options are exercisable in three tranches at the first, second and third anniversary from date of grant respectively, each with one third of the total options granted. The exercise price is determined by the directors of the Company, 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.

46. SHARE-BASED PAYMENT (CONT'D)

Equity-settled share option scheme (CONT'D)

Details of specific categories of options are as follows:

Option series	Share option granted	Date of grant	Exercise period	Exercise price HK$
2007A	35,948,000	31/10/2007	31/10/2008 - 30/10/2012	2.95
2007B	35,948,000	20/12/2007	31/10/2008 - 30/10/2012	2.27
2007C	2,000,000	20/12/2007	20/12/2008 - 30/12/2012	2.27
2008A	1,000,000	03/07/2008	31/10/2008 - 30/10/2012	2.26

The options (2007A) have been replaced by the grant of 2007(B) during the year ended 31 December 2007. The incremental fair value were expensed over the remaining vesting period of which Nil (2010: RMB532,000) was expensed in 2011.

Details of the share options outstanding at 31 December 2011 and 2010 are as follows:

	Outstanding at 1 January 2011	**Lapsed during the year (Note)**	**Exercised during the year**	**Outstanding at 31 December 2011**
Key management	**3,984,000**	**—**	**(2,988,000)**	**996,000**
Other employees	**7,698,000**	**(20,000)**	**(5,022,000)**	**2,656,000**
	11,682,000	**(20,000)**	**(8,010,000)**	**3,652,000**
Exercisable at the end of the year				**3,652,000**
Weighted average exercise price	**HK$6.155**		**HK$6.77**	

	Outstanding at 1 January 2010	Lapsed during the year (Note)	Exercised during the year	Outstanding at 31 December 2010
Key management	9,632,000	(332,000)	(5,316,000)	3,984,000
Other employees	17,776,000	(2,352,000)	(7,726,000)	7,698,000
	27,408,000	(2,684,000)	(13,042,000)	11,682,000
Exercisable at the end of the year				11,682,000
Weighted average exercise price	HK$ 4.5		HK$ 6.155	

Note: During the current year, totally 20,000 share options (2010: 2,684,000) were lapsed.

46. SHARE-BASED PAYMENT (CONT'D)

Equity-settled share option scheme (CONT'D)

In respect of the share options exercised during the year, the share price at the dates of exercise is HK$2.30 to HK$6.66 (2010: HK$4.99 to HK$6.36).

The Group recongised the total expense of Nil (2010: RMB4,000,000) for the year ended 31 December 2011 in relation to share options granted by the Company.

47. RETIREMENT BENEFITS SCHEME

The employees of the Group's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Group's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme which are calculated based on 20% of the employee's basic salaries during both years.

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a Mandatory Provident Fund scheme ("MPF Scheme") for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group and under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the scheme.

48. RELATED PARTY TRANSACTIONS

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

	2011 **RMB'000**	2010 RMB'000
Salaries and other benefits	**26,742**	25,127
Retirement benefit scheme contributions	**501**	230
Share-based payments	**—**	1,130
	27,243	26,487

49. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011 RMB'000	2010 RMB'000
Non-current assets		
Investment in subsidiaries	369,918	216,425
Amounts due from subsidiaries	932,974	284,303
Property, plant and equipment	18	27
Pledged bank deposits	—	17,375
	1,302,910	518,130
Current asset		
Other receivables and prepayments	347	3,994
Dividends receivables	210,774	96,774
Amounts due from subsidiaries	318,568	205,302
Bank balances and cash	31,701	35,700
	561,390	341,440
Current liabilities		
Other payables and accruals	20,749	267
Amounts due to subsidiaries	6,027	5,564
Dividend payable	5	3
	26,781	5,834
Net current assets	534,609	335,606
	1,837,519	853,036
Capital and reserves		
Share capital	9,548	9,491
Reserves	652,992	685,036
Total equity	662,540	694,527
Non-current liabilities		
Guaranteed notes	1,174,979	—
Bank borrowings-due after one year	—	159,209
	1,174,979	159,209
	1,837,519	853,736

50. PARTICULAR OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2011 %	2010 %	Principal activities
Tricon International Group Inc.	BVI	Ordinary shares US$1	100	100	Investment holding
Trisen International Limited	BVI	Ordinary shares US$5,000	100	100	Investment holding
Cowin Global (Note iii)	BVI	Ordinary shares US$5,000	100	—	Investment holding
Inovex Corporation	USA	Ordinary shares US$1	100	100	Business development and provision of engineering services in overseas Markets
Tri-sen Systems Corporation	USA	Ordinary shares US$1	100	100	Business development and provision of turbomachinery controls to the process industries
日本イノベックス株式会社 Inovex Japan Corporation	Japan	Ordinary shares JPY10,000,000	100	100	Business development and provision of control equipment
Trisen Asia Control Pte.Ltd	Singapore	Ordinary shares S$1,000,000	70	60	Distribution,training and engineering of instrumentation and control products
Consen Automation (Singapore) Pte. Ltd.	Singapore	Ordinary shares S$1,000,000	100	100	Overseas business development and provision of engineering services
北京康吉森自動化設備技術有限責任公司 Beijing Consen (Note i and ii)	PRC	Registered capital RMB230,000,000	100	100	Provision of systems design and development, trading of equipment safety and critical control systems

50. PARTICULAR OF SUBSIDIARIES (CONT'D)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2011 %	2010 %	Principal activities
北京康吉森交通技術有限公司 Beijing Transportation (Note i)	PRC	Registered capital RMB20,000,000	100	100	Design, development and sales of railway interlocking system
北京創康自動化工程有限公司 Beijing Tri-Control (Note i and ii)	PRC	Registered capital US$1,000,000	100	100	Provision of systems design and development, trading of equipment and engineering and maintenance services of safety and critical control systems
北京天竺興業軟件技術有限公司 Beijing Software (Note i and ii)	PRC	Registered capital US$20,000,000	100	100	Research and development as well as software programming and licensing
北京交大微聯科技有限公司 Beijing Jiaoda Microunion (Note i)	PRC	Registered capital RMB100,000,000	76.7	76.7	Design, development and sales of railway interlocking system
北京力博遠投資管理有限公司 Beijing Liboyuan Investment (Note i and ii)	PRC	Registered capital RMB10,000,000	100	100	Investment holding
北京恒通方大新材料技術有限公司 Beijing Hengtong Fangda New Materials Company Limited (Note i)	PRC	Registered capital RMB10,000,000	100	100	Design, development and sales of construction material for railway and highroad, and Technology as well as technology service
北京康吉森油氣過程控制設備有限公司 Beijing Consen Oil and Gas Process Control Company Limited (Note i)	PRC	Registered capital RMB20,000,000	100	100	Trading of equipment of safety and critical control systems as well as technology service

50. PARTICULAR OF SUBSIDIARIES (CONT'D)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2011 %	2010 %	Principal activities
北京恒優聯科技有限公司 Beijing Heng Youlian Technology Company Limited (Note i)	PRC	Registered capital RMB20,000,000	100	100	Imports and exports of goods and technology as well as an agent of imports and exports
北京康吉森過程控制技術有限公司 Consen Process Control (Note i)	PRC	Registered capital RMB20,000,000	100	100	Development and trading of prochemical automation control system
北京中自化物資裝備技術有限公司 Beijing CAG Material & Equipment Technology Co. Ltd (Note i)	PRC	Registered capital RMB1,000,000	100	100	Trading of equipment of safety and critical control systems
北京康吉儀器儀表有限公司 Beijing Consen Instrument Company Limited (Note i)	PRC	Registered capital RMB1,000,000	100	100	Development and trading of instrument
北京上方雲水軟件有限公司 Beijing Shang Fang Yun Shui Software Technology Co.,ltd (Note i)	PRC	Registered capital RMB10,000,000	100	100	Software development and integrated circuit design
北京海澱中京工程設計軟件技術有限公司 Beijing Zhongjing Engineering Software Technology Company Limited (Note i)	PRC	Registered capital RMB12,300,000	70	70	Engineering design
南京華士電子科技有限公司 Nanjing Electronic Scientific (Note i and iii)	PRC	Registered capital RMB 21,203,265	51	—	Design, production, sale and installation of electrified equipment for the railway rolling stock and locomotive industries

50. PARTICULAR OF SUBSIDIARIES (CONT'D)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2011 %	2010 %	Principal activities
南京華士電源設備有限公司 Nanjing Power Equiment. (Note i and iii)	PRC	Registered capital RMB46,800,000	51	—	Design, production, sale and installation of electrified equipment for the railway rolling stock and locomotive industries
Tri-Control Automation Co., Ltd	Hong Kong	Ordinary shares HKD10,000,000	100	100	Trading of automation products
Consen International (Hong Kong) Ltd ("Consen International")	Hong Kong	Ordinary shares HK$20,000,000 (2010: HK$1)	100	100	Trading of automation products

Notes:

(i) The English names of these companies are for reference only and have not been registered.

(ii) These subsidiaries are registered as wholly foreign-owned enterprise under PRC law.

(iii) Newly acquired during the year ended 31 December 2011.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Revenue	403,357	886,602	1,125,435	1,594,828	**1,981,015**
Profit before tax	99,736	190,039	264,515	362,248	**296,804**
Income tax (expense) credit	386	(21,500)	(20,749)	(41,802)	**(53,156)**
Profit attributable					
to equity holder of the parent	99,891	149,177	212,088	285,581	**195,774**

ASSETS AND LIABILITIES

	At 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Non-current assets	46,776	440,631	490,257	667,252	**1,087,111**
Current assets	636,319	1,047,656	1,588,636	2,064,853	**2,967,562**
Current liabilities	(119,795)	(396,714)	(538.305)	(692,784)	**(744,844)**
Net current assets	516,524	650,942	1,050,331	1,372,069	**2,222,718**
Total assets less current liabilities	563,300	1,091,573	1,540,588	2,039,321	**3,309,829**

Note:

The Company was incorporated in the Cayman Islands on 25 July 2006 and became the holding company of the Group on 17 June 2007 as a result of the Group Reorganisation.

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. Zhang Wei
Mr. Li Hai Tao
Mr. Duan Min
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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Bejing
PRC

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

PRINCIPAL BANKERS

Hong Kong:

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
China Merchants 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