中國自動化集團有限公司

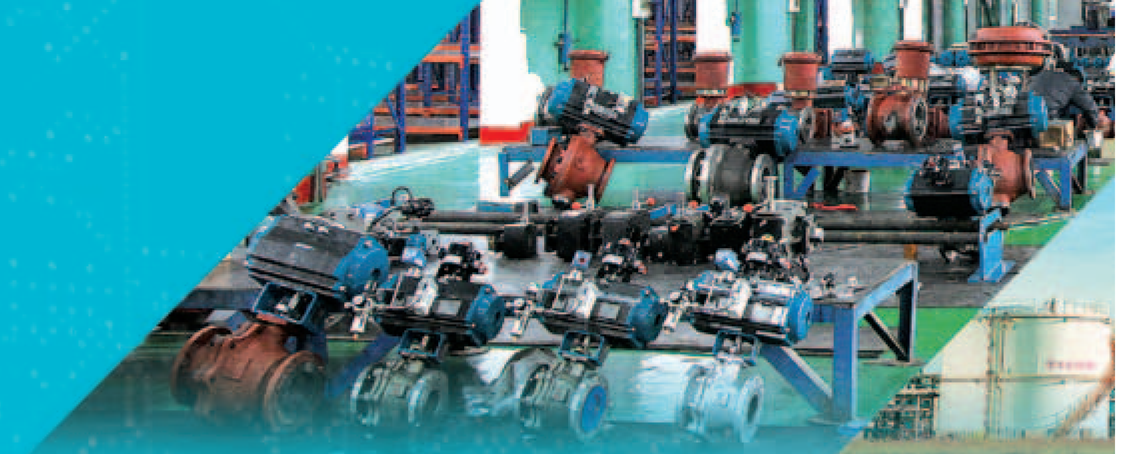
China Automation Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 569)

Apply *Tomorrow's Technology,*
Safeguard Security **Today**

Annual Report 2012

Contents



Company Profile

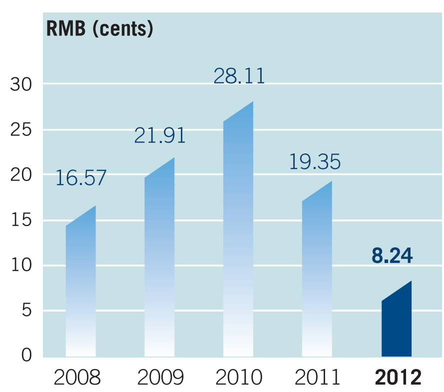
China Automation Group Limited (the "Company") was established in 1999 and listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2007. The Company and its subsidiaries (collectively referred to as the "Group") specialize in providing safety and critical control systems, control valves, signaling systems, and traction systems & related products mainly for the petrochemical and railway industries. The Group is the largest integrated solution provider of safety and critical control systems in the petrochemical industry, the largest domestic manufacturer of control valves; and one of the largest solution providers of railway signaling systems as well as a qualified supplier of traction and auxiliary power supply related systems & equipment in the railway industry 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

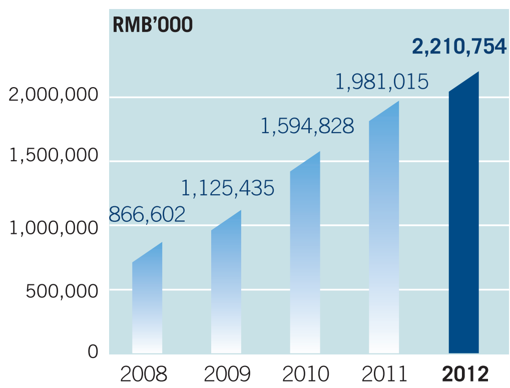
	2012 RMB'000	2011 RMB'000	Change (%)
Turnover	**2,210,754**	1,981,015	+11.6
Profit attributable to equity holders of the company	**84,583**	195,774	-56.8
Earnings per share			
– basic	**RMB8.24 cents**	RMB19.35 cents	-57.4
– diluted	**RMB8.24 cents**	RMB19.33 cents	-57.4
Dividend per share*	**2.5 HK cents**	5.0 HK cents	-50.0

* Interim plus final dividend

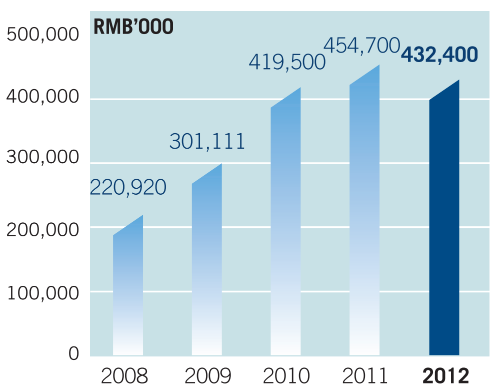
Earnings Per Share - Basic



Turnover

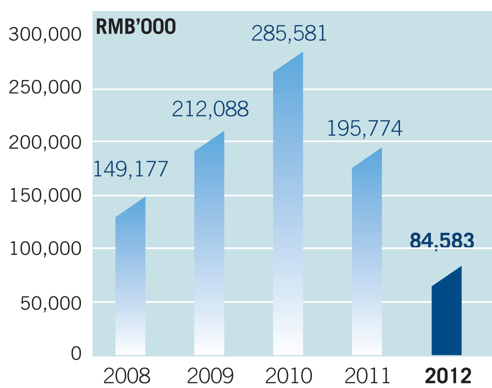


EBITDA*

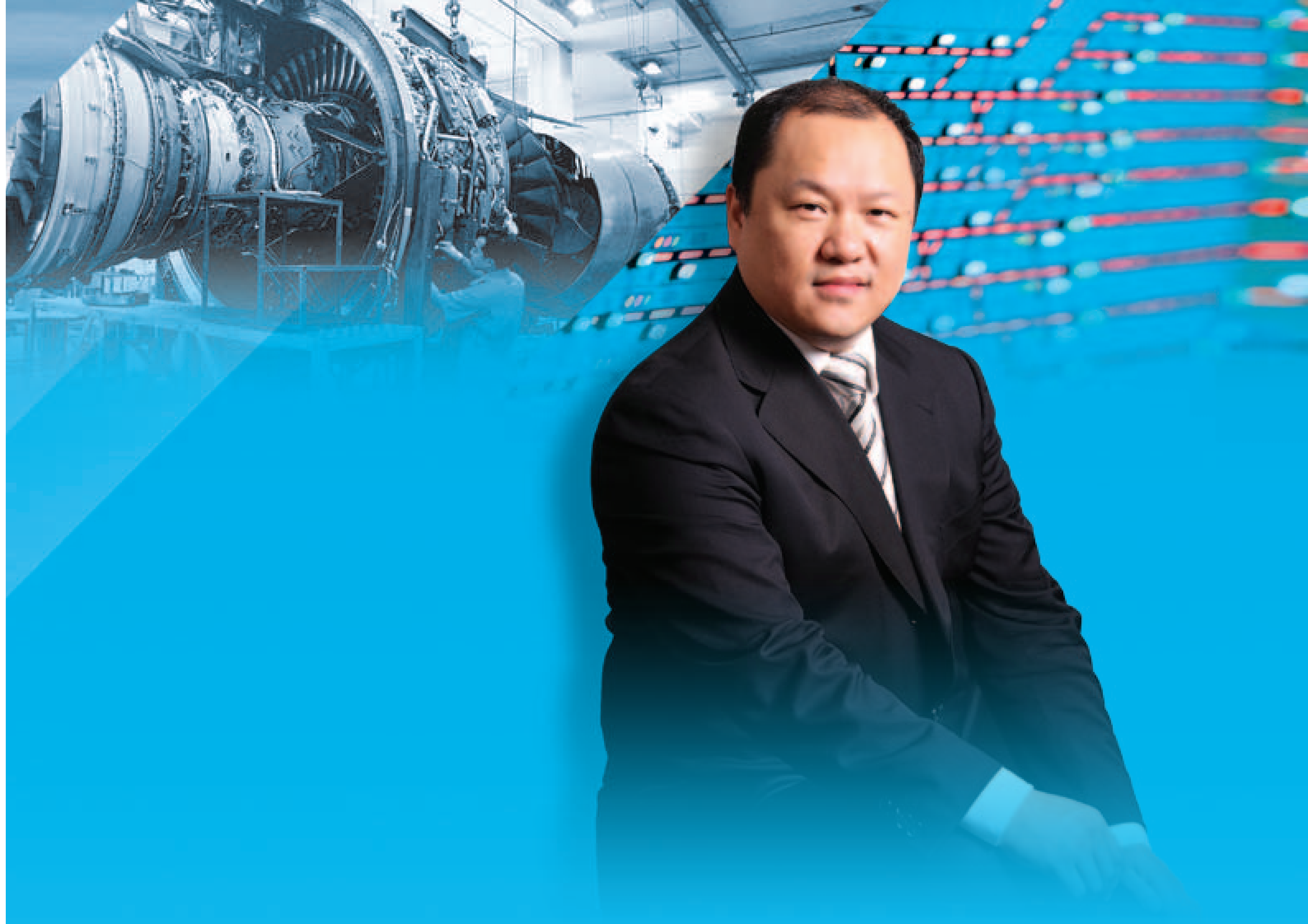


* **EBITDA figures shown are before deduction of amortisaion of intangible assets, share-based payment expenses and translational gain / loss.**

Profit Attributable to Equity Holders of the Company



Chairman's Statement



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

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 2012.

The global economy faced a new round of challenges in 2012. Europe's sovereign debt crisis continued to weigh on market sentiment while the US fiscal cliff caused some drag on the US economy. The US economy still had a long way to go before the recovery translated into growth on a sustained basis. Given the complex and severe global economic conditions, it was impossible for China to remain unscathed. In 2012, China's GDP grew by 7.8% year-on-year, which was the slowest since 1999. As China's economic growth slowed, the petrochemical industry, as one of the pillar industries, slowed in tandem with the economy. On the other hand, the railway industry of China gradually recovered from the Wenzhou high-speed train crash of 2011, seeing more government policies in favour of infrastructure investment and tendering activities for the procurement of equipments. However, railway signaling system, located somewhere at the mid-to-end point of the supply chain in the railway industry, had yet to benefit from the gradual recovery of the industry during the year.

As the largest provider of safety and critical control systems for the petrochemical industry and one of the largest providers of railway signaling safety and critical control systems for the railway industry in China, the Group is committed to providing high-tech products and services of top-quality to meet people's need for a safe and comfortable transportation system, offering comprehensive and reliable products and services to the industries in which we operate. Due to various factors, including the high-speed train incident, the subsequent economic slowdown and the suspension of railway projects, the Group posted lower-than-expected results. Besides, the provision for accounts receivable of the Group significantly increased during the year because of the aging of accounts receivable from the customers in the railway industry. During the year under review, turnover of the Group increased by 11.6% year-on-year to RMB2,210.7 million. Gross profit rose by 14.2% to RMB865.2 million (2011: RMB757.6 million). Profit attributable to shareholders decreased by 56.8% to RMB84.6 million (2011: RMB195.8 million) over the previous year. Earnings per share amounted to RMB 8.24 cents. The Board has recommended the distribution of a final dividend of HK$2.5 cents per share for 2012, representing a decrease by 50% from 2011.

STRENGTHENING THE GROUP'S LEADING POSITION IN PETROCHEMICAL INDUSTRY TO BECOME A GENERAL CONTRACTOR IN PETROCHEMICAL AUTOMATION CONTROL SYSTEMS

Under the complex and severe macroeconomic conditions, the petrochemical industry strived to achieve the overall objective of "stable yet higher growth" mainly focusing on faster shift in economic development with improvements in structural adjustment, technological innovation and energy conservation and emission reduction in 2012. The Group has been engaged in manufacturing safety and critical control systems for the petrochemical industry since 1999. Leveraging its established business base and on-going technological innovations, the Group secured a market share of over 70% and maintained its leading position in the safety and critical control system market during the year. The Group also has good, long-standing relations with various reputable clients, such as China Petroleum & Chemical Corporation, China National Petroleum Corporation and China Shenhua Energy Company Limited.

In 2012, the Group successfully completed the acquisition of Wuzhong Instrument Company Limited ("Wuzhong Instrument"), which then became a wholly-owned subsidiary the Group. Wuzhong Instrument is primarily engaged in manufacturing of industrial automatic control valves. Wuzhong Instrument has been benefitting from the synergies with the Group's existing businesses since its inception, and contributes significant revenue to the Group. During the year, thanks to its strengths in the manufacturing technology of valves and its brand advantages in the industry accumulated over many years, Wuzhong Instrument was granted subsidies from the local government to fund its research and development works. Against the backdrop of the favourable government policy to promote the model of "enterprises leading the role of technological renovations", Wuzhong Instrument plays a more significant role in technological development as an industry leader and enjoys the first-mover advantage. In addition, its "temperature and pressure control device" was awarded the first prize of technological renovation by the Ningxia Autonomous Region and the China Instrumentation and Control Society, acknowledging its technological excellence. Wuzhong Instrument helps expand the Group's existing safety and critical control system business to control valves used by the petrochemical, coal chemical, nuclear power and metallurgical industries.

OPTIMISING PRODUCT MIX AND EXPANDING ITSELF TO BE BETTER PREPARED FOR RECOVERY OF RAILWAY SIGNALING INDUSTRY

The railway industry in China showed modest recovery in 2012 with much more investments in railway construction projects. After four revisions, the master investment plan for national railway infrastructure grew from a size of RMB406 billion to RMB516 billion. The investment plan for national railway fixed assets also increased to RMB630 billion from RMB516 billion at the beginning of the year. Although the Group could not benefit from the recovery of the railway industry due to its nature of business, the Group actively expanded and optimised its product mix to further grow so as to position itself to capture the business opportunities arising from the recovery of the railway signaling system industry.

The Group owns 51% interest in Nanjing Huashi Electronic Scientific Co., Ltd. ("Nanjing Huashi"). Nanjing Huashi is one of the qualified suppliers of electrified equipment recognised by the Ministry of Railways and also one of the qualified suppliers for the metro localisation electrified equipment market. Nanjing Huashi achieved satisfactory results during the year and its annual turnover increased modestly over that in 2011. Nanjing Huashi has successfully developed a new solution for emergency ventilation inverter for metro rolling stock, which has been applied to trains in bulk. Nanjing Huashi enabled the Group to overcome the high entry barrier and enter the electrified equipment sector of railway rolling stock and the locomotive industry of China, further expanding the Group's product mix.

The Group's key railway signaling product namely railway interlocking systems was delivered for use in a number of projects, including the interlocking system for the Beijing-Shijiazhuang-Wuhan high-speed railway completed during the year.

In the past year, the Group strived to grow its market share, solidify its leading position and focused on improving the safety and reliability of signaling systems during their research and development, manufacturing, testing and application stages. Moreover, the Group also actively consolidated its newly acquired traction system businesses to make them the Group's business growth driver. The Group expects that its two key products – railway signaling systems and railway traction systems – will enable the Group to become an advanced one-stop solution provider of a complete set of signaling products and on-board critical equipment to meet the needs of China's urban rail transits and national railway.

PROSPECTS AND OUTLOOK

The global economic outlook remains uncertain and the business environment is expected to remain full of challenges in 2013. Notwithstanding, China, as one of the global economic powerhouses driving the world's economic recovery, will see more glimmers of hope for the economy, underpinned by the expected strong growth in domestic demand as a result of the country's ongoing urbanisation and the growing middle-class.

According to a report published by the National Railway Operation Conference earlier, the Chinese government will direct more resources to accelerate implementation of railway projects under the Twelfth Five-Year Plan and continue to develop railway networks with modern technologies and approaches in 2013. The Ministry of Railways plans to arrange for fixed-asset investment of about RMB650 billion in 2013, of which about RMB520 billion will be invested in infrastructure. It is expected that over 5,200 kilometres of new lines will commence operation in 2013. The Group expects that the railway industry will bottom out in 2013 and the railway signaling industry will also see improvement in the second half of 2013. In respect of the petrochemical industry, it is the industry consensus that the overall development and growth will remain stable in 2013. The Group expects that a modest recovery in the petrochemical industry to be seen with a steady and upward trend.

The Group is cautiously optimistic about the prospects of 2013. The Group will adhere to its established operating and management approach – focusing on profitability and refined management for stable growth. We strive to strengthen our core competitiveness in respect of technological innovation, market expansion and management innovation. We aim to expand our production capacity, strengthen production and enhance our economies of scale with the petrochemical and railway sectors as our core businesses. Meanwhile, we will improve our after-sale service and actively expand the after-sale business for our products, with an aim to make it another source of revenue for the Group. Moreover, the Group will optimise its financial management in order to reduce receivables and shorten the working capital cycle to improve the financial position of the Group. In general, the Group will actively strengthen its leading position in our two major business sectors and seek co-operation opportunities with business partners who have significant synergies with the Group's existing businesses in a prudent manner.

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 management and staff member for their contributions to the Group during the year. Capitalising on our unique competitive advantages, clear development strategies and experienced professional management team, the Group will continue to maximise returns for our shareholders and achieve remarkable results.

Xuan Ruiguo
Chairman

Hong Kong
26 March 2013

OPERATION AND BUSINESS REVIEW

Through years of persistent efforts, the Group has grown to become a leading company with multiple product series for petrochemical, railway, and other industries. In 2012, the Group maintained its position as a leading supplier of safety and critical control systems in petrochemical industry. Meanwhile, the acquisition of Wuzhong Instrument turned the Group into the largest domestic control valve manufacturer. In addition, the Group, as one of the leading providers, managed to maintain its market share of signaling systems in railway industry. The Group's another business of railway power supply related products achieved modest growth as well. The management of the Group believes this diversified product portfolio along with its leading positions bring a great market potential for its future growth.

Against the backdrop of a sluggish macro economic situation in 2012, the Group took various measures to streamline and improve its operations. The Group implemented a stringent budgetary planning as well as cost-control measures with an aim of lowering its marketing and operational cost. The Group also rolled out an internal restructuring programme so as to increase its operational efficiency while reducing administrative expense.

Petrochemical Industry

- Safety and Critical Control Systems and Related Business

The Group's safety and critical control related business maintained stable growth despite a slowdown in China's economic growth in 2012. The Group's safety and critical control systems used in the traditional petrochemical and coal chemical industries recorded a slight growth due to the delay in biding and implementation for some of the petrochemical and coal-chemical projects. However, the Group's control systems applied in upstream oil & gas pipelines achieved considerable growth.

As at 31 December 2012, the Group successfully completed and delivered approximately 360 systems, bringing the cumulative number of delivered systems to approximately 2,546. The Group secured large-scale projects in 2012 from renowned petrochemical and coal-chemical related companies, such as Sinopec, PetroChina, China Coal Energy, Shenhua Group, China Datang Corporation, etc. In addition, as a 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 continued to take up new contracts in 2012 awarded by these multinational corporations.

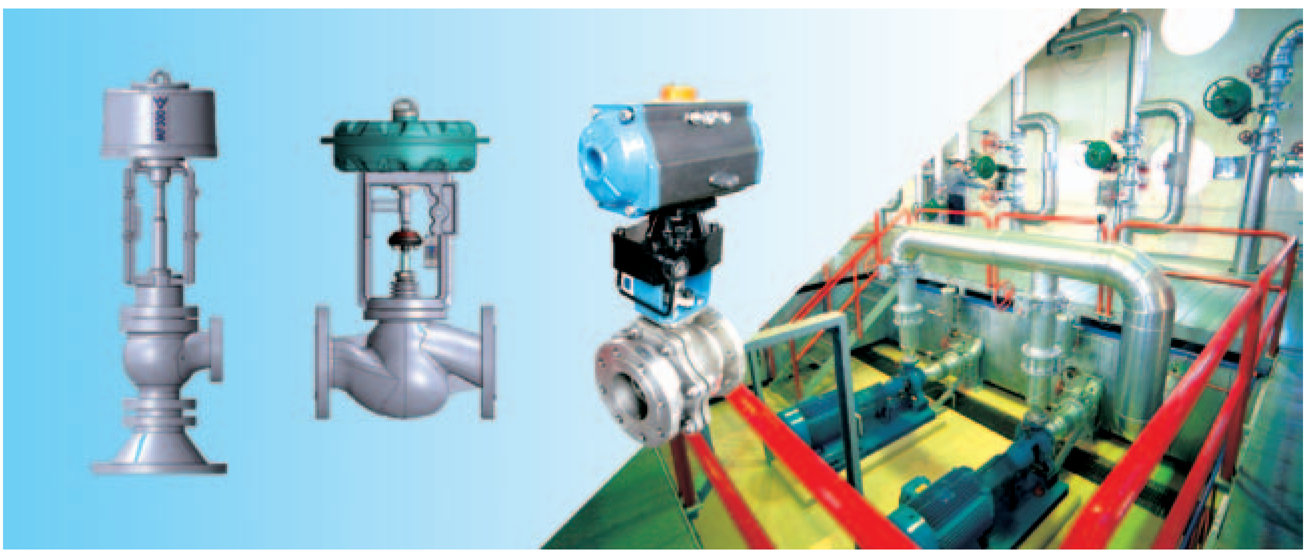
The Group continued to invest in technological innovation. In 2012, the Group was awarded the "First Prize for Progress in Science and Technology" in the field of "Automation and Computerization Technology Research and Application for China Independently Constructed World-Class Refining-Chemical Integration Projects" in petrochemical automation industry. In addition, the Group also won the award entitled "Quality Service Brand in China Automation System Integration 2012". The Group's project of control systems applied to Yangtze petrochemical facility was selected as the Top Ten Most Influential Automation Engineering Projects at the 2012 Annual Meeting of China's Automation Industry. Moreover, the numbers of new orders in relation to the newly developed products, namely iMEC, iSOM, and OTS, increased in 2012.

- Control valve business

During the year, the Group acquired the remaining 50% of equity interest in Wuzhong Instrument. Wuzhong Instrument now becomes a wholly owned subsidiary of the Group. This enables the Group to take full advantages of control valve business. Given the huge market for control valve products in China, Wuzhong Instrument, as the largest domestic control valve manufacturer, will embrace the opportunity and serve as a driving force for the Group's future growth.

With the support of the Group, Wuzhong Instrument has taken various measures to further improve its overall capability in sales and marketing, production, internal operation, and R&D. As a result, for the first time in the past years, it achieved significant growth in its revenue and successfully turned profitable in 2012. Moreover, with its tremendous efforts in R&D, Wuzhong Instrument successfully produced control valves with large inflow and outflow diameter for coal-chemical industry in China. It is the largest inflow and outflow diameter currently produced by Chinese control valve manufacturers for same type of products. Moreover, its newly developed temperature and pressure regulating equipment is awarded the First Prize for Progress in Science and Technology by both Ningxia Province and Chinese Society of Instrument in 2012. Wuzhong Instrument's control valves nowadays are widely used in petrochemical, coal-chemical, chemical, power and metallurgical industries, etc.

Other than production, Wuzhong Instrument's strength also lies on its control valve maintenance. Building on years of experiences, Wuzhong Instrument established a strong control valve engineering and maintenance services team which has



been serving petrochemical and coal-chemical industries for years. Currently, Wuzhong Instrument is the only Chinese company that can undertake plant-wide control valve engineering and maintenance services for petrochemical and coal chemical industries. Control valve maintenance of Wuzhong Instrument not only have made a considerable contribution to its profit, but also increased its competitiveness at the same time.

Railway Industry

- Railway Signaling Systems

Even though China's railway sector began its recovery in early 2012, the pace has been rather slow in the first half of the year. In the second half of the year and in particular the last quarter, tendering activities for certain national railway construction projects started to resume, however, only a small number of projects were translated into signaling projects, as it is the nature that installation of signaling system is carried out at least one year subsequent to the commencement of a railway infrastructure construction project. Therefore, the Group's railway signaling business in 2012 shrank significantly compared with previous year.

As at 31 December 2012, the Group completed and delivered approximately 266 systems, bringing the cumulative number of delivered systems to approximately 1,661. In 2012, the Group completed Beijing-Shijiazhuang-Wuhan high speed railway interlocking system project and was awarded the subcontract of Beijing Subway Line Number 7 interlocking system.

The Group's persistent efforts in R&D yielded fruitful results. The Group's ATS (Automatic Train Supervision System) and MSS (Monitoring Signaling System) have been named as "Beijing 2012 High-Tech Achievements Transformation Projects", while the Group's ATS system applied in the Beijing Subway Line Number 15 won one of ten "Outstanding Application Award" in the first competition of "Intelligent Beijing" in 2012.

- Traction systems

The Group's business of on-board auxilliary power supply systems related products, undertaken by its subsidiary of Nanjing Huashi, achieved a solid result and gained market share in 2012. Nanjing Huashi is a qualified supplier of power supply related products for national railway projects. It is also capable of providing traction systems for rail transit vehicles and bid for traction system subway projects as a general contractor. The

products of Nanjing Huashi include traction system, auxiliary power supply system, and other related products. Huashi, and its major products, as well as its welding technology passed and obtained various certifications in 2012, including IRIS, CRCC, and EN15085.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2012, revenue of the Group increased by 11.6% to RMB2,210.7 million (2011: RMB1,981 million), compared with the previous year.

Revenue generated from petrochemical segment significantly increased by 40.7% to RMB1,470.5 million (2011: RMB1,045 million), whereas revenue generated from railway segment decreased by 20.9% to RMB740.2 million (2011: RMB936 million) for the year ended 31 December 2012.

Turnover analysis by operating segment

	For the year ended 31 December				
	2012		2011		Change
	(RMB' million)	(%)	(RMB' million)	(%)	(%)
Petrochemical	1,470.5	66.5	1,045.0	52.8	+40.7
Railway	740.2	33.5	936.0	47.2	-20.9
	2,210.7	100.0	1,981.0	100.0	+11.6

Turnover analysis by types of goods supplied and services rendered

	For the year ended 31 December				
	2012		2011		Change
	(RMB' million)	(%)	(RMB' million)	(%)	(%)
System sales and related services					
– Petrochemical					
– Safety system	919.8	41.6	796.2	40.2	+15.5
– Control valve (Note)	343.0	15.5	—	—	—
– Railway					
– Signalling system	317.3	14.4	476.2	24.1	-33.4
– Traction system	222.0	10.0	107.8	5.4	+105.9
Sub-total	1,802.1	81.5	1,380.2	69.7	+30.6
Provision of maintenance and engineering services	156.4	7.1	150.7	7.6	+3.8
Distribution of equipment	252.2	11.4	450.1	22.7	-44.0
Total	2,210.7	100.0	1,981.0	100.0	+11.6

Note: Control valve system sales included related service income of RMB59.6 million

System sales and related services to petrochemical industries

Safety systems and engineering design services

For the year ended 31 December 2012, revenue generated from system sales and engineering design services in relation to petrochemical industries increased by 15.5% to RMB919.8 million (2011: RMB796.2 million). The increase was mainly attributable to : (i) the contribution from upstream oil & gas pipelines which achieved considerable growth; and (ii) overseas business which recorded remarkable growth.

Control valve

The Group's newly consolidated control valve business delivered satisfactory results and contributed RMB343 million to the Group's revenue for the year ended 31 December 2012. With the support of the Group, Wuzhong Instrument achieved significant growth in its revenue and successfully turned profitable in 2012.

System sales to railway industries

Signalling system

Revenue generated from system sales in relation to signalling system dropped by 33.4% to RMB317.3 million (2011: RMB476.2). The management of the Group would like to point out that even though China's railway sector began its recovery in early 2012, yet only a small number of projects were translated into signalling projects, as it is the industry practice that bidding of signalling system is carried out at least one year subsequent to the commencement of a railway infrastructure construction project and therefore, the Group's railway signalling business in 2012 shrank significantly compared with previous year.

Traction system

Revenue generated from system sales in relation to traction system significantly increased by 105.9% to RMB222 million (2011: RMB107.8). Nevertheless, it is worth to note the rise was due to to the fact that traction system business was consolidated in July last year and therefore only six months' results were recorded in 2011 while there were full year consolidation in 2012. In 2012, traction system business achieved modest growth and gained market share.

Provision of engineering and maintenance services

For the year ended 31 December 2012, revenue generated from the provision of engineering and maintenance services slightly increased by 3.8% to RMB156.4 million (2011: RMB150.7 million). The management of the Group believes that more recurring income related to maintenance services will be generated as a rising number of aged installations needs to be replaced following the end of their life cycle.

Distribution of equipment

For the year ended 31 December 2012, revenue in relation to equipment distribution shrank by 44% to RMB252.2 million (2011: RMB450.1 million). The significant decrease was mainly due to the slow recovery of the railway signalling industry in 2012. 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 and therefore it is not the core business.

In terms of types of goods and services rendered, 81.5% (2011: 69.7%) of the Group's revenue was generated from system sales, 7.1% (2011: 7.6%) from the provision of engineering and maintenance services and 11.4% (2011: 22.7%) from equipment distribution.

In addition, in terms of operating segment, 66.5% (2011: 52.8%) of the Group's revenue was generated from petrochemical and 33.5% (2011: 47.2%) from railway.

Gross profit

Gross profit for the year ended 31 December 2012 amounted to RMB865.2 million (2011: RMB757.6 million), representing an increase of RMB107.6 million or 14.2% over the previous year.

The overall gross profit margin slightly increased by 0.9% points to 39.1% (2011: 38.2%) for the year ended 31 December 2012.

Gross profit analysis by types of goods supplied and services rendered

	For the year ended 31 December		
	2012	2011	Change
	(%)	(%)	(%)
System sales and related services			
– Petrochemical			
– Safety system	**40.9**	42.4	-1.5
– Control valve (Note)	**35.8**	31.0	+4.8
– Railway			
– Signalling system	**41.8**	41.0	+0.8
– Traction system	**40.5**	36.0	+4.5
Sub-total	**40.1**	41.4	-1.3
Provision of maintenance and engineering services	**68.6**	68.8	-0.2
Distribution of equipment	**15.5**	18.2	-2.7
Total	**39.1**	38.2	+0.9

Note: the gross profit margin of control valve in 2011 is shown here for comparison purpose only

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

Gross profit margin of system sales and engineering design services
The gross profit margin decreased by 1.5% points to 40.9% (2011: 42.4%). It was mainly due to more revenue generated from upstream oil & gas pipelines and overseas businesses which had a lower margin.

Gross profit margin of control valve
The gross profit margin increased by 4.8% points to 35.8% (2011: 31.0%). The improvement in gross profit margin was mainly attributable to: (i) higher level of production brought improved economies of scales; and (ii) contribution from new products such as special control valves with large inflow and outflow diameter sold to coal chemical plants which had a better margin. The management of the Group believes that the gross profit margin could improve should the business scale of the control valve further increase due to economies of scale.

Gross profit margin of system sales in relation to railway industries

Gross profit margin of signalling system
The gross profit margin slightly increased by 0.8% points to 41.8% (2011: 41.0%). The marginal improvement of gross profit margin was mainly due to the fact that the revenue recognised in relation to the subway projects (which had a lower margin) decreased significantly in 2012 as compared with previous year.

Gross profit margin of traction system
The gross profit margin increased by 4.5% points to 40.5% (2011: 36.0%). The improvement in gross profit margin was mainly due to the change in product mix in such a way that increased contribution from higher-margin series of traction systems sold to Ministry of Railways.

Gross profit margin of the provision of engineering and maintenance services
The gross profit margin marginally decreased by 0.2% points to 68.6% (2011: 68.8%).

Gross profit margin of distribution of equipment

For the year ended 31 December 2012, the gross profit margin of the equipment distribution business decreased by 2.7% points to 15.5% (2011: 18.2%).

Other Income

For the year ended 31 December 2012, other income increased by RMB27.6 million to RMB75.4 million (2011: RMB47.8 million). Thanks to the government grants of RMB16.5 million (2011: RMB1.4 million) as well as the increase in VAT refund by RMB6.1 million to RMB48.6 million (2011: RMB42.5 million). The Group has a number of major operating subsidiaries which enjoy the preferential policy on VAT refund of paying 17% and refund 14% for the sales of embedded software.

Other Gains and Losses

For the year ended 31 December 2012, other losses amounted to RMB75.3 million (2011: other gains of RMB35 million). The big turnaround was mainly due to (i) the allowance for bad and doubtful debts of RMB71.8 million made (2011: reversal of RMB3.5 million bad and doubtful debts) against those aged accounts receivables in respect of the clients from the railway industry. The management of the Group had major concern on its collectibility in view of the fact that majority of the projects regarding the national railways won by the Group were either suspended, slowed down or delayed due to the slow resumption of national railway industries following the train accident in Wenzhou, Zhejiang Province on 23 July 2011 and the uncertainties surrounding the financing of the Ministry of Railways resulting delayed payment to its suppliers; (ii) the loss of RMB14 million recognised as a result of re-measuring the previously held interest in Wuzhong Instrument to fair value.

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2012 were RMB184.4 million (2011: RMB162.1 million), which increased by 13.8% year-on-year. Such increase was mainly attributable to consolidation of the selling and distribution expenses of Wuzhong Instrument and the first "full year" consolidation of Nanjing Huashi in 2012.

Selling and distribution expenses as a percentage of the Group's full year revenue recorded at 8.3% (2011: 8.2%).

Administrative expenses

Administrative expenses for the year ended 31 December 2012 amounted to RMB289.2 million (2011: RMB209.3 million), representing an increase of 38.2% year-on-year. Such increase was mainly attributable to (i) consolidation of the administrative expenses of Wuzhong Instrument and the first "full year" consolidation of Nanjing Huashi in 2012; and (ii) as for the Group, the increase was mainly attributable to (a) increased staff costs and management bonus; (b) increased rental and related utilities expenses; (c) increased entertainment and conference fees; (d) increased amortization expenses for intangible assets.

Administrative expenses as a percentage of the Group's full year revenue increased by 2.5% points to 13.1% (2011: 10.6%).

Research and development expenses

Research and development expenses for the year ended 31 December 2012 were RMB74.3 million (2011: RMB34 million). Such significant increase was mainly due to the increase in research and development projects such as the development of new control valves with large inflow and outflow diameter as well as temperature and pressure regulating equipment for coal-chemical industry, the development of new signalling related technology, traction system and electricity convertor/ invertor supply related products for railway industries.

Share of results of associates

Losses arising from share of results of associates for the year ended 31 December 2012 amounted to RMB12.7 million (2011: RMB7 million) which was mainly attributable to the losses made by ABB Microunion.

Finance costs

Finance costs for the year ended 31 December 2012 increased by 6.8% to RMB131.3 million (2011: RMB122.9 million). Such increase was mainly attributable to the increase in interest expenses incurred in connection with guaranteed notes issued on 20 April 2011 and therefore there were a total of twelve months showing the effect for the year ended 31 December 2012 whereas there were only eight and half months being affected for previous year.

Income tax expenses

Income tax expenses amounted to RMB34.3 million (2011: RMB53.2 million) for the year ended 31 December 2012, which was 35.5% lower than that of the previous year. However, the effective tax rate of the Group for the year ended 31 December 2012 increased by 3.2% points to 21.1% (2011: 17.9%). This was mainly due to (i) tax losses of holding company and certain subsidiaries not recognised; and (ii) expiry of tax holiday for certain subsidiaries.

Profit for the year

As a result of the foregoing, the Group recorded RMB84.6 million in profit attributable to equity holders of the Company for the year ended 31 December 2012 (2011: RMB195.8 million), representing a significant decline of RMB111.2 million or 56.8% when compared with that of the previous year.

Earnings per share

Earnings per share decreased by RMB11.11 cents (representing 57.4%) from that of the previous year to RMB8.24 cents (2011: RMB19.35 cents) for the year ended 31 December 2012.

Dividend

The Board recommends distribution of a final dividend of 2.5 HK cents per share, equivalent to RMB2.0 cents per share (2011: final plus interim dividend of 5.0 HK cents per share, equivalent to RMB4.0 cents per share) in respect of the year. The dividend represents a total payout of RMB20.8 million and 24.6% distribution of the current year profit.

Liquidity, financial resources and capital structure

The Group's liquidity position remains strong.

Net cash generated from the Group's operating activities amounted to RMB20.1 million (2011: Net cash used in operating activities: RMB123.2 million) for the year ended 31 December 2012. This was mainly attributable to the significant increase in advance from customers as well as the increase in other deposits, payables and accruals.

Net cash used in investing activities of the Group decreased by RMB192.2 million to RMB182.4 million (2011: RMB374.6 million) for the year ended 31 December 2012. The investments made during the year were: (i) acquisition a further 30% equity interest in Wuzhong Instrument at a consideration of RMB97.8 million; and (ii) investment of RMB25 million in an associate engaged in petrochemical equipment business.

Net cash used in financing activities amounted to RMB160.2 million (2011: Net cash generated from financing activity: RMB732.1 million) for the year ended 31 December 2012. The turnaround was mainly due to the net proceeds received from issuance of 7.75% guaranteed notes of RMB1,255 million for previous year but there was no significant financing activities as well as the payment of RMB66 million as consideration for the remaining 20% equity interest in Wuzhong Instrument for the year ended 31 December 2012.

As at 31 December 2012, cash and bank balances (including pledged bank deposits) amounted to RMB587.9 million (31 December 2011: RMB920.9 million).

Gearing position

The net gearing (total borrowings less cash over equity) ratio was at 48% as at 31 December 2012 (31 December 2011: at 23.8%). As at 31 December 2012, the total borrowings of the Group amounted to RMB1,583.1 million (31 December 2011: RMB1,392 million). The total borrowings mainly comprised the guaranteed notes amounted to RMB1,173.1 million (equivalent to USD192 million) issued in April last year.

Significant investments, mergers and acquisitions

For the year ended 31 December 2012, the Group completed (i) the acquisition of a further 50% equity interests in Wuzhong Instrument at a consideration of RMB163.8 million; and (ii) investment of RMB25 million in an associate engaged in petrochemical equipment business.

Contingent liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

FUTURE OUTLOOK

The Group will strive to maintain its leading position of safety and critical control systems in the petrochemical and railway industries. Meanwhile, the Group will put great emphasis on newly expanded businesses of control valves and traction systems to create additional engines for its future growth. The Group will continue to keep its focus on petrochemical and railway industries, while actively explore business opportunities in other industries. In the long run, the Group will continually enhance its position as a leading company with 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 its overall competitive advantages in 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 upstream oil & gas field as well as metallurgical, power, nuclear and other industries. At the same time, the Group will enlarge the revenue contribution from recurring engineering and maintenance services by enhanced service team and value-added services.

For the railway segment, the Group will further enhance the business development of railway traction systems and related power supply products. The Group will keep its efforts on traction system projects of urban rail transit. The Group will continue to dedicate itself to developing into a total solution provider with full range of signaling products for national railway and urban rail transit projects.

The Group has and will always place great importance on R&D and technology innovation. The Group already set up several targets for 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 and on-board signaling products of ATP (Automatic Train Protection) and ATO (Automatic Train Operation). Progress has been made in 2012 towards these targets.

Riding on its solid business of four main product series — safety and critical control systems, control valves, signaling systems, and on-board traction systems and auxiliary power supply systems, the Group will strive to maximize returns of its stakeholders in the future.

In the year of 2012, 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:

– Interim and annual results announcement

– 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 2012, the Group's top management and IR team participated in the domestic and overseas investment forums for 19 times, as well as different road shows. The team paid visit to the Group's shareholders and potential investors in USA, Singapore, Hong Kong, Macau, Shanghai, Beijing and Shenzhen, 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 period, during which visitors could witness the Group's stable growth with their own eyes.

As at the mid of March 2013, international investment firm FIL Limited increased its holdings in the Group to 9.12%. The shareholder structure of the Group remains in a good and stable position.

In the future, 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

Executive Directors

Mr. Xuan Rui Guo (宣瑞國), aged 44, 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. Kuang Jian Ping (匡建平), aged 49, the Group's co-founder and Executive Director and Chief Executive Officer, is mainly responsible for the Group's daily operation as well as merger and acquisition strategies. 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 and 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. Huang Zhi Yong (黃志勇), aged 46, is a co-founder of the Group and Executive Director. He is also the head of the Group's software development team. He is in charge of the internal operations of the Group including R&D, financial management and customer service. 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 R&D of mechanical engineering and over twelve years' experience in the management of corporate operation, automation engineering and trading. Mr. Huang was worked for the Machinery Research Institute of Sinopec Tianjin Petrochemical Corporation and was the deputy general manager of Beijing Consen Automation Control Co., Ltd.

Independent Non-executive Director

Mr. Wang Tai Wen (王泰文), aged 66, is an Independent Non-executive 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; served as 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 (中國南方機車車輛工業集團). In November 2006, Mr. Wang joined China Railway Engineering Group Company Limited (中鐵工) as an external director. According to the Notice on board of directors of wholly state-owned company issued by State-owned Assets Supervision and Administration Commission of the State Council, being an external director of China Railway Engineering Group Company Limited, 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 Railway Engineering Group Company Limited, 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 71, is an Independent Non-executive Director since July 2011. Mr. Sui obtained an undergraduate degree in chemical & mechanical engineering 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. 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 Jiangsu Shuangliang 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 54, is an Independent Non-executive Director. Mr. Ng joined the Group in June 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 British 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 56, 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 53, the Group's Senior 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 Zhongfei 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 47, the Group's Senior Vice President and 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. Li Hai Tao (李海濤), aged 43, 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 extensive 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. Chen Yong (陳勇), aged 47, is the general manager of Beijing Consen Automation Control Company Limited. Prior to joining the Group in 2003, Mr. Chen was worked in manufacturing management and sales at Shanghai Foxboro company Limited. From 1990 to 1992, he worked at a textile mill in Shanghai. He graduated from Shanghai Technology College of Metallurgy (上海冶金高等專科學校) with a specialization in Application of Computer, and University of Science and Technology Beijing (北京科技大學) with a specialization in Engineering Management.

Mr. Ma Yu Shan (馬玉山), aged 45, is the General Manager of Wuzhong Instrument Co., Ltd since 2006. In 2009, he graduated from Xi'an University of Technology (西安理工大學), majoring in instrumentation, and was awarded a doctor degree in engineering, the vocational senior engineer and Special State Allowance Scholar. In 2001, he was named to be the National Youth Station Expert. In 2002, he won the National Youth Creativity and Efficiency Award. In 2011, he received the national science and technology prize in the 11th Five year Plan of china for the outstanding contribution. In 2013, he was honored to be the youth science and technology innovation talent. From 1991 to 2001, Mr. Ma was a technician and director of technology department in Wuzhong Instrument Co., Ltd.During the period between 2001 and 2006, as deputy general manager of Wuzhong Instrument Co., Ltd.

Mr. Li Guang Lei (李光磊), aged 48, the general manager of Beijing Jiaoda Microunion Tech. Co., Ltd.. In 1987, he graduated from the department of electrical engineering of Northern Jiaotong University (北方交通大學電子工程系), majoring in computer software, and was awarded a bachelor degree in engineering. From 1987 to 1990, he held a teaching post in the department of computer and served as the secretary of Communist Youth League at Northern Jiaotong University (北方交通大學). From 1990 to 2001, he successively served as the deputy director of logistics division and the deputy director of the academic enterprise division at the University , and also served as the general manager of Beijing Jiaoda Golden Wheel Tech. Co.. In 2002, he served as the deputy general manager of logistics group at the Unversity. From 2003 to 2009, he served as the secretary of CPC committee of School of Distance Learning and Continuing Education (director of school affairs committee). Since 2010, he served as the deputy general manager and then the general manager of Beijing Jiaoda Microunion Tech. Co., Ltd..

Mr. Tian Lei (田磊), aged 49, the General Manager of Nanjing Huashi Electronic Tech. Co., Ltd. In 1985, he graduated from Central South University (中南大學), majoring in locomotive engineering, and was awarded a Master degree in1988 from Tongji University. From April 1988 to 1996, he served as an engineer, senior engineer and project manager of Zhuzhou Electric Locomotive Research Institute (株洲電力機車研究所). From April 1996 to 1998, he served as the chief of human resource division. From1998 to 2000, he served as the deputy director of Zhuzhou Electric Locomotive Research Institute. Later, from 2000 to 2007, he successively served as the vice president and secretary of Party Committee of Zhuzhou Times Group, and meanwhile he was the secretary of Party Committee and the deputy director of Zhuzhou Electric Locomotive Research Institute, president and deputy chairman of Zhuzhou Times Electric Co., Ltd. (株洲時代電氣, listed in HK). From November 2007 to August 2009, he served as the general manager of locomotive department and deputy chief engineer of CSR Corporation Limited (中國南車集團). From August 2009, he served as the general manager of oversea business department and import and export company, deputy chief engineer of CSR Corporation Limited. He joined the China Automation Group in 2011.

Mr. Duan Min (段民), aged 46, a Vice-president of the Group. He is primarily responsible for overseeing the supply chain department 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.

Ms Wang Yan Mei (王彥梅), aged 72, is the chairman and also the general manager of the Beijing Haidian ZhongJing Engineering Software Technologies Ltd. She graduated from mechanical engineering department at Beijing Institute of Petroleum in 1964, majoring in oil storage and transportation. Then she served a position of Beijing Design Institute, the Ministry of Petroleum Industry. From 1973 to 1998, she served as vice president of Beijing Design Institute of China Petrochemical Corporation. She has been the Chairman for the National Survey and Design Industry Computer Applications Association under the Ministry of Construction (建設部中國勘察設計協會全國勘察設計行業計算機應用協會) since 1985.

Mr. Wang Jing Hua (王景華), aged 51, 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 1988 to 2002, he served as director and general manager of Taxinan Petrochemical Thermal Power Plant of Xinjiang Petroleum Administration Bureau and Beijing Feida Gas Turbine Engineering Corporation, respectively. During the period between 2002 and 2006, he served as vice general manager of the Beijing Kang Bosen Gas Turbine Engineering Co. Ltd. In 2007, he held the position of Chief Executive Officer of Hong Kong Feilite International, LLC. Mr. Wang joined the Group in 2008 and transferred to Beijing Consen Oil and Gas Process Control Company Limited as general manager in September 2011.

Mr. Xu Jie (徐傑), aged 47, is a general manager of Beijing Consen Process Control Tech. Co., Ltd. He graduated from Shanghai Chemical Technological Academy, majoring in computer application. From 1988 to 2006, he served as a petrochemical marketing manager of Shanghai Foxboro Co. Ltd. Prior to joining the Group in 2010, Mr. Xu was the head of business development of China Regional Business Center (Petrochemical & Chemical) at Siemens (China) Co. Ltd., and a director at Zhejiang Supcon Tech. Co. Ltd (浙江中控技術有限公司) in charge of key projects.

Mr. Wang Shi Wei (王世偉), aged 41, 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 and Administration Director in the period between 2007 and 2010. In 2010, he was the deputy general manager (human resources) of Anbang Insurance Group Co., Ltd. He joined the Group in 2011.

Mr. Chow Chiu Chi (周昭智), aged 54, is the Finance Director 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 30 years of experience in finance, accounting and internal audit.

DIRECTOR'S REPORT

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2012.

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 People's Republic of China (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 5 and 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of Comprehensive income on page 38 of this annual report.

The Board recommends distribution of a final dividend of 2.5 HK cents per share (2011: final plus interim dividend 5.0 HK cents), amounting to a total of approximately HK$25.66 million for the year ended 31 December 2012 (2011: HK$51.34 million) to the shareholders on the register of members of the Company on Friday, 07 June 2013.

Upon the approval being obtained in the forthcoming annual general meeting to be hold on Wednesday, 29 May 2013, the above final dividend will be paid on or before Wednesday, 03 July 2013 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 07 June 2013.

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 Thursday, 23 May 2013 to Wednesday, 29 May 2013 (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 Wednesday, 22 May 2013.

For determining the entitlement to the Dividend, the register of members of the Company will be closed from Tuesday, 04 June 2013 to Friday, 07 June 2013, (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 Monday, 03 June 2013.

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 112 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 2012 are set out on page 41 of this annual report. As at the balance sheet date, the Company's distributable reserves amounted to RMB976,731,000 (2011: RMB926,663,000), subject to the applicable statutory requirements under the laws of the Cayman Islands.

SHARE CAPITAL

Details of movements of the share capital of the Company during the year ended 31 December 2012 is set out in note 35 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

There was no charitable contribution made by the Group during the year ended 31 December 2012 (2011: RMB100,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2012 are set out in note 49 to the consolidated financial statements.

EMPLOYEES

As at 31 December 2012, the Group had a total of 3,082 employees (2011: 1,813). 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
Mr. Ng Wing Fai

Pursuant to article 87 of the articles of association of the Company, Mr. Kuang Jian Ping and Mr. Wang Tai Wen shall retire from office by rotation at the forthcoming annual general meeting of the Company 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 2012 are shown in note 13 to the consolidated financial statements.

The contributions to pension schemes for the Directors for the year ended 31 December 2012 are disclosed in note 13 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management of the Group are set out on pages 22 to 25 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its holding company, its fellow subsidiaries 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 45 to the consolidated 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 2012, 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 (Note)	Other interest	Interest in underlying shares pursuant to share options	Total	Approximate percentage of shareholding
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. of 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 2012, 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 2012, 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)	91,608,000	8.93%

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 2012, 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 2012, there was no options remained outstanding under the Scheme (2011: 3,652,271, representing 0.36 % 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 18 April 2012, 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 2012 are as follows:

	Outstanding at 01 January 2012	Cancelled during the year	Exercised during the year	Outstanding at 31 December 2012
Key management	996,000	996,000	0	0
Other employees	2,656,271	2,656,271	0	0
	3,652,271	3,652,271	0	0
Exercisable at the end of the year				0

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2012, the Company has not repurchased any of its shares on the Stock Exchange.

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 2012 attributable to the Group's major suppliers and customers respectively are as follow:

	2012 %	2011 %
Purchases		
– the largest supplier	10.6	27.1
– the five largest suppliers combined	18.7	61.5
Revenue		
– the largest customer	8.6	11.9
– the five largest customers combined	32.2	38.1

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 the guidelines for assessing independence set out in 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

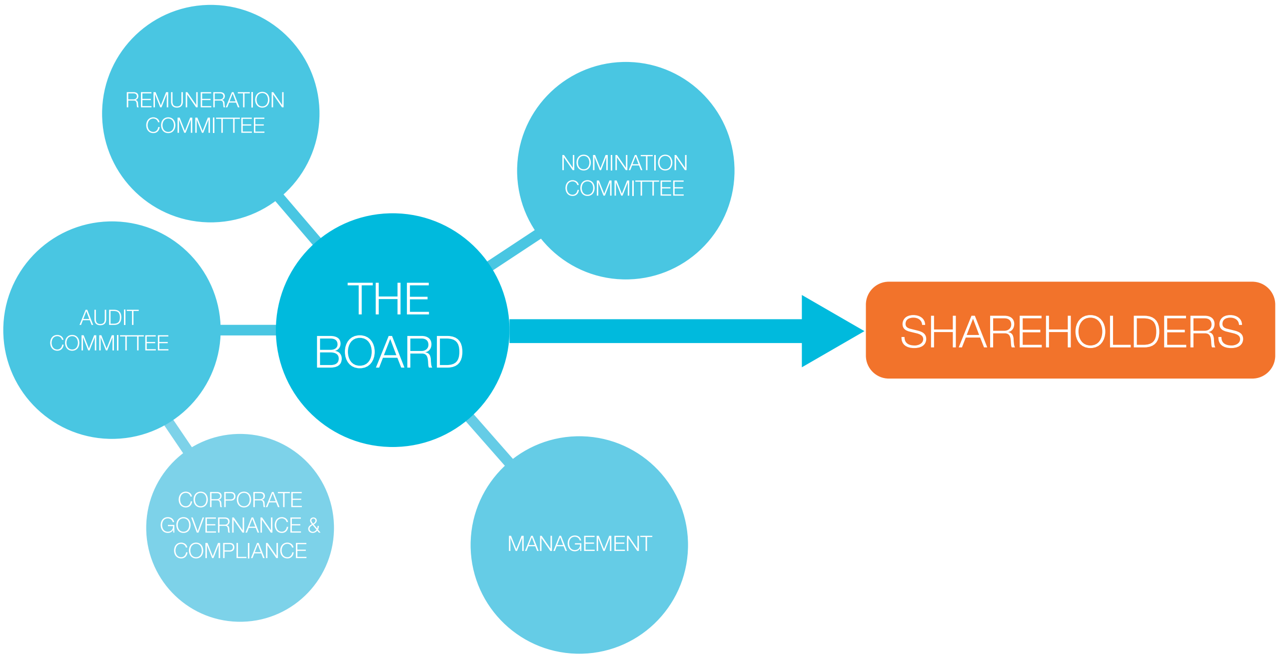
The Company has set up an audit committee in accordance with the requirements of Rule 3.21 of the Listing Rules and the Code of Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 of the Listing Rules. The consolidated financial statements of the Group for the six months ended 30 June 2012 and the year ended 31 December 2012 and the related disclosures have been reviewed and approved by the audit committee.

AUDITORS

The consolidated 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, 26 March 2013



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 Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all of the applicable code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2012 (the "Relevant Period").

DIRECTORS' SECURITIES TRANSACTIONS

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

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 22 to 25 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.

Mr. Wang Tai Wen has been appointed as an independent non-executive Director for a term of 2 years commencing from 30 January 2012, Mr. Sui Yong Bin has been appointed as an independent non-executive Director for a term of 2 years commencing from 30 June 2011 and Mr. Ng Wing Fai has been appointed as an independent non-executive Director for a term of 2 years commencing from 16 June 2011. Their appointments are subject to the Listing Rules and retirement by rotation and re-election at a general meeting of the Company in accordance with the articles of association of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules, and considers all of the independent non-executive Directors to be independent.

Six 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's approval, and Board approvals were given by vote at the Board meetings.

If a Director has a conflict of interest in a transaction or proposal to be considered by the Board which the Board considered to be material, the relevant Director is required to disclose his interest and abstain from voting in accordance with the articles of association of the Company. The matter shall be 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 of Board meetings and meetings of the audit committee, the remuneration committee and the nomination committee of the Company during the Relevant Period are set out in the following table:

	Meetings attended/Meetings held (during director's tenure)				
Name of director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**AGM**
Executive Directors					
Mr. Xuan Rui Guo	6/6	N/A	1/1	1/1	1/1
Mr. Huang Zhi Yong	6/6	N/A	1/1	N/A	1/1
Mr. Kuang Jian Ping	6/6	N/A	N/A	1/1	0/1
Independent non-executive Directors					
Mr. Wang Tai Wen	6/6	2/2	1/1	1/1	1/1
Mr. Ng Wing Fai	6/6	2/2	1/1	1/1	1/1
Mr. Sui Yong Bin	6/6	2/2	1/1	1/1	1/1

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 comments and record respectively.

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure proper understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making informed and relevant contributions to the Company. According to records maintained by the Company, the Directors participated in the continuous professional development programmes with appropriate emphasis on the roles, functions and duties of a director of a listed company during the Relevant Period as follow:

Name of Director	Reading regulatory updates	Attending external seminars/ programmes
Executive Directors		
Mr. Xuan Rui Guo	√	√
Mr. Huang Zhi Yong	√	√
Mr. Kuang Jian Ping	√	√
Independent non-executive Directors		
Mr. Wang Tai Wen	√	√
Mr. Ng Wing Fai	√	√
Mr. Sui Yong Bin	√	√

AUDIT COMMITTEE

The Audit Committee was established in June 2007 and its current members include:

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

The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in legal, business and accounting on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference which describe the authority and duties of the Audit Committee were approved and adopted on 30 March 2012 to conform to the provisions of the Code and the Listing Rules, a copy of which is posted on the websites of the Company and the Stock Exchange.

The Audit Committee meets regularly to review the Group's financial reporting and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectively of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

The Audit Committee met twice during the Relevant Period to review and discuss internal controls and financial reporting matters including a review of the financial statements for the six months ended 30 June 2012 and the year ended 31 December 2012.

REMUNERATION COMMITTEE

The Remuneration Committee was established in June 2007 and the current members include:

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

The Remuneration Committee advises and makes recommendations to the Board on the Group's overall policy and structure for the remuneration of directors and senior management. The Remuneration Committee ensures that no director or any of his associate is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee were approved and adopted on 30 March 2012 to conform to the provisions of the Code, a copy of which is posted on the websites of the Company and the Stock Exchange.

In determining the emolument payable to directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration.

The Remuneration Committee meets regularly to determine the policy for the remuneration of directors and assess performance of executive directors and certain senior management. During the Relevant Period, the Committee met once to review and determine all Executive Directors' and Senior Management's remuneration packages.

NOMINATION COMMITTEE

The Nomination Committee was established in June 2007.

The Nomination Committee comprises five members include:
Mr. Sui Yong Bin *(Chairman)*
Mr. Ng Wing Fai
Mr. Wang Tai Wen
Mr. Xuan Rui Guo
Mr. Kuang Jian Ping

The written terms of reference which describe the authority and duties of Nomination Committee were approved and adopted on 30 March 2012 to conform to the provisions or the Code and the Listing Rules, a copy of which is posted on the websites of the Company and the Stock Exchange.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of the independent non-executive directors.

During the Relevant Period, the Committee met once to review the board composition, the retirement of directors by rotation, the re-appointment of retiring directors at 2012 Annual General Meeting, to assess the independence of Independent Non-executive Directors.

In accordance with the Articles of Association, Mr. Kuang Jian Ping and Mr. Wang Tai Wen, shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

The Nomination Committee recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties as set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules which includes the following:

— to develop and review the Group's policies and practices on corporate governance;

— to review and monitor the training and continuous professional development of the Directors and senior management;

— to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

— to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

— to review the Group's compliance with the New CG Code and disclosure in this Corporate Report.

AUDITORS' REMUNERATION

For the year ended 31 December 2012, the fees charged by the Company's auditors in respect of audit and taxation services amounted to approximately RMB2,660,000 (2011: RMB2,953,000) and RMB820,129 (2011: RMB500,000) respectively.

COMPANY SECRETARY

Mr. Chow Chiu Chi is the company secretary of the Company. Mr. Chow is an associate member of the Chartered Institute of Management Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. In compliance with Rule 3.29 of the Listing Rules, Mr. Chow has undertaken no less than 15 hours of relevant professional training during the Relevant Period.

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 37 of this annual report.

INTERNAL CONTROLS

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.

SHAREHOLDERS' RIGHTS

Procedures for convening an extraordinary general meeting by shareholders

Under Article 58 of the Articles of Association of the Company, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of the deposit of such written requisition, the Board fails to proceed to convene such general meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting forward proposals at general meetings

To put forward a proposal at the general meeting of the Company (the "Proposal"), a shareholder should lodge at the head office and principal place of business of the Company in Hong Kong at Unit 3205B-3206, 32nd Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai Hong Kong, a written notice setting out (i) information of the shareholder and his/her/its contact details and (ii) details of the Proposal and relevant supporting documents.

Making Enquiries to the Board

Shareholders may send written enquiries, either by post or by facsimiles, together with his/her contact details, such as postal address, fax or email, addressing either to (i) the head office and principal place of business of the Company in Hong Kong at Unit 3205B-3206, 32nd Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai or facsimile number (852) 2598 6633; or (ii) the principal place of business of the Company in No. 7, Beijing Anxiang Street, Konggang Industrial District B, Shunyi District, Beijing, China, 101318 or facsimile number (86) 10 8046 9966.

INVESTOR RELATIONS

Amendment of the Company's Constitutional Documents

There have been no changes to the Company's constitutional documents during the Relevant Period.

Deloitte.
德勤

TO THE MEMBERS OF CHINA AUTOMATION GROUP LIMITED
(incorporated in Cayman 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 38 to 111, which comprise the consolidated statement of financial position as at 31 December 2012, 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 2012, 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
26 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Revenue	5	**2,210,754**	1,981,015
Cost of sales		**(1,345,589)**	(1,223,461)
Gross profit		**865,165**	757,554
Other income	7	**75,437**	47,780
Other gains and losses	8	**(75,342)**	35,033
Selling and distribution expenses		**(184,431)**	(162,063)
Administrative expenses		**(289,202)**	(209,327)
Research and development expenses		**(74,333)**	(34,023)
Other expenses		**(10,565)**	(8,288)
Finance costs	9	**(131,278)**	(122,869)
Share of results of associates		**(12,698)**	(6,993)
Profit before tax		**162,753**	296,804
Income tax expense	10	**(34,341)**	(53,156)
Profit for the year	11	**128,412**	243,648
Exchange differences arising on translation of foreign operations		**1,071**	5,353
Total comprehensive income for the year		**129,483**	249,001
Profit for the year attributable to:			
Owners of the Company		**84,583**	195,774
Non-controlling interests		**43,829**	47,874
		128,412	243,648
Total comprehensive income attributable to:			
Owners of the Company		**85,654**	201,127
Non-controlling interests		**43,829**	47,874
		129,483	249,001
Earnings per share	15		
Basic (RMB cents)		**8.24**	19.35
Diluted (RMB cents)		**Not Applicable**	19.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current Assets			
Property, plant and equipment	16	**446,301**	200,970
Prepaid lease payments - non-current portion	17	**112,439**	42,497
Intangible assets	18	**394,693**	365,510
Goodwill	19	**141,792**	141,792
Interests in associates	21	**26,088**	189,740
Pledged bank deposits	28	**27,280**	13,385
Deposits for acquisition of a subsidiary		**—**	53,782
Deferred tax assets	22	**29,905**	15,218
Available-for-sale investments	23	**64,217**	64,217
Embedded derivative financial asset	34	**9,573**	—
		1,252,288	1,087,111
Current Assets			
Prepaid lease payments - current portion	17	**2,770**	981
Inventories	24	**857,216**	596,769
Trade and bills receivables	25	**1,699,960**	1,332,957
Other receivables and prepayments	26	**185,159**	96,119
Amounts due from customers for contract work	27	**118,635**	33,175
Pledged bank deposits	28	**65,776**	89,656
Bank balances and cash	29	**494,819**	817,905
		3,424,335	2,967,562
Current Liabilities			
Trade payables	30	**480,493**	386,258
Other payables, deposits received and accruals	31	**379,918**	179,388
Amount due to an associate		**15,000**	—
Amount due to a non-controlling shareholder		**—**	1,595
Dividend payable		**6**	5
Income tax payable		**22,685**	14,040
Bank borrowings - due within one year	32	**350,514**	163,558
Corporate bonds - due within one year	33	**49,516**	—
		1,298,132	744,844
Net Current Assets		**2,126,203**	2,222,718
Total Assets less Current Liabilities		**3,378,491**	3,309,829

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Capital and Reserves			
Share capital	35	**9,548**	9,548
Share premium and reserves	36	**1,750,751**	1,684,898
Equity attributable to owners of the Company		**1,760,299**	1,694,446
Non-controlling interests		**315,055**	281,376
Total Equity		**2,075,354**	1,975,822
Non-current Liabilities			
Deferred tax liabilities	22	**58,091**	57,377
Bank borrowings - due after one year	32	**10,000**	3,990
Corporate bonds - due after one year	33	**—**	49,399
Guaranteed notes	34	**1,173,115**	1,174,979
Deferred income	37	**61,931**	48,262
		1,303,137	1,334,007
Total Equity and Non-current Liabilities		**3,378,491**	3,309,829

The consolidated financial statements on pages 38 to 111 were approved and authorised for issue by the Board of Directors on 26 March 2013 and are signed on its behalf by:

Director

Zhiyong Huang

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note 36 a)	Statutory surplus reserves RMB'000 (Note 36 b)	Contribution from owners RMB'000	Translation reserve RMB'000	Share option reserve RMB'000 (Note 36 c)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	9,491	751,299	(18,335)	54,538	619	(5,769)	15,500	749,796	1,557,139	147,548	1,704,687
Reclassification	—	(47,842)	47,842	—	—	—	—	—	—	—	—
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 40)	—	—	—	—	—	—	—	—	—	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 14)	—	(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	648,367	29,507	73,445	619	(416)	6,713	926,663	1,694,446	281,376	1,975,822
Profit for the year	—	—	—	—	—	—	—	84,583	84,583	43,829	128,412
Exchange difference arising on translation of foreign operations	—	—	—	—	—	1,071	—	—	1,071	—	1,071
Total comprehensive income for the year	—	—	—	—	—	1,071	—	84,583	85,654	43,829	129,483
Acquisition of subsidiaries (Note 40)	—	—	—	—	—	—	—	—	—	65,190	65,190
Acquisition of assets through acquisition of a subsidiary (Note 41)	—	—	—	—	—	—	—	—	—	294	294
Acquisition of additional interest in a subsidiary	—	—	5,159	—	—	—	—	—	5,159	(71,134)	(65,975)
Appropriations to reserves	—	—	—	16,268	—	—	—	(16,268)	—	—	—
Dividend declared to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	(4,500)	(4,500)
Effects of lapse of share option	—	—	—	—	—	—	(6,713)	6,713	—	—	—
Dividend distributed (Note 14)	—	—	—	—	—	—	—	(24,960)	(24,960)	—	(24,960)
At 31 December 2012	**9,548**	**648,367**	**34,666**	**89,713**	**619**	**655**	**—**	**976,731**	**1,760,299**	**315,055**	**2,075,354**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**162,753**	296,804
Adjustments for:			
Share of results of associates		**12,698**	6,993
Finance costs		**131,278**	122,869
Depreciation of property, plant and equipment		**37,077**	17,726
Prepaid lease payments released		**1,450**	750
Amortisation of intangible assets		**24,999**	21,887
Deferred income released to income		**(19,723)**	(12,528)
Change in fair value of derivatives		**(9,573)**	—
Gain on repurchase of guaranteed notes		**(1,295)**	(2,749)
(Gain) loss on disposal of property, plant and equipment		**(137)**	5
Loss on re-measurement of interest in an associate		**14,019**	—
Impairment losses (reversal of provision) on trade and other receivables		**71,821**	(3,544)
Interest income		**(3,804)**	(3,663)
Operating cash flows before movements in working capital		**421,563**	444,550
Increase in inventories		**(117,043)**	(143,650)
Increase in trade and bills receivables		**(258,864)**	(396,682)
(Increase) decrease in other receivables and prepayments		**(56,478)**	22,659
Increase in amounts due from customers for contract work		**(85,460)**	(22,318)
Increase in trade payables		**18,956**	90,604
Increase in deferred income		**33,392**	9,172
Increase (decrease) in other payables and accruals		**103,639**	(69,407)
Cash generated from (used in) operations		**59,705**	(65,072)
Income tax paid		**(39,611)**	(58,100)
Net cash from (used in) operating activities		**20,094**	(123,172)
INVESTING ACTIVITIES			
Interest received		**3,804**	3,663
Purchases of property, plant and equipment		**(81,062)**	(74,831)
Proceeds on disposal of property, plant and equipment		**458**	36
Purchase of intangible assets		**(12,545)**	—
Development costs paid		**(14,891)**	(4,579)
Deposits for acquisition of a subsidiary		**—**	(53,782)
Acquisition of an available-for-sale investment		**—**	(60,844)
Refund of deposits for acquisition of a subsidiary		**—**	40,800
Investment in associates		**(25,000)**	—
Acquisition of a subsidiary	40	**(37,269)**	(135,682)
Acquisition of assets through acquisition of a subsidiary	41	**(25,861)**	(100,000)
Placement of pledged bank deposits		**(71,217)**	(150,106)
Withdrawal of pledged bank deposits		**81,202**	160,700
Net cash used in investing activities		**(182,381)**	(374,625)

	Notes	2012 RMB'000	2011 RMB'000
FINANCING ACTIVITIES			
New bank borrowings raised		**514,102**	353,366
Repayments of bank borrowings		**(475,236)**	(673,447)
Interest paid		**(112,269)**	(85,295)
Net proceeds from issue of guaranteed notes		**—**	1,254,761
Repurchase of guaranteed notes		**(4,791)**	(41,799)
Contribution from non-controlling shareholders		**—**	712
Borrowing from an associate		**15,000**	—
(Repayment of) borrowing from a non-controlling shareholder		**(1,595)**	1,595
Dividends paid to owners of the Company		**(24,959)**	(76,921)
Dividends paid to non-controlling shareholders		**(4,500)**	(13,980)
Repurchase of shares		**—**	(2,930)
Proceeds from issue of shares on exercise of share options		**—**	16,031
Acquisition of additional interest in a subsidiary	40	**(65,975)**	—
Net cash (used in) generated from financing activities		**(160,223)**	732,093
Net (decrease) increase in cash and cash equivalents		**(322,510)**	234,296
Cash and cash equivalents at beginning of the year		**817,905**	582,238
Effect of foreign exchange rate changes		**(576)**	1,371
Cash and cash equivalents at end of the year		**494,819**	817,905
Analysis of the balances of cash and cash equivalents:			
represented by			
Bank balances and cash		**494,819**	817,905

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 the British Virgin Islands. 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 49.

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 amendments to IFRSs issued by the International Accounting Standards Board ("IASB") which have become effective.

Amendments to IAS 12	Deferred Tax: Recovery of Underlying Asset
Amendments to IFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets

The Group has applied for the first time the amendments to IFRS 7 *Disclosures - Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain bills receivables and trade receivables. The arrangements are made through discounting bills receivable or factoring trade receivables to banks. As the Group has not transferred the significant risks and rewards relating to these bills receivable and trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see Note 25).

Similarly, the Group also has arrangements with various suppliers to transfer to its suppliers to receive cash from certain bills receivable through endorsing those bills receivable to suppliers. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the corresponding trade payables are included in the consolidated statement of financial position.

The relevant disclosures have been made regarding the transfer of these bills receivable and trade receivables on application of the amendments to IFRS 7 (see Note 25).

The Group has not early applied the following new and revised standards, amendments and interpretation ("new and revised IFRSs") that have been issued but are not yet effective.

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

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets (Cont'd)

Amendments to IFRSs	Annual Improvements to IFRSs 2009 - 2011 Cycle[1]
Amendments to IFRS 1	Government Loans[1]
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

Annual Improvements to IFRSs 2009 - 2011 Cycle issued in June 2012

The Annual Improvements to IFRSs 2009 - 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include the amendments to IAS 16 *Property, Plant and Equipment* and the amendments to IAS 32 *Financial Instruments: Presentation.*

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.

The amendments to IAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes.

The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

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

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.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company 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 of the Company do not expect IFRS 9 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 2012.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces part of IAS 27 *Consolidated and Separate Financial Statements* that deals with consolidated financial statements. IFRIC 20 Consolidation - Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 10 is effective for annual periods beginning on 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of IFRS 10 have no material impact on the results and the financial position of the Group.

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

IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and / or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on financial statements. The disclosure requirements set out in IFRS 12 are more extensive than those in the current standards. Significant effort may be required to collect the necessary information.

IFRS 12 is effective for annual periods beginning on 1 January 2013.The directors of the Company anticipate that the application of IFRS 12 may result in more extensive disclosures in the consolidated financial statements.

IFRS 13 "Fair value measurement"

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. This standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 "*Financial instruments: Disclosures*" will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on 1 January 2013. The directors of the Company anticipate that the application of IFRS 13 may result in more extensive disclosures in the consolidated financial statements.

Other than the above, 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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared 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 consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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.

Income and expenses 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expenses 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.

Acquisition of a subsidiary classified as an asset acquisition

In respect of acquisition of a subsidiary which does not constitute a business, the acquirer shall identify and recognise the individual identifiable assets acquired and liabilities assumed. The cost of the group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiaries 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.

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 are recognised and measured in accordance with IAS 12 *Income Taxes*.

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.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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. The financial statements of the associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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;

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 recognised so as 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. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with effects of any changes in estimate accounted for on a prospective basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment (Cont'd)

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.

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 period measured 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. Contingent rental arising under operating leases are recognised as an expense in the period in which they are incurred. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leasing (Cont'd)

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.

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 as the respective functional currency 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 on a systematic and rational basis 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

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 before tax" 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (Cont'd)

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible assets (Cont'd)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at 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 recognised 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 with finite useful lives 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.

3. 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), 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.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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).

Impairment of financial assets

Financial assets, other than those at FVTPL, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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.

Financial liabilities and equity instruments

Debt 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.

Other Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

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. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

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, such that the cumulative expense reflects the revised estimate, 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.

4. 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 aging 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 2012, the aggregate carrying amount of trade and other receivables (net of allowance for doubtful debts), was approximately RMB1,756,864,000 (2011: RMB1,398,067,000). Details of movements of allowance for trade receivables and other receivables are disclosed in notes 25 and 26 respectively.

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 equipment manufactured by the Company'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 Company's subsidiaries. Management will increase the amortisation where useful lives are less than previously estimated, or it will write-off the carrying amount.

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 services, 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 2012, deferred income of approximately RMB21,249,000 (2011: RMB39,462,000) is made for the systems products sold as set out in note 37.

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

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 2012, the carrying amount of goodwill is RMB141,792,000 (2011: RMB141,792,000). Details of the recoverable amount calculation are disclosed in note 19.

5. REVENUE

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

	2012 RMB'000	2011 RMB'000
Sales of goods		
System sales	1,200,817	1,209,014
Trading of equipment	252,191	450,079
Software sales	104,554	21,511
Industrial control valves sales	283,059	—
	1,840,621	1,680,604
Provision of service		
Provision of maintenance and engineering services	215,896	150,738
Design services	154,237	149,673
	2,210,754	1,981,015

6. 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. No operating segments identified by the CODM have been aggregated in arriving at the reportable segment of the Group. 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, manufacture of industry automatic control valves

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

6. 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:

2012

	Petrochemical RMB'000	Railway RMB'000	Consolidated RMB'000
Revenue	1,470,526	740,228	2,210,754
Segment profit before tax	208,459	51,154	259,613
Income tax expense	(20,898)	(13,443)	(34,341)
Segment profit	187,561	37,711	225,272
Unallocated other income			611
Unallocated administrative expenses			(10,930)
Unallocated other gains and losses			11,655
Unallocated finance costs			(98,196)
Profit for the year			128,412

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

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 3. 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.

6. SEGMENT INFORMATION (CONT'D)

Segment assets and liabilities

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

	2012 RMB'000	2011 RMB'000
Segment assets		
Petrochemical	**2,914,884**	2,120,763
Railway	**1,747,033**	1,901,067
Total segment assets	**4,661,917**	4,021,830
Other assets	**14,706**	32,843
Consolidated assets	**4,676,623**	4,054,673
Segment liabilities		
Petrochemical	**912,786**	497,027
Railway	**514,841**	406,836
Total segment liabilities	**1,427,627**	903,863
Guaranteed notes	**1,173,115**	1,174,979
Other liabilities	**527**	9
Consolidated liabilities	**2,601,269**	2,078,851

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.

6. SEGMENT INFORMATION (CONT'D)

Other segment information

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

2012	Petrochemical RMB'000	Railway RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to non-current assets (Note)	205,885	84,799	(10)	290,674
Interests in associates	26,088	—	—	26,088
Depreciation and amortisation	38,418	23,648	10	62,076
Release of prepaid lease payment	1,053	397	—	1,450
(Gain) loss on disposal of property, plant and equipment	(149)	12	—	(137)
Impairment losses on trade and other receivables recognised in profit or loss	5,783	66,038	—	71,821
Share of results of associates	3,991	8,707	—	12,698
Interest income	2,639	1,145	20	3,804
Interest expense	22,590	10,492	98,196	131,278

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

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

6. 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 (Note)	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
PRC	**2,057,153**	1,889,758	**1,088,880**	800,620
Overseas countries	**153,601**	91,257	**6,345**	3,931
	2,210,754	1,981,015	**1,095,225**	804,551

Note: Non-current assets excluded financial instruments, deferred tax assets and interests in associates.

Revenue by products and services

The Group's revenue analysed by goods or services are set out in note 5.

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:

	2012 RMB'000	2011 RMB'000
Railway - Customer A	**N/A**[1]	235,824

[1] For the year ended 31 December 2012, no individual customer contributes over 10% of the total sales of the Group.

7. OTHER INCOME

	2012 RMB'000	2011 RMB'000
Bank interest income	**3,804**	3,663
Value added tax ("VAT") refund (Note)	**48,634**	42,515
Government grant	**16,453**	1,362
Others	**6,546**	240
	75,437	47,780

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

8. OTHER GAINS AND LOSSES

	2012 RMB'000	2011 RMB'000
Gain on embedded derivative financial asset (Note 34)	9,573	—
Gain on repurchase of guaranteed notes (Note 34)	1,295	2,749
Gain (loss) on disposal of property, plant and equipment	137	(5)
Net foreign exchange (loss) gain	(507)	28,745
Loss on re-measurement of interest in an associate (Note 40)	(14,019)	—
(Allowance for) reversal of bad and doubtful debts	(71,821)	3,544
	(75,342)	35,033

9. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interest expenses on borrowings wholly repayable within five years	30,375	35,902
Interest expenses on corporate bonds	2,707	2,701
Interest expenses on guaranteed notes	98,196	75,909
Arrangement of syndicated loan (Note)	—	9,261
	131,278	123,773
Less: amount capitalised under construction in progress	—	(904)
	131,278	122,869

Note: During the year ended 31 December 2011, the Company early repaid the syndicated loan and the corresponding arrangement fee of approximately RMB9,261,000 was recognised as expense.

10. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
Current tax charge comprises		
PRC enterprise income tax	**46,536**	47,780
Hong Kong Profits Tax	**53**	1,172
Other jurisdictions	**7**	—
	46,596	48,952
Deferred tax (Note 22)		
Current year	**(12,255)**	4,567
Attributable to a change in tax rate	**—**	(363)
	(12,255)	4,204
	34,341	53,156

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

Certain subsidiaries of the Company operating in the PRC are eligible for tax holiday and concession. The tax holiday and concession are in the form of two years tax exemption from the first profit-making year, followed by 50% reduction of the applicable tax rate in the following three years. During the year, Beijing Sindhu Industrial Software Co., Ltd. ("Beijing Software") is under the third year of 50% tax reduction and Beijing Shang Fang Yun Shui Software Technology Co., Ltd. ("Beijing Shang Fang") is under the first year of 50% tax reduction. Beijing Heng Tai Ri Xin Software Technology Co., Ltd ("Beijing Heng Tai") is under the first year of tax exemption.

Beijing Consen Automation Control Co., Ltd ("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"), Zhongjing Engineering Software Technology Company Limited ("Zhongjing") and Wuzhong Instrument Co., Ltd ("Wuzhong") 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 2010 for Zhongjing and Wuzhong, 2011 for Beijing Consen, Beijing Transportation and Beijing Jiaoda Microunion and 2012 for Nanjing Electronic Scientific.

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

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

10. 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:

	2012 RMB'000	2011 RMB'000
Profit before tax	**162,753**	296,804
Tax at the PRC income tax rate of 25% (2011: 25%)	**40,688**	74,201
Tax effect of share of results of associates	**3,175**	1,748
Tax effect of expenses not deductible for tax purpose	**22,668**	14,334
Tax effect of income not taxable for tax purpose	**(12,724)**	(10,969)
Tax effect of tax losses not recognised	**27,399**	24,266
Effect of different tax rates of subsidiaries	**(246)**	(596)
Effect of tax benefit granted to certain PRC subsidiaries	**(49,921)**	(55,165)
Deferred tax changes resulting from changes in applicable tax rates	**—**	(363)
Deferred tax associated with withholding tax on undistributed profits of PRC subsidiaries	**3,302**	5,700
Tax charge for the year	**34,341**	53,156

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. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiaries 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 RMB944,860,000 (2011: RMB844,152,000), because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

11. PROFIT FOR THE YEAR

	2012 RMB'000	2011 RMB'000
Profit for the year is arrived at after charging the following items:		
Auditors' remuneration	3,521	2,954
Depreciation of property, plant and equipment	37,077	17,726
Release of prepaid lease payments	1,450	750
Amortisation of intangible assets included in		
– Administrative expense	17,246	14,601
– Cost of sales	7,753	7,286
Staff costs:		
Directors' emoluments (Note 12)	6,531	12,773
Other staff costs		
– Salaries and other benefits	224,770	198,019
– Retirement benefits scheme contributions	8,821	6,295
	240,122	217,087

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	2012				
	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 (Note a)	—	1,585	53	420	2,058
Mr. Kuang Jian Ping	—	923	53	982	1,958
Mr. Huang Zhi Yong	—	936	53	1,039	2,028
Sub-total	—	3,444	159	2,441	6,044
Independent non-executive directors					
Mr. Wang Tai Wen	146	—	—	—	146
Mr. Ng Wing Fai	195	—	—	—	195
Mr. Sui Yong Bin	146	—	—	—	146
Sub-total	487	—	—	—	487
Total	487	3,444	159	2,441	6,531

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONT'D)

	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 (Note a)	—	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 (Note b)	50	—	—	—	50
Mr. Ng Wing Fai	199	—	—	—	199
Mr. Sui Yong Bin (Note b)	75	—	—	—	75
Sub-total	474	—	—	—	474
Total	474	3,902	90	8,307	12,773

Note a: Mr. Xuan Rui Guo is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered as Chief Executive.

Note b: Mr. Tang Min passed away on 20 April 2011 and Mr. Sui Yong Bin was appointed as independent non-executive director on 1 July 2011.

The performance related incentive payments of the executive directors are determined by the board of directors 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. Neither the chief executive nor any of the directors waived any emoluments during both years.

13. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included three directors (2011: three) for the year ended 31 December 2012, whose emoluments are disclosed in note 12 above. The emoluments of the remaining two (2011: two) individuals for the year ended 31 December 2011 and 2012 are as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other benefits	**1,830**	1,356
Contributions to retirement benefits scheme	**144**	30
Performance related incentive payments	**1,050**	1,600
	3,024	2,986

Their emoluments were within the following bands:

	Number of employees	
	2012	2011
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**2**	1
	2	2

14. DIVIDENDS

Dividends recognised as distribution during the year:

	2012 RMB'000	2011 RMB'000
Dividends declared for distribution during the year:		
2011 final dividends-HK$3.0 cents per share		
(2010 final dividends-HK$7.0 cents per share)	**24,960**	59,828
2011 interim dividends-HK$2.0 cents per share	**—**	17,093
	24,960	76,921

Subsequent to the end of the reporting period a final dividend of approximately HK$25,657,000 (equivalent to RMB20,802,000) at HK$2.5 cents per share in respect of the year ended 31 December 2012, based on 1,026,264,000 shares as at 31 December 2012, 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 approximately 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 were declared based on 1,026,264,000 shares outstanding as at 31 December 2011, and paid to the owners of the Company.

15. 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	**2012** **RMB'000**	2011 RMB'000
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**84,583**	195,774

Weighted average number of shares	**2012** **'000 shares**	2011 '000 shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,026,264**	1,011,901
Effect of dilutive potential ordinary shares for share options	**Not Applicable**	1,020
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**Not Applicable**	1,012,921

The computation of diluted earnings per share does not assume the exercise of the Group's options because the exercise price of those options was higher than the average market price for shares for the year ended 31 December 2012.

16. 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 2011	37,931	10,808	48,474	32,169	32,048	161,430
Acquired on acquisition of subsidiaries (Note 40)	—	1,892	3,376	7,367	1,346	13,981
Additions (Note)	—	—	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
Acquired on acquisition of subsidiaries (Note 40)	127,996	—	7,458	56,575	2,213	194,242
Additions	2,053	358	59,094	25,021	1,961	88,487
Transfers	10,323	—	(26,324)	14,860	1,141	—
Disposals	—	—	—	(626)	(293)	(919)
At 31 December 2012	275,689	13,058	45,541	158,252	39,126	531,666
DEPRECIATION						
At 1 January 2011	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
Provided for the year	8,530	2,903	—	20,821	4,823	37,077
Disposals	—	—	—	(571)	(27)	(598)
At 31 December 2012	13,652	8,395	—	40,707	22,611	85,365
CARRYING VALUES						
At 31 December 2012	262,037	4,663	45,541	117,545	16,515	446,301
At 31 December 2011	130,195	7,208	5,313	41,965	16,289	200,970

Note: included in additions for the year ended 31 December 2012 are construction in progress and motor vehicles of RMB 7,720,000 resulted from acquisition of assets through acquisition of a subsidiary (Note 41).

16. 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	20%
Fixtures and electronic equipment	10% - 20%
Motor vehicles	20%

The leasehold land and buildings of the Group are located on land in the PRC. As of 31 December 2012, buildings with carrying value of RMB 105,734,000 (2011: RMB 93,041,000) are in the process of obtaining property certificates.

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 42.

17. 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:

	2012 **RMB'000**	2011 RMB'000
CARRYING AMOUNT		
At 1 January	**43,478**	24,938
Acquired on acquisition of subsidiaries (Note 40)	**48,814**	19,290
Acquired on acquisition of assets through acquisition of a subsidiary (Note 41)	**24,367**	—
Released to profit or loss	**(1,450)**	(750)
At 31 December	**115,209**	43,478
Analysed for reporting purpose as:		
Current asset	**2,770**	981
Non-current asset	**112,439**	42,497
	115,209	43,478

Details of land use rights pledged are set out in Note 42.

18. 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 2011	26,383	206,424	62,468	9,190	6,536	311,001
Additions	4,579	—	—	—	—	4,579
Acquired on acquisition of subsidiaries (Note 40)	—	84,658	—	2,878	—	87,536
At 31 December 2011	30,962	291,082	62,468	12,068	6,536	403,116
Additions	14,891	—	—	—	12,545	27,436
Acquired on acquisition of subsidiaries (Note 40)	—	—	23,281	—	3,465	26,746
At 31 December 2012	45,853	291,082	85,749	12,068	22,546	457,298
AMORTISATION						
At 1 January 2011	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
Provided for the year	4,303	17,247	—	—	3,449	24,999
At 31 December 2012	12,719	32,404	—	12,068	5,414	62,605
CARRYING VALUES						
At 31 December 2012	33,134	258,678	85,749	—	17,132	394,693
At 31 December 2011	22,546	275,925	62,468	—	4,571	365,510

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

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.

18. INTANGIBLE ASSETS (CONT'D)

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 20.

19. GOODWILL

	2012 RMB'000	2011 RMB'000
At 1 January	141,792	85,064
Arising on acquisition of subsidiaries (Note 40)	—	56,728
At 31 December	141,792	141,792

20. 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 18 and 19 have been allocated to five individual cash generating units (CGUs), including four (2011: four) subsidiaries engaged in railway segment and three (2011: two) subsidiaries engaged in petrochemical sales segment. The carrying amounts of goodwill and trademarks as at 31 December 2012 allocated to these units are as follows:

	Goodwill		Trademarks	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 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	39,695	—	—
– Nanjing Huashi Power Equipment Co., Ltd. ("Nanjing Power Equipment") (Unit B)	17,033	17,033	—	—
Petrochemical				
– Tri-sen Systems Corporation (Unit C)	—	—	546	546
– Zhongjing (Unit D)	8,889	8,889	—	—
– Wuzhong (Unit E)	—	—	23,281	—
Total	141,792	141,792	85,749	62,468

During the year ended 31 December 2012, management of the Group determines that there are no impairments of any of its CGUs containing goodwill and trademarks with indefinite useful lives.

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

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

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 17.8% (2011: 17.0%) for Unit A, 15.5% (2011: 15.8%) for Unit B, 14.0% (2011: 13.3%) for Unit C, 17.1% (2011: 16.1%) for Unit D, 16.8% for Unit E depending on the industries in which the subsidiaries operate. One major assumption of the financial budgets is annual revenue growth rates of 14% (2011: 10%) for Unit A, 30% (2011: 30%) for Unit B, 25% (2011: 25%) for Unit C, 5% (2011: 8%) for Unit D, 30% for Unit E. The cash flows of the respective CGUs beyond the five-year period are extrapolated using a steady growth rate of 3% (2011: 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.

21. INTERESTS IN ASSOCIATES

	2012 RMB'000	2011 RMB'000
Cost of investments, unlisted	**46,193**	200,165
Share of post-acquisition loss and other comprehensive income, net of dividends received	**(20,105)**	(10,425)
	26,088	189,740
Representing:		
Share of net assets by the Group	**26,088**	168,558
Goodwill on acquisition of associates	**—**	21,182
	26,088	189,740

Details of the Group's associates are set out below.

Name of entity	Date of establishment	Place of establishment and operation	Fully paid up registered capital	Equity interest attributable to the Group 2012	2011	Principal activities
廣州ABB微聯牽引設備有限公司 ABB Microunion Traction Equipment Limited ("ABB Microunion")	16 July 2010	PRC	US$6,000,000	**50%**	50%	Traction converters and auxiliary converters
上海金子自動化儀錶有限公司 Shanghai Kaneko Auto-Instrument Limited ("Shanghai Kaneko")	27 May 2004	PRC	JPY130,000,000	**23.08%**	—	Manufacture of industrial automatic control valves
遼寧汽輪動力有限公司 Liaoning Steam Turbine Power Co, Ltd	7 September 2012	PRC	RMB25,000,000	**25%**	—	Manufacture of industrial steam turbines

21. INTERESTS IN ASSOCIATES (CONT'D)

During the year ended 31 December 2012, the Group increased its equity interest in Wuzhong from 50% to 100% and Wuzhong is accounted for as a subsidiary (Note 40). Shanghai Kaneko, which has been Wuzhong's associate since 2004 becomes an associate of the Group through the acquisition of Wuzhong accordingly.

The summarised financial information in respect of the Group's associates, is set out below:

	2012 RMB'000	2011 RMB'000
Total assets	**100,697**	656,250
Total liabilities	**(25,205)**	(319,135)
Net assets	**75,492**	337,115
Group's share of net assets of associates	**26,088**	168,558

	2012 RMB'000	2011 RMB'000
Total revenue	**128,716**	343,091
Total loss for the year	**(29,052)**	(13,987)
Group's share of losses and other comprehensive income of associates for the year	**(12,698)**	(6,993)

22. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2012 RMB'000	2011 RMB'000
Deferred income tax assets	**29,905**	15,218
Deferred income tax liabilities	**(58,091)**	(57,377)
	(28,186)	(42,159)

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

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 2011	3,417	7,743	764	(40,168)	(1,000)	3,235	(26,009)
Acquisition of subsidiaries (Note 40)	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)
Acquisition of subsidiaries (Note 40)	1,089	—	—	—	—	629	1,718
Credit (charge) to profit or loss	9,143	20	(764)	2,587	(3,302)	4,571	12,255
At 31 December 2012	**14,809**	**5,940**	**—**	**(48,089)**	**(10,002)**	**9,156**	**(28,186)**

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 amortisation of intangible assets and unpaid payroll expenses.

At 31 December 2012, the Group had unused tax losses of approximately RMB254,501,000 (2011: RMB144,907,000) available to offset against future profits of respective subsidiaries. Included in unrecognised tax losses are losses of RMB176,437,000 (2011: RMB95,137,000) that may be carried forward indefinitely.

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

	2012 RMB'000	2011 RMB'000
2013	**4,607**	4,607
2015	**19,790**	19,790
2016	**25,373**	25,373
2017	**28,294**	—
Total	**78,064**	49,770

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.

23. AVAILABLE-FOR-SALE INVESTMENTS

	2012 RMB'000	2011 RMB'000
Unlisted equity investment, at cost less impairment	**64,217**	64,217

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.

24. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials	**635,688**	518,590
Work in progress	**135,877**	58,972
Finished goods	**85,651**	19,207
	857,216	596,769

For the year ended 31 December 2012, cost of inventories of approximately RMB1,288,201,000 (2011: RMB1,200,012,000) is recognised as an expense in the consolidated statement of comprehensive income.

25. TRADE AND BILLS RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	**1,626,463**	1,089,832
Less: impairment losses on trade receivables	**(80,812)**	(9,019)
	1,545,651	1,080,813
Bills receivable	**154,309**	252,144
	1,699,960	1,332,957

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

	2012 RMB'000	2011 RMB'000
United States Dollar ("US$")	**91,891**	93,812
Japanese Yen ("JPY")	**38,326**	22,257
European Dollar ("EUR")	**25,066**	13,179
Singapore Dollar ("SG$")	**—**	116
	155,283	129,364

25. TRADE AND BILLS RECEIVABLES (CONT'D)

At 31 December 2012, included in trade receivables are retention receivable of RMB95,341,000 (2011: RMB64,674,000). 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 2012, retention receivables with a carrying amount of RMB71,948,000 (2011: RMB19,079,000) are expected to be collected after 12 months from the end of the reporting period.

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 dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2012 RMB'000	2011 RMB'000
0 - 90 days	850,015	602,153
91 - 180 days	280,278	177,396
181 - 365 days	294,339	387,369
1 - 2 years	257,867	166,037
2 - 3 years	17,461	2
	1,699,960	1,332,957

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 2012, trade receivables with a carrying amount of RMB275,328,000 (2011: RMB166,039,000) 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:

	2012 RMB'000	2011 RMB'000
1 - 2 years	257,867	166,037
2 - 3 years	17,461	2
Total	275,328	166,039

25. TRADE AND BILLS RECEIVABLES (CONT'D)

Movement in the allowance for doubtful debts

	2012 RMB'000	2011 RMB'000
At 1 January	9,019	14,107
Impairment losses recognised on trade receivables	80,020	7,917
Amounts recovered during the year	(8,177)	(11,818)
Amounts written off as uncollectible	(50)	(1,187)
At 31 December	80,812	9,019

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.

Details of trade receivables pledged to secure banking facilities are set out in note 42.

The following were the Group's financial assets that were transferred by discounting, or factoring to banks, or endorsing to suppliers. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and associated liabilities. These financial assets and liabilities are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2012

	Bills receivable discounted to banks RMB'000	Bills receivable endorsed to suppliers RMB'000	Trade receivables factored to banks RMB'000	Total RMB'000
Carrying amount of transferred assets	651	29,023	30,000	59,674
Carrying amount of associated liabilities	(651)	(29,023)	(30,000)	(59,674)
Net position	—	—	—	—

As at 31 December 2011

	Bills receivable discounted to banks RMB'000	Bills receivable endorsed to suppliers RMB'000	Trade receivables factored to banks RMB'000	Total RMB'000
Carrying amount of transferred assets	3,023	53,167	50,000	106,190
Carrying amount of associated liabilities	(3,023)	(53,167)	(50,000)	(106,190)
Net position	—	—	—	—

26. OTHER RECEIVABLES AND PREPAYMENTS

An analysis of other receivables and prepayments is as follows:

	2012 RMB'000	2011 RMB'000
Prepayments to suppliers	128,255	31,009
Other receivables	57,003	65,231
Less: impairment losses on other receivables	(99)	(121)
	185,159	96,119

Movement in the allowance for doubtful debts

	2012 RMB'000	2011 RMB'000
At 1 January	121	522
Impairment losses recognised on other receivables	—	913
Amounts recovered during the year	(22)	(556)
Amounts written off as uncollectible	—	(758)
At 31 December	99	121

27. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2012 RMB'000	2011 RMB'000
Constructions in progress at the end of reporting period		
Contract costs incurred plus recognised profits less recognised losses	613,894	238,347
Less: progress billings	(495,259)	(205,172)
Analysis for reporting purpose as:		
Amounts due from customers for contract work	118,635	33,175

28. PLEDGED BANK DEPOSITS

The pledged bank deposits have been pledged to secure banking facilities granted to the Group. The pledged bank deposits amounting to RMB65,776,000 (2011: RMB89,656,000) have been pledged to secure short-term banking facilities and are therefore classified as current assets. The remaining deposits amounting to RMB27,280,000 (2011: RMB13,385,000) 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 0.7% to 3% (2011: 0.78% to 3.1%) per annum as at 31 December 2012.

Details of bank deposits pledged are set out in Note 42.

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

	2012 RMB'000	2011 RMB'000
JPY	10,239	9,979
US$	19,891	757
	30,130	10,736

29. 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 0.35% (2011: 0.5%) per annum.

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

	2012 RMB'000	2011 RMB'000
US$	18,251	61,508
JPY	4,926	46,695
EUR	561	2,151
Hong Kong Dollar ("HK$")	101	153
SG$	36	42
GBP (Great Britain Pound)	3	—
	23,878	110,549

30. TRADE PAYABLES

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

	2012 RMB'000	2011 RMB'000
0 - 90 days	**326,709**	222,960
91 - 180 days	**56,744**	79,498
181 - 365 days	**39,144**	45,847
1 - 2 years	**39,451**	31,898
Over 2 years	**18,445**	6,055
	480,493	386,258

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

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

	2012 RMB'000	2011 RMB'000
US$	**62,959**	61,670
JPY	**38,720**	38,506
EUR	**14,321**	5,616
SG$	**297**	4
	116,297	105,796

31. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2012 RMB'000	2011 RMB'000
Advance from customers	**149,605**	16,702
Accrued payroll and welfare	**73,300**	44,204
Interest payable	**19,137**	21,428
Other deposits, payables and accruals	**59,860**	39,112
Other tax payable	**78,016**	57,942
	379,918	179,388

32. BANK BORROWINGS

	2012 RMB'000	2011 RMB'000
Bank loans:		
Secured	**360,514**	161,721
Unsecured	**—**	5,827
	360,514	167,548
Carrying amount repayable*:		
Within one year	**350,514**	163,558
More than one year but within two years	**10,000**	1,995
More than two years but within three years	**—**	1,995
	360,514	167,548
Less: Amounts due within one year shown under current liabilities	**(350,514)**	(163,558)
Amounts shown under non-current liabilities	**10,000**	3,990

* The amounts due are based on scheduled repayment dates set out in the loan agreements. At the end of 31 December 2012 and 2011, 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:

	2012 RMB'000	2011 RMB'000
US$	**32,271**	5,827
SG$	**—**	3,686
EUR	**5,093**	—
	37,364	9,513

Floating interest rate borrowings were charged at the rates ranging from 2.66% to 7.87% (2011: 2.74% to 7.87%) per annum for the year ended 31 December 2012.

Details of pledge of assets for the Group's secured bank borrowings are set out in note 42.

33. CORPORATE BONDS

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

According to the terms of the corporate bonds, at the third anniversary from the date of issue, the holder of the bonds may at its option sell all or part of the bonds to Beijing Jiaoda Microunion at par value. As a result, the corporate bonds were classified as current liability as at 31 December 2012.

34. GUARANTEED NOTES

	2012 **RMB'000**	2011 RMB'000
Guaranteed notes	**1,173,115**	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) and maturity date on 20 April 2016 (the "2016 Guaranteed notes") which are unsecured, unconditionally and irrecoverably guaranteed by certain oversea subsidiaries of the Company. 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 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 of the early redemption right is RMB9,573,000 at 31 December 2012, and insignificant at initial recognition and at 31 December 2011. The early redemption right has been recognised as embedded derivative financial asset in the consolidated statement of financial position, and a gain of RMB 9,573,000 resulted from the change of fair value was recognised (Note 8).

The effective interest rate is approximately 8.74% per annum after adjusted for transaction costs.

During the year ended 31 December 2012, the Group repurchased guaranteed notes with the aggregate principal amount of US$1,000,000 (equivalent to approximately RMB6,302,000) (2011: RMB44,548,000) and a gain of approximately RMB1,295,000 (2011: RMB2,749,000) (Note 8) was recognised in the profit or loss.

35. SHARE CAPITAL OF THE COMPANY

	2012		2011	
	Number of shares	Amount	Number of shares	Amount
	'000 shares	HK'000	'000 shares	HK'000
Authorised:				
Ordinary shares of HK$0.01 each	3,000,000	30,000	3,000,000	30,000
Issued and fully paid:				
At 1 January	1,026,264	10,262	1,019,754	10,197
Share repurchased and cancelled (Note a)	—	—	(1,500)	(15)
Issue of shares on exercise of share options (Note b)	—	—	8,010	80
At 31 December	1,026,264	10,262	1,026,264	10,262

	2012	2011
	RMB'000	RMB'000
Shown in the consolidated statement of financial position	9,548	9,548

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, Cap 22 (Law 3 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	Price per share Lowest	Aggregate consideration Paid
		HK$	HK$	HK$
August 2011	1,500,000	2.30	2.06	3,323,000

(b) During the year ended 31 December 2011, 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.

Other than disclosed above, during the year ended 31 December 2012 and 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

36. RESERVES

(a) Other reserve

The Group's other reserve includes an amount of RMB 47,842,000 arising on the conversion of convertible notes issued by a subsidiary, an amount of RMB (18,335,000) arising on the group reorganisation, and an amount of RMB 5,159,000 generated from acquisition of additional interest in a subsidiary as disclosed in Note 40.

(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.

37. DEFERRED INCOME

	Deferred income of system sales RMB'000 (Note a)	Arising from government grants RMB'000 (Note b)	Total RMB'000
At 1 January 2011	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
Addition	—	33,392	33,392
Released to profit or loss	(18,213)	(1,510)	(19,723)
At 31 December 2012	**21,249**	**40,682**	**61,931**

Notes:

(a) The Company'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. Service fees received in advance are recorded as deferred income and recognised as service fee income when the services are rendered.

(b) 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.

38. 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, corporate bonds and guaranteed notes disclosed in notes 32, 33 and 34 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 associated 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.

39. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2012 RMB'000	2011 RMB'000
Financial assets		
Embedded derivative financial asset	9,573	—
Loans and receivables		
(including cash and cash equivalent)	2,329,131	2,319,013
Available-for-sale financial assets, at cost	64,217	64,217
Financial liabilities		
Amortised cost	2,230,941	1,884,454

b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivable, other receivables, pledged bank deposits, bank balances and cash, trade payables, other payables, dividend payable, amount due to an associate, bank borrowings, corporate bonds 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.

39. FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (Cont'd)

Credit risk

As at 31 December 2012, 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**1,264,592**	1,242,476	**130,033**	156,077
HK$	**—**	—	**101**	153
JPY	**42,473**	38,506	**53,491**	78,931
EUR	**19,414**	5,616	**25,627**	15,330
SG$	**297**	3,690	**36**	158
GBP	**—**	—	**3**	—
TOTAL	**1,326,776**	1,290,288	**209,291**	250,649

39. FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (Cont'd)

Currency risk (Cont'd)

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 1% (2011: 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% (2011: 1%) change in foreign currency rates.

	2012	2011
	RMB'000	RMB'000
(Decrease) increase in post-tax profit for the year		
– if RMB weakens against foreign currencies	**(9,313)**	(8,603)
– if RMB strengthens against foreign currencies	**9,313**	8,603

39. 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 corporate bonds and guaranteed notes (see Notes 33 and 34 for details of the corporate bonds 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 32 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 25 (2011: 27) 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 27 basis points to 25 basis points for assessing interest rate risk after considering the financial market conditions during the current year.

	2012	2011
Reasonably possible change in interest rate	**25 basis points**	27 basis points

	2012 **RMB'000**	2011 RMB'000
Increase (decrease) in profit post-tax for the year		
as a result of increase in interest rate	**(107)**	(578)
as a result of decrease in interest rate	**107**	578

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

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, debentures and banking facilities, by continuously monitoring forecast and actual cash flows. As at 31 December 2012, the Group has available unutilised banking facilities of approximately RMB923,800,000 (2011: RMB671,922,000).

39. FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

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 at the end of each reporting period.

At 31 December 2012	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	—	101,978	72,373	306,142	—	—	—	—	—	480,493	480,493
Bank borrowings	6.44	150,211	66,313	144,925	10,497	—	—	—	—	371,946	360,514
Other payables	—	89,547	42,578	20,172	—	—	—	—	—	152,297	152,297
Divided payable	—	6	—	—	—	—	—	—	—	6	6
Amount due to an associate	—	—	—	15,000	—	—	—	—	—	15,000	15,000
Corporate bonds	5.18	—	—	52,590	—	—	—	—	—	52,590	49,516
Guaranteed notes	7.75	—	46,764	46,764	46,764	93,528	93,528	1,300,344	—	1,627,692	1,173,115
		341,742	228,028	585,593	57,261	93,528	93,528	1,300,344	—	2,700,024	2,230,941

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	—	5,713	852	98,105	—	—	—	—	—	104,670	104,670
Divided payable	—	5	—	—	—	—	—	—	—	5	5
Amount due to a non-controlling shareholder	—	—	—	1,595	—	—	—	—	—	1,595	1,595
Corporate bonds	5.18	—	—	2,905	52,905	—	—	—	—	55,810	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
		169,554	179,150	410,522	152,732	99,827	97,762	97,762	1,359,212	2,566,521	1,884,454

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.

39. FINANCIAL INSTRUMENTS (CONT'D)

c) Fair value

The fair value of the compound derivative component is determined as the difference between the fair value of the liability component of the guaranteed notes and the quoted prices (unadjusted) on the Singapore Exchange Securities Trading Limited. The fair value of other 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.

	2012	
	Carrying amount RMB'000	Fair value RMB'000
Guaranteed notes	1,173,115	1,132,770

Fair value measurements recognised in the consolidation statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
Embedded derivative financial asset - early redemption right	—	—	9,573	9,573

Reconciliation of Level 3 fair value measurements of financial assets

	Embedded derivative financial asset RMB'000
At 1 January 2012	—
Changes in fair value during the period	9,573
At 31 December 2012	9,573

40. ACQUISITION OF BUSINESS

(a) Acquisition during the year ended 31 December 2012

On 4 May 2012, the Group acquired an additional 30% interest in Wuzhong at a cash consideration of RMB97,786,000. After the acquisition, the Group owned 80% interest in Wuzhong and the transaction has been accounted for as business combination using the acquisition method.

Wuzhong is engaged in manufacturing of industry automatic control valves. It was acquired by the Group to expand its petrochemical industry related business.

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

	Fair value RMB'000
Net assets acquired:	
Property, plant and equipment (Note 16)	194,242
Prepaid lease payment (Note 17)	48,814
Deferred tax assets (Note 22)	1,718
Intangible assets – trademark (Note 18)	23,281
– patents (Note 18)	3,465
Interest in an associate	1,041
Inventories	143,253
Trade and bills receivables	179,831
Other receivables and prepayments	31,008
Bank balances and cash	6,735
Bank borrowings - due within one year	(131,600)
Trade and bills payables	(75,217)
Other payables, deposits received and accruals	(76,459)
Tax liabilities	(1,660)
Bank borrowings - due after one year	(22,500)
	325,952
Consideration transferred	97,786
Plus: Non-controlling interest (20% in Wuzhong)	65,190
Fair value of previously held interest	162,976
Less: net assets acquired	(325,952)
Goodwill arising on acquisition	—

40. ACQUISITION OF BUSINESS (CONT'D)

(a) Acquisition during the year ended 31 December 2012 (Cont'd)

Acquisition-related costs relating to the above acquisition are immaterial and have been excluded from the cost of acquisitions and recognised directly as other expenses in the consolidated statement of comprehensive income.

The receivables acquired (primarily comprised of trade and other receivables) with a fair value of RMB210,839,000 at the date of acquisition had gross contractual amounts of RMB222,535,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB11,696,000.

Non-controlling interests

The non-controlling interests in Wuzhong (20%) recognised at the acquisition date were measured by reference to the proportionate share of recognised amounts of net assets of Wuzhong and amounted to RMB65,190,000.

Re-measurement of previously held interest

The loss recognised as a result of re-measuring the previously held interest in Wuzhong to fair value is as follows:

	RMB'000
Fair value of previously held interest	162,976
Less: carrying amount	(176,995)
Loss on re-measurement of previously held interest (Note 8)	(14,019)

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	97,786
Less: Cash and cash equivalents acquired	(6,735)
Deposits for acquisition of a subsidiary	(53,782)
	37,269

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2012 is a profit of RMB45,929,000 attributable to Wuzhong. Revenue for the year ended 31 December 2012 includes RMB342,689,000 attributable to Wuzhong.

Had the acquisition of Wuzhong been completed on 1 January 2012, total group revenue for the year ended 31 December 2012 would have been approximately RMB2,319,590,000 and profit for the year ended 31 December 2012 would have been approximately RMB124,374,000. 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 2012, nor is it intended to be a projection of future results.

At 3 December 2012, the Group acquired the remaining 20% non-controlling interest in Wuzhong at a consideration of RMB 65,975,000, and Wuzhong became a 100% owned subsidiary accordingly. The acquisition was accounted for as equity transaction, difference between the consideration paid and the carrying amount of non-controlling interest was recognised in equity and attributed to the owners of the Company.

40. ACQUISITION OF BUSINESS (CONT'D)

(b) Acquisition during the year ended 31 December 2011

On 14 July 2011, the Company'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 year and included in the other expenses line item in the consolidated statement of comprehensive income.

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 16)	8,097	5,884	13,981
Prepaid lease payment (Note 17)	—	19,290	19,290
Intangible assets (Note 18)	87,536	—	87,536
Deferred tax assets (Note 22)	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 22)	(13,130)	—	(13,130)
	155,892	46,602	202,494

40. ACQUISITION OF BUSINESS (CONT'D)

(b) Acquisition during the year ended 31 December 2011 (Cont'd)

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 receivables, bills receviable 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.

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

40. ACQUISITION OF BUSINESS (CONT'D)

(b) 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 ended 31 December 2011 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 ended 31 December 2011 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 ended 31 December 2011 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 amortisation of 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.

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

(a) Acquisition during the year ended 31 December 2012

On 25 June 2012, the Company's subsidiary, Beijing Consen Oil and Gas Engineering Co., Ltd. ("Consen Oil and Gas") entered into a strategic cooperation agreement with an independent third party, under which 1) Consen Oil and Gas will first acquire 100% equity interest in Beijing Zhongjing Shihua New Energy Technology Co., Ltd ("Zhongjing Shihua") at a cash consideration of RMB26,000,000 ("Step 1"), and 2) Consen Oil and Gas will make further capital contribution in cash to Zhongjing Shihua while the third party will transfer a full set of intellectual property rights related to biodiesel related technology to Zhongjing Shihua ("Step 2").

As at 31 December 2012, the Step 1 has been completed and Zhongjing Shihua has become a subsidiary of the Company. However, as of the acquisition date, Zhongjing Shihua has not yet commenced operation and did not meet the definition of a business under IFRS 3 "*Business Combination*". As such the acquisition is in substance an acquisition of assets, the transaction was accounted for as acquisition of assets through acquisition of a subsidiary and the assets and liabilities acquired are as follows:

	RMB'000
Non-current Assets	
Property, plant and equipment	7,720
Prepaid lease payments (Note 17)	24,367
Current Assets	
Inventories	151
Other receivables and prepayments	1,683
Bank balances and cash	139
Current Liabilities	
Other payables, deposits received and accruals	(7,766)
Non-controlling interest	(294)
Net assets acquired	**26,000**
Total consideration satisfied by cash	**26,000**
Net cash outflow arising on acquisition:	
Cash consideration paid	26,000
Less: cash and cash equivalents acquired	(139)
	25,861

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (CONT'D)

(b) Acquisition during the year ended 31 December 2011

The Company'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 at a cash 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

42. 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:

	2012 RMB'000	2011 RMB'000
Leasehold land and buildings	160,101	30,948
Land use rights	50,617	8,539
Trade receivables	30,000	50,000
Bills receivable	651	3,023
Pledged bank deposits	93,056	103,041

The Group has pledged leasehold land and buildings having a carrying value of approximately RMB30,450,000 (2011: RMB30,948,000) and pledged land use right with a carrying value of approximately RMB8,236,000 (2011: RMB8,539,000) to obtain corporate guarantee from an independent third party for the banking facilities of RMB45,000,000 (2011: RMB25,000,000) granted to the Group. In addition, the Group paid approximately RMB619,000 (2011: RMB510,000) to the independent third party for the corporate guarantees provided.

43. OPERATING LEASES

The Group as lessee

	2012 RMB'000	2011 RMB'000
Minimum lease payments paid for the year under operating leases for premises	31,622	31,605

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:

	2012 RMB'000	2011 RMB'000
Within one year	31,221	17,467
In the second to fifth year inclusive	25,082	13,666
	56,303	31,133

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.

44. CAPITAL COMMITMENTS

(a) Capital commitments

	2012 RMB'000	2011 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements – in respect of acquisition of leasehold land and building	**23,503**	11,309

45. 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 2012, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was Nil (2011: 3,652,000), representing 0% (2011: 0.35%) 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 exercised 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.

45. 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.

Details of the share options outstanding at 31 December 2012 and 2011 are as follows:

	Outstanding at 1 January 2012	Lapsed during the year (Note)	Exercised during the year	Outstanding at 31 December 2012
Key management	**996,000**	**(996,000)**	**—**	**—**
Other employees	**2,656,000**	**(2,656,000)**	**—**	**—**
	3,652,000	**(3,652,000)**	**—**	**—**
Exercisable at the end of the year	**3,652,000**			**—**
Weighted average exercise price	**—**		**—**	

	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	

Note: During the current year, 3,652,000 share options (2011: 20,000) were lapsed.

No expenses were recognised for the years ended 31 December 2012 and 2011 in relation to share options granted by the Company.

46. RETIREMENT BENEFITS SCHEME

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company'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.

47. RELATED PARTY TRANSACTIONS

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

	2012 **RMB'000**	2011 RMB'000
Salaries and other benefits	**23,351**	26,742
Retirement benefit scheme contributions	**604**	501
	23,955	27,243

(b) The following balances were outstanding at the end of the reporting period:

	2012 **RMB'000**	2011 RMB'000
Amount due to an associate	**15,000**	—
Amount due to a non-controlling shareholder	**—**	1,595
	15,000	1,595

The above balances are resulted from inter-company borrowings which are interest-free and repayable on demand.

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

	2012 RMB'000	2011 RMB'000
Non-current assets		
Investment in subsidiaries	369,918	369,918
Amounts due from subsidiaries	980,206	932,974
Property, plant and equipment	12	18
Embedded derivative financial asset	9,573	—
	1,359,709	1,302,910
Current asset		
Other receivables and prepayments	341	347
Dividends receivables	213,469	210,774
Amounts due from subsidiaries	335,155	318,568
Bank balances and cash	4,728	31,701
	553,693	561,390
Current liabilities		
Other payables and accruals	18,949	20,749
Amounts due to subsidiaries	6,125	6,027
Dividend payable	6	5
	25,080	26,781
Net current assets	528,613	534,609
	1,888,322	1,837,519
Capital and reserves		
Share capital	9,548	9,548
Reserves	705,659	652,992
Total equity	715,207	662,540
Non-current liabilities		
Guaranteed notes	1,173,115	1,174,979
	1,888,322	1,837,519

48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

Movement in capital and reserves

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total Equity RMB'000
At 1 January 2011	9,491	703,457	15,500	(33,921)	694,527
Profit for the year	—	—	—	31,833	31,833
Total comprehensive income for the year	—	—	—	31,833	31,833
Dividend distributed	—	(76,921)	—	—	(76,921)
Issue of shares on exercise of share options	70	24,748	(8,787)	—	16,031
Share repurchased and cancelled	(13)	(2,917)	—	—	(2,930)
At 31 December 2011	9,548	648,367	6,713	(2,088)	662,540
Profit for the year	—	—	—	77,627	77,627
Total comprehensive income for the year	—	—	—	77,627	77,627
Dividend distributed	—	—	—	(24,960)	(24,960)
Effects of lapse of share options	—	—	(6,713)	6,713	—
At 31 December 2012	9,548	648,367	—	57,292	715,207

49. PARTICULAR OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2012 and 2011 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 2012 %	2011 %	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	BVI	Ordinary shares US$5,000	100	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 turbo machinery 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	70	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
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 and v)	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 and Technology Company Limited (Note i)	PRC	Registered capital RMB10,000,000	100	100	Design, development and sales of construction material for railway and highroad, as well as technology service

49. 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 2012 %	2011 %	Principal activities
北京康吉森油氣工程技術有限公司 Beijing Consen Oil and Gas Engineering 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
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 petrochemical 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
北京康吉森儀器儀錶有限公司 Beijing Consen Instrument Company Limited (Note i)	PRC	Registered capital RMB1,000,000	100	100	Development and trading of instrument
北京上方雲水軟件技術有限公司 Beijing Shang Fang (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)	PRC	Registered capital RMB21,203,265	51	51	Design, production, sale and installation of electrified equipment for the railway rolling stock and locomotive industries
南京華士電源設備有限公司 Nanjing Power Equiment. (Note i)	PRC	Registered capital RMB46,800,000	51	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	100	100	Trading of automation products
吳忠儀錶有限責任公司 Wu Zhong (Note i and iii)	PRC	Registered capital RMB320,000,000	100	50	Manufacture of industry automatic control valves
北京恒泰日新軟件技術有限公司 Beijing Heng Tai (Note i and iv)	PRC	Registered capital RMB10,000,000	100	—	Software development and integrated circuit design

49. 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 2012 %	2011 %	Principal activities
北京中京實華新能源科技有限公司 Zhongjing Shihua (Note i and iii)	PRC	Registered capital RMB33,000,000	100	—	Engineering design
北京中京徵和環保服務有限公司 Beijing Zhongjing Zhenghe Environmental Services Ltd (Note i and iii)	PRC	Registered capital RMB10,000,000	97	—	Engineering design
寧夏朗盛精密製造技術有限公司 Ningxia Langsheng Foundry Co., Ltd (Note i and iii)	PRC	Registered capital RMB33,030,000	100	50	Manufacture of steel-casting
寧夏吳忠儀錶上海有限公司 Wuzhong Instrument (Shanghai) Co. Ltd (Note i and iii)	PRC	Registered capital RMB10,000,000	100	50	Manufacture of industry automatic control valves
北京吳忠儀錶銷售有限公司 Wuzhong Sales (Beijing) Co. Ltd (Note i and iii)	PRC	Registered capital RMB10,000,000	100	50	Sales of industry automatic control valves
寧夏菲麥森流程控制技術有限公司 Ningxia Feimaisen Process Control Technology Co. Ltd (Note i and iii)	PRC	Registered capital RMB5,000,000	100	50	Software development and design of process control products
吳忠儀錶(銀川)工程技術服務有限公司 Wuzhong Engineering Services (Yinchuan) Co. Ltd (Note i and iii)	PRC	Registered capital RMB20,000,000	100	50	Provision of engineering services

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 2012.

(iv) Newly established in the People Republic of China during the year ended 31 December 2012.

(v) None of the subsidiaries had issued any debt securities at the end of the year except Beijing Jiaoda Microunion which has issued RMB 50 million of corporate bonds, in which the Group has no interest.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Revenue	886,602	1,125,435	1,594,828	1,981,015	**2,210,754**
Profit before tax	190,039	264,515	362,248	296,804	**162,753**
Income tax (expense) credit	(21,500)	(20,749)	(41,802)	(53,156)	**(34,341)**
Profit attributable to equity holder of the parent	149,177	212,088	285,581	195,774	**84,583**

ASSETS AND LIABILITIES

	At 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Non-current assets	440,631	490,257	667,252	1,087,111	**1,252,288**
Current assets	1,047,656	1,588,636	2,064,853	2,967,562	**3,424,335**
Current liabilities	(396,714)	(538.305)	(692,784)	(744,844)	**(1,298,132)**
Net current assets	650,942	1,050,331	1,372,069	2,222,718	**2,126,203**
Total assets less current liabilities	1,091,573	1,540,588	2,039,321	3,309,829	**3,378,491**

DIRECTORS

Executive Directors:

Mr. Xuan Rui Guo (Chairman)
Mr. Kuang Jian Ping (Chief Executive Officer)
Mr. Huang Zhi Yong

Independent Non-executive Directors:

Mr. Wang Tai Wen
Mr. Sui Yong Bin
Mr. Ng Wing Fai

AUTHORIZED REPRESENTATIVES

Mr. Xuan Rui Guo
Mr. Chow Chiu Chi

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

SENIOR MANAGEMENT

Mr. Cui Da Chao
Mr. Wang Wen Hui
Mr. Zhou Zheng Qiang
Mr. Li Hai Tao
Mr. Chen Yong
Mr. Ma Yu Shan
Mr. Li Guang Lei
Mr. Tian Lei
Mr. Duan Min
Ms Wang Yan Mei
Mr. Wang Jing Hua
Mr. Xu Jie
Mr. Wang Shi Wei
Mr. Chow Chiu Chi

STOCK CODE

Hong Kong Stock Exchange 569

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chow Chiu Chi, FCPA, ACMA
E-mail: bensonchow@cag.com.hk

INVESTOR RELATIONS

Mr. Chow Chiu Chi
E-mail: bensonchow@cag.com.hk

Ms Lee Duan
E-mail: leeduan@cag.com.hk

Ms Wan Qin
E-mail: wanqin@cag.com.hk

Ms Chen Peng
E-mail: chenpeng@cag.com.hk

WEBSITE ADDRESS

www.cag.com.hk

CORPORATE INFORMATION

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 3205B-3206, 32nd Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN BEIJING
No.7, Anxiang Street,
Konggang Industrial District B,
Shunyi District
Beijing
PRC

HEAD OFFICE IN BEIJING
No.7, Anxiang Street,
Konggang Industrial District B,
Shunyi District,
Beijing,
PRC

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Services Limited
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
Hong Kong:
CITIC Bank International Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank 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