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中國自動化

中國自動化集團有限公司

China Automation Group Limited

(HK stock code 0569)

(Incorporated in the Cayman Islands with limited liability)

## **ANNUAL RESULTS**

The board of directors of the Company (the “Board”) is pleased to announce the audited results of China Automation Group Limited and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2013 (the “period under review”).

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

|                                                                   |       | 2013        | 2012        |
|-------------------------------------------------------------------|-------|-------------|-------------|
|                                                                   | Notes | RMB'000     | RMB'000     |
| Revenue                                                           | 1     | 2,308,801   | 2,210,754   |
| Cost of sales                                                     |       | (1,480,486) | (1,345,589) |
| Gross profit                                                      |       | 828,315     | 865,165     |
| Other income                                                      | 3     | 73,231      | 75,437      |
| Other gains and losses                                            | 4     | (51,155)    | (75,342)    |
| Selling and distribution expenses                                 |       | (209,721)   | (184,431)   |
| Administrative expenses                                           |       | (277,119)   | (289,202)   |
| Research and development expenses                                 |       | (95,881)    | (74,333)    |
| Other expenses                                                    |       | (8,136)     | (10,565)    |
| Finance costs                                                     | 5     | (135,145)   | (131,278)   |
| Share of results of associates                                    |       | (1,592)     | (12,698)    |
| Share of results of a joint venture                               |       | (510)       | —           |
| Profit before taxation                                            |       | 122,287     | 162,753     |
| Income tax expense                                                | 6     | (37,338)    | (34,341)    |
| Profit for the year                                               | 7     | 84,949      | 128,412     |
| Other comprehensive income for the year (net of tax)              |       |             |             |
| Items that maybe subsequently reclassified to profit or loss:     |       |             |             |
| Exchange differences arising on translation of foreign operations |       | 9,389       | 1,071       |
| Share of translation reserve of a joint venture                   |       | (170)       | —           |
| Total comprehensive income for the year                           |       | 94,168      | 129,483     |
| Profit for the year attributable to:                              |       |             |             |
| Owners of the Company                                             |       | 73,574      | 84,583      |
| Non-controlling interests                                         |       | 11,375      | 43,829      |
|                                                                   |       | 84,949      | 128,412     |
| Total comprehensive income attributable to:                       |       |             |             |
| Owners of the Company                                             |       | 82,793      | 85,654      |
| Non-controlling interests                                         |       | 11,375      | 43,829      |
|                                                                   |       | 94,168      | 129,483     |
| Earnings per share                                                | 9     |             |             |
| Basic (RMB cents)                                                 |       | 7.17        | 8.24        |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2013**

|                                                          | <i>Notes</i> | <b>2013</b><br><b>RMB'000</b> | <b>2012</b><br><b>RMB'000</b> |
|----------------------------------------------------------|--------------|-------------------------------|-------------------------------|
| <b>Non-current Assets</b>                                |              |                               |                               |
| Property, plant and equipment                            |              | <b>471,037</b>                | 446,301                       |
| Deposit for acquisition of property, plant and equipment |              | <b>13,848</b>                 | —                             |
| Prepaid lease payments – non-current portion             |              | <b>109,669</b>                | 112,439                       |
| Intangible assets                                        | <i>10</i>    | <b>454,031</b>                | 394,693                       |
| Goodwill                                                 |              | <b>141,792</b>                | 141,792                       |
| Interests in associates                                  |              | <b>24,496</b>                 | 26,088                        |
| Interests in a joint venture                             |              | <b>4,837</b>                  | —                             |
| Pledged bank deposits                                    |              | <b>473</b>                    | 27,280                        |
| Deferred tax assets                                      |              | <b>36,077</b>                 | 29,905                        |
| Available-for-sale financial assets                      | <i>11</i>    | <b>64,217</b>                 | 64,217                        |
| Embedded derivative financial asset                      | <i>17</i>    | <b>3,954</b>                  | 9,573                         |
|                                                          |              | <b>1,324,431</b>              | 1,252,288                     |
| <b>Current Assets</b>                                    |              |                               |                               |
| Prepaid lease payments – current portion                 |              | <b>2,770</b>                  | 2,770                         |
| Inventories                                              | <i>12</i>    | <b>750,704</b>                | 857,216                       |
| Trade and bills receivables                              | <i>13</i>    | <b>1,824,813</b>              | 1,699,960                     |
| Other receivables and prepayments                        |              | <b>203,182</b>                | 185,159                       |
| Amounts due from customers for contract work             | <i>14</i>    | <b>74,323</b>                 | 118,635                       |
| Pledged bank deposits                                    |              | <b>140,414</b>                | 65,776                        |
| Bank balances and cash                                   |              | <b>457,103</b>                | 494,819                       |
|                                                          |              | <b>3,453,309</b>              | 3,424,335                     |
| <b>Current Liabilities</b>                               |              |                               |                               |
| Trade payables                                           | <i>15</i>    | <b>425,453</b>                | 480,493                       |
| Other payables, deposits received and accruals           | <i>16</i>    | <b>492,098</b>                | 379,918                       |
| Amount due to an associate                               |              | —                             | 15,000                        |
| Amount due to a non-controlling shareholder              |              | <b>4,660</b>                  | —                             |
| Dividend payable                                         |              | <b>6</b>                      | 6                             |
| Income tax payable                                       |              | <b>25,504</b>                 | 22,685                        |
| Bank borrowings – due within one year                    |              | <b>397,387</b>                | 350,514                       |
| Corporate bonds                                          |              | —                             | 49,516                        |
|                                                          |              | <b>1,345,108</b>              | 1,298,132                     |
| <b>Net Current Assets</b>                                |              | <b>2,108,201</b>              | 2,126,203                     |
| <b>Total Assets less Current Liabilities</b>             |              | <b>3,432,632</b>              | 3,378,491                     |

|                                              | <i>Notes</i> | <b>2013</b><br><b><i>RMB'000</i></b> | 2012<br><i>RMB'000</i> |
|----------------------------------------------|--------------|--------------------------------------|------------------------|
| Capital and Reserves                         |              |                                      |                        |
| Share capital                                | 18           | <b>9,548</b>                         | 9,548                  |
| Share premium and reserves                   | 19           | <b>1,813,096</b>                     | 1,750,751              |
|                                              |              | <hr/>                                | <hr/>                  |
| Equity attributable to owners of the Company |              | <b>1,822,644</b>                     | 1,760,299              |
| Non-controlling interests                    |              | <b>341,330</b>                       | 315,055                |
|                                              |              | <hr/>                                | <hr/>                  |
| Total Equity                                 |              | <b>2,163,974</b>                     | 2,075,354              |
|                                              |              | <hr/>                                | <hr/>                  |
| Non-current Liabilities                      |              |                                      |                        |
| Deferred tax liabilities                     |              | <b>60,968</b>                        | 58,091                 |
| Bank borrowings – due after one year         |              | –                                    | 10,000                 |
| Guaranteed notes                             | 17           | <b>1,146,863</b>                     | 1,173,115              |
| Deferred income                              | 20           | <b>60,827</b>                        | 61,931                 |
|                                              |              | <hr/>                                | <hr/>                  |
|                                              |              | <b>1,268,658</b>                     | 1,303,137              |
|                                              |              | <hr/>                                | <hr/>                  |
| Total Equity and Non-current Liabilities     |              | <b>3,432,632</b>                     | 3,378,491              |
|                                              |              | <hr/> <hr/>                          | <hr/> <hr/>            |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

|                                                                   | Attributable to owners of the Company |               |                        |                            |                          |                     |                        |                  | Non-controlling interests | Total equity |
|-------------------------------------------------------------------|---------------------------------------|---------------|------------------------|----------------------------|--------------------------|---------------------|------------------------|------------------|---------------------------|--------------|
|                                                                   | Share capital                         | Share premium | Other reserve          | Statutory surplus reserves | Contribution from owners | Translation reserve | Share option reserve   | Retained profits | Total                     |              |
|                                                                   | RMB'000                               | RMB'000       | RMB'000<br>(Note 19 a) | RMB'000<br>(Note 19 b)     | RMB'000                  | RMB'000             | RMB'000<br>(Note 19 c) | RMB'000          | RMB'000                   | RMB'000      |
| At 1 January 2012                                                 | 9,548                                 | 648,367       | 29,507                 | 73,445                     | 619                      | (416)               | 6,713                  | 926,663          | 1,694,446                 | 1,975,822    |
| Profit for the year                                               | -                                     | -             | -                      | -                          | -                        | -                   | -                      | 84,583           | 84,583                    | 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                    | 129,483      |
| Acquisition of subsidiaries                                       | -                                     | -             | -                      | -                          | -                        | -                   | -                      | -                | -                         | 65,190       |
| Acquisition of assets through acquisition of a subsidiary         | -                                     | -             | -                      | -                          | -                        | -                   | -                      | -                | -                         | 294          |
| Acquisition of additional interest in a subsidiary                | -                                     | -             | 5,159                  | -                          | -                        | -                   | -                      | -                | 5,159                     | (71,134)     |
| Appropriations to reserves                                        | -                                     | -             | -                      | 16,268                     | -                        | -                   | -                      | (16,268)         | -                         | -            |
| Dividend declared to non-controlling shareholders of a subsidiary | -                                     | -             | -                      | -                          | -                        | -                   | -                      | -                | -                         | (4,500)      |
| Effects of lapse of share option                                  | -                                     | -             | -                      | -                          | -                        | -                   | (6,713)                | 6,713            | -                         | -            |
| Dividend distributed (Note 8)                                     | -                                     | -             | -                      | -                          | -                        | -                   | -                      | (24,960)         | (24,960)                  | -            |
| At 31 December 2012                                               | 9,548                                 | 648,367       | 34,666                 | 89,713                     | 619                      | 655                 | -                      | 976,731          | 1,760,299                 | 2,075,354    |
| Profit for the year                                               | -                                     | -             | -                      | -                          | -                        | -                   | -                      | 73,574           | 73,574                    | 84,949       |
| Exchange difference arising on translation of foreign operations  | -                                     | -             | -                      | -                          | -                        | 9,389               | -                      | -                | 9,389                     | 9,389        |
| Share of translation reserve of a joint venture                   | -                                     | -             | -                      | -                          | -                        | (170)               | -                      | -                | (170)                     | (170)        |
| Total comprehensive income for the year                           | -                                     | -             | -                      | -                          | -                        | 9,219               | -                      | 73,574           | 82,793                    | 94,168       |
| Increase of non-controlling interests                             | -                                     | -             | -                      | -                          | -                        | -                   | -                      | -                | -                         | 35,550       |
| Appropriations to reserves                                        | -                                     | -             | -                      | 22,241                     | -                        | -                   | -                      | (22,241)         | -                         | -            |
| Dividend declared to non-controlling shareholders of a subsidiary | -                                     | -             | -                      | -                          | -                        | -                   | -                      | -                | -                         | (20,650)     |
| Dividend distributed (Note 8)                                     | -                                     | -             | -                      | -                          | -                        | -                   | -                      | (20,448)         | (20,448)                  | -            |
| At 31 December 2013                                               | 9,548                                 | 648,367       | 34,666                 | 111,954                    | 619                      | 9,874               | -                      | 1,007,616        | 1,822,644                 | 2,163,974    |

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

|                                                                        | <i>Notes</i> | <b>2013</b><br><b>RMB'000</b> | 2012<br><i>RMB'000</i> |
|------------------------------------------------------------------------|--------------|-------------------------------|------------------------|
| <b>OPERATING ACTIVITIES</b>                                            |              |                               |                        |
| Profit before taxation                                                 |              | <b>122,287</b>                | 162,753                |
| Adjustments for:                                                       |              |                               |                        |
| Share of results of a joint venture                                    |              | <b>510</b>                    | –                      |
| Share of results of associates                                         |              | <b>1,592</b>                  | 12,698                 |
| Gain on disposal of business                                           |              | <b>(6,705)</b>                | –                      |
| Finance costs                                                          |              | <b>135,145</b>                | 131,278                |
| Depreciation of property, plant and equipment                          |              | <b>47,310</b>                 | 37,077                 |
| Prepaid lease payments released                                        |              | <b>2,770</b>                  | 1,450                  |
| Amortisation of intangible assets                                      |              | <b>24,052</b>                 | 24,999                 |
| Deferred income released to income                                     |              | <b>(24,711)</b>               | (19,723)               |
| Change in fair value of derivatives                                    |              | <b>5,619</b>                  | (9,573)                |
| Gain on repurchase of guaranteed notes                                 |              | –                             | (1,295)                |
| Loss (gain) on disposal of property,<br>plant and equipment            |              | <b>11</b>                     | (137)                  |
| Loss on re-measurement of interest in an associate                     |              | –                             | 14,019                 |
| Impairment losses on trade and other receivables                       |              | <b>59,673</b>                 | 71,821                 |
| Interest income                                                        |              | <b>(2,952)</b>                | (3,804)                |
|                                                                        |              | <hr/>                         | <hr/>                  |
| Operating cash flows before movements in working capital               |              | <b>364,601</b>                | 421,563                |
| Decrease (increase) in inventories                                     |              | <b>106,512</b>                | (117,043)              |
| Increase in trade and bills receivables                                |              | <b>(195,856)</b>              | (258,864)              |
| Increase in other receivables and prepayments                          |              | <b>(15,384)</b>               | (56,478)               |
| Decrease (increase) in amounts due from customers for<br>contract work |              | <b>44,312</b>                 | (85,460)               |
| (Decrease) increase in trade payables                                  |              | <b>(49,449)</b>               | 18,956                 |
| Increase in deferred income                                            |              | <b>23,607</b>                 | 33,392                 |
| Increase in other payables and accruals                                |              | <b>94,551</b>                 | 103,639                |
|                                                                        |              | <hr/>                         | <hr/>                  |
| Cash generated from operations                                         |              | <b>372,894</b>                | 59,705                 |
| Income tax paid                                                        |              | <b>(37,814)</b>               | (39,611)               |
|                                                                        |              | <hr/>                         | <hr/>                  |
| Net cash generated from operating activities                           |              | <b>335,080</b>                | 20,094                 |
|                                                                        |              | <hr/>                         | <hr/>                  |

|                                                                                                          | <i>Notes</i> | <b>2013</b><br><b>RMB'000</b> | 2012<br>RMB'000 |
|----------------------------------------------------------------------------------------------------------|--------------|-------------------------------|-----------------|
| <b>INVESTING ACTIVITIES</b>                                                                              |              |                               |                 |
| Interest received                                                                                        |              | <b>2,952</b>                  | 3,804           |
| Purchases of property, plant and equipment and deposits for acquisition of property, plant and equipment |              | <b>(82,956)</b>               | (81,062)        |
| Proceeds on disposal of property, plant and equipment                                                    |              | <b>397</b>                    | 458             |
| Addition to intangible assets                                                                            |              | –                             | (12,545)        |
| Development costs paid                                                                                   |              | <b>(47,840)</b>               | (14,891)        |
| Investment in associates                                                                                 |              | –                             | (25,000)        |
| Investment in a joint venture                                                                            |              | <b>(5,517)</b>                | –               |
| Acquisition of a subsidiary                                                                              |              | –                             | (37,269)        |
| Acquisition of assets through acquisition of a subsidiary                                                |              | –                             | (25,861)        |
| Disposal of business                                                                                     | 21           | <b>7,346</b>                  | –               |
| Placement of pledged bank deposits                                                                       |              | <b>(79,980)</b>               | (71,217)        |
| Withdrawal of pledged bank deposits                                                                      |              | <b>32,149</b>                 | 81,202          |
| Net cash used in investing activities                                                                    |              | <b>(173,449)</b>              | (182,381)       |
| <b>FINANCING ACTIVITIES</b>                                                                              |              |                               |                 |
| New bank borrowings raised                                                                               |              | <b>558,360</b>                | 514,102         |
| Repayments of bank borrowings                                                                            |              | <b>(521,487)</b>              | (475,236)       |
| Repayments of corporate bonds                                                                            |              | <b>(50,000)</b>               | –               |
| Interest paid                                                                                            |              | <b>(126,231)</b>              | (112,269)       |
| Repurchase of 2016 Guarantee notes (as defined in Note 17)                                               |              | –                             | (4,791)         |
| Borrowing from an associate                                                                              |              | –                             | 15,000          |
| Repayments of borrowing from an associate                                                                |              | <b>(15,000)</b>               | –               |
| Repayments of borrowing from a non-controlling shareholder                                               |              | –                             | (1,595)         |
| Dividends paid to owners of the Company                                                                  |              | <b>(20,448)</b>               | (24,959)        |
| Dividends paid to non-controlling shareholders                                                           |              | <b>(15,990)</b>               | (4,500)         |
| Acquisition of additional interest in a subsidiary                                                       |              | –                             | (65,975)        |
| Net cash used in financing activities                                                                    |              | <b>(190,796)</b>              | (160,223)       |
| Net decrease in cash and cash equivalents                                                                |              | <b>(29,165)</b>               | (322,510)       |
| Cash and cash equivalents at beginning of the year                                                       |              | <b>494,819</b>                | 817,905         |
| Effect of foreign exchange rate changes                                                                  |              | <b>(8,551)</b>                | (576)           |
| Cash and cash equivalents at end of the year                                                             |              | <b>457,103</b>                | 494,819         |
| Analysis of the balances of cash and cash equivalents:                                                   |              |                               |                 |
| represented by                                                                                           |              |                               |                 |
| Bank balances and cash                                                                                   |              | <b>457,103</b>                | 494,819         |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**1. REVENUE**

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

|                                                   | <b>2013</b><br><b>RMB'000</b> | 2012<br><b>RMB'000</b> |
|---------------------------------------------------|-------------------------------|------------------------|
| Sales of goods                                    |                               |                        |
| System sales                                      | <b>1,185,473</b>              | 1,200,817              |
| Trading of equipment                              | <b>185,688</b>                | 252,191                |
| Software sales                                    | <b>68,599</b>                 | 104,554                |
| Industrial control valves sales                   | <b>529,661</b>                | 283,059                |
|                                                   | <b>1,969,421</b>              | 1,840,621              |
| Provision of service                              |                               |                        |
| Provision of maintenance and engineering services | <b>221,885</b>                | 215,896                |
| Design and consulting services                    | <b>117,495</b>                | 154,237                |
|                                                   | <b>2,308,801</b>              | 2,210,754              |

**2. 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                                                                                                                     |

## Segment revenues and results

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

### 2013

|                                     | <b>Petrochemical<br/>RMB'000</b> | <b>Railway<br/>RMB'000</b> | <b>Consolidated<br/>RMB'000</b> |
|-------------------------------------|----------------------------------|----------------------------|---------------------------------|
| Revenue                             | <u>1,747,882</u>                 | <u>560,919</u>             | <u>2,308,801</u>                |
| Segment profit before tax           | 175,263                          | 71,779                     | 247,042                         |
| Income tax expense                  | <u>(27,311)</u>                  | <u>(10,027)</u>            | <u>(37,338)</u>                 |
| Segment profit                      | <u>147,952</u>                   | <u>61,752</u>              | 209,704                         |
| Unallocated other income            |                                  |                            | 4                               |
| Unallocated administrative expenses |                                  |                            | (17,424)                        |
| Unallocated other gains and losses  |                                  |                            | (5,752)                         |
| Unallocated finance costs           |                                  |                            | <u>(101,583)</u>                |
| Profit for the year                 |                                  |                            | <u>84,949</u>                   |

### 2012

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

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. 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.

## Segment assets and liabilities

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

|                            | 2013<br><i>RMB'000</i> | 2012<br><i>RMB'000</i> |
|----------------------------|------------------------|------------------------|
| <b>Segment assets</b>      |                        |                        |
| Petrochemical              | 2,956,814              | 2,914,884              |
| Railway                    | 1,741,539              | 1,747,033              |
|                            | <hr/>                  | <hr/>                  |
| Total segment assets       | 4,698,353              | 4,661,917              |
| Other assets               | 79,387                 | 14,706                 |
|                            | <hr/>                  | <hr/>                  |
| Consolidated assets        | 4,777,740              | 4,676,623              |
|                            | <hr/>                  | <hr/>                  |
| <b>Segment liabilities</b> |                        |                        |
| Petrochemical              | 916,403                | 912,786                |
| Railway                    | 499,489                | 514,841                |
|                            | <hr/>                  | <hr/>                  |
| Total segment liabilities  | 1,415,892              | 1,427,627              |
| Guaranteed notes           | 1,146,863              | 1,173,115              |
| Other liabilities          | 51,011                 | 527                    |
|                            | <hr/>                  | <hr/>                  |
| Consolidated liabilities   | 2,613,766              | 2,601,269              |
|                            | <hr/>                  | <hr/>                  |

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.

## Other segment information

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

| <b>2013</b>                                                                      | <b>Petrochemical<br/>RMB'000</b> | <b>Railway<br/>RMB'000</b> | <b>Unallocated<br/>RMB'000</b> | <b>Consolidated<br/>RMB'000</b> |
|----------------------------------------------------------------------------------|----------------------------------|----------------------------|--------------------------------|---------------------------------|
| Additions to non-current assets (Note)                                           | 32,913                           | 23,778                     | 38,461                         | 95,152                          |
| Interests in associates                                                          | 24,496                           | –                          | –                              | 24,496                          |
| Interests in a joint venture                                                     | –                                | 4,837                      | –                              | 4,837                           |
| Depreciation and amortisation                                                    | 45,058                           | 23,629                     | 2,675                          | 71,362                          |
| Release of prepaid lease payment                                                 | 1,886                            | 397                        | 487                            | 2,770                           |
| Loss on disposal of property,<br>plant and equipment                             | –                                | 11                         | –                              | 11                              |
| Impairment losses on trade and other<br>receivables recognised in profit or loss | 7,653                            | 52,020                     | –                              | 59,673                          |
| Share of losses of associates                                                    | 1,592                            | –                          | –                              | 1,592                           |
| Share of loss of a joint venture                                                 | –                                | 510                        | –                              | 510                             |
| Interest income                                                                  | 1,976                            | 972                        | 4                              | 2,952                           |
| Interest expense                                                                 | 25,926                           | 7,636                      | 101,583                        | 135,145                         |
|                                                                                  |                                  |                            |                                |                                 |
| <b>2012</b>                                                                      | <b>Petrochemical<br/>RMB'000</b> | <b>Railway<br/>RMB'000</b> | <b>Unallocated<br/>RMB'000</b> | <b>Consolidated<br/>RMB'000</b> |
| 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,<br>plant and equipment                      | (149)                            | 12                         | –                              | (137)                           |
| Impairment losses on trade and other<br>receivables recognised in profit or loss | 5,783                            | 66,038                     | –                              | 71,821                          |
| Share of losses 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                         |

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

## 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<br>external customers |                        | Non-current assets ( <i>Note</i> ) |                        |
|--------------------|------------------------------------|------------------------|------------------------------------|------------------------|
|                    | 2013<br><i>RMB'000</i>             | 2012<br><i>RMB'000</i> | 2013<br><i>RMB'000</i>             | 2012<br><i>RMB'000</i> |
| PRC                | <b>2,098,885</b>                   | 2,057,153              | <b>1,185,152</b>                   | 1,088,880              |
| Overseas countries | <b>209,916</b>                     | 153,601                | <b>5,225</b>                       | 6,345                  |
|                    | <b><u>2,308,801</u></b>            | <u>2,210,754</u>       | <b><u>1,190,377</u></b>            | <u>1,095,225</u>       |

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

### Revenue by products and services

The Group's revenue analysed by goods or services are set out in Note 1.

### 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:

|                            | 2013<br><i>RMB'000</i> | 2012<br><i>RMB'000</i> |
|----------------------------|------------------------|------------------------|
| Petrochemical – Customer A | <b><u>238,763</u></b>  | <u>N/A<sup>1</sup></u> |

<sup>1</sup> For the year ended 31 December 2012, no individual customer contributes over 10% of the total sales of the Group.

## 3. OTHER INCOME

|                                         | 2013<br><i>RMB'000</i> | 2012<br><i>RMB'000</i> |
|-----------------------------------------|------------------------|------------------------|
| Bank interest income                    | <b>2,952</b>           | 3,804                  |
| Value added tax ("VAT") refund (Note i) | <b>40,717</b>          | 48,634                 |
| Government grant (Note ii)              | <b>27,120</b>          | 16,453                 |
| Others                                  | <b><u>2,442</u></b>    | <u>6,546</u>           |
|                                         | <b><u>73,231</u></b>   | <u>75,437</u>          |

*Notes:*

- i. The amount represents the VAT refund from local tax bureau in accordance with the preferential policy on VAT of software manufacturers.
- ii. Government grants mainly include the government subsidies received by the Company's subsidiaries from relevant government bodies in connection with technology development. All the grants were recognised at the time the grants are receivable for which compensation for expenses are already incurred.

**4. OTHER GAINS AND LOSSES**

|                                                              | <b>2013</b><br><b>RMB'000</b> | 2012<br><i>RMB'000</i> |
|--------------------------------------------------------------|-------------------------------|------------------------|
| (Loss) gain on embedded derivative financial asset (Note 17) | <b>(5,619)</b>                | 9,573                  |
| Gain on repurchase of 2016 Guaranteed notes (Note 17)        | –                             | 1,295                  |
| (Loss) gain on disposal of property, plant and equipment     | <b>(11)</b>                   | 137                    |
| Net foreign exchange gain (loss)                             | <b>7,443</b>                  | (507)                  |
| Loss on re-measurement of interest in an associate           | –                             | (14,019)               |
| Allowance for bad and doubtful debts                         | <b>(59,673)</b>               | (71,821)               |
| Gain on disposal of business                                 | <b>6,705</b>                  | –                      |
|                                                              | <u><b>(51,155)</b></u>        | <u>(75,342)</u>        |

**5. FINANCE COSTS**

|                                                                    | <b>2013</b><br><b>RMB'000</b> | 2012<br><i>RMB'000</i> |
|--------------------------------------------------------------------|-------------------------------|------------------------|
| Interest expenses on borrowings wholly repayable within five years | <b>31,750</b>                 | 28,337                 |
| Interest expenses on corporate bonds                               | <b>2,173</b>                  | 2,707                  |
| Interest expenses on guaranteed notes                              | <b>101,222</b>                | 100,234                |
|                                                                    | <u><b>135,145</b></u>         | <u>131,278</u>         |

No interest was capitalised during the current and prior years.

## 6. INCOME TAX EXPENSE

|                              | 2013<br><i>RMB'000</i> | 2012<br><i>RMB'000</i> |
|------------------------------|------------------------|------------------------|
| Current tax charge comprises |                        |                        |
| PRC enterprise income tax    | 38,635                 | 46,536                 |
| Hong Kong Profits Tax        | 1,993                  | 53                     |
| Other jurisdictions          | 5                      | 7                      |
|                              | <u>40,633</u>          | <u>46,596</u>          |
| Deferred tax credit          | <u>(3,295)</u>         | <u>(12,255)</u>        |
|                              | <u><u>37,338</u></u>   | <u><u>34,341</u></u>   |

PRC enterprise income tax is calculated at 25% of the estimated assessable profit of the Company's subsidiaries located in the PRC as determined in accordance with relevant tax rules and regulations in the PRC for 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 Shang Fang Yun Shui Software Technology Co., Ltd ("Beijing Shang Fang") is under the second year of 50% tax reduction. Beijing Heng Tai Ri Xin Software Technology Co., Ltd ("Beijing Heng Tai") and Ningxia Fei Mai Sen Process Control Technology Co., Ltd ("Ningxia Fei Mai Sen") are both under the second 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"), Beijing Sindhu Industrial Software Co., Ltd. ("Beijing Software"), 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, both of which are re-qualified in 2012, and 2011 for Beijing Consen, Beijing Transportation, Beijing Software and Beijing Jiaoda Microunion, all of which are re-qualified in 2013, 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.

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

|                                                                                           | <b>2013</b><br><b><i>RMB'000</i></b> | 2012<br><i>RMB'000</i> |
|-------------------------------------------------------------------------------------------|--------------------------------------|------------------------|
| Profit before taxation                                                                    | <b><u>122,287</u></b>                | <u>162,753</u>         |
| Tax at the PRC income tax rate of 25% (2012: 25%)                                         | <b>30,572</b>                        | 40,688                 |
| Tax effect of share of results of associates                                              | <b>398</b>                           | 3,175                  |
| Tax effect of share of results of a joint venture                                         | <b>128</b>                           | –                      |
| Tax effect of expenses not deductible for tax purpose                                     | <b>11,349</b>                        | 22,668                 |
| Tax effect of income not taxable for tax purpose                                          | <b>(8,209)</b>                       | (12,724)               |
| Tax effect of tax losses not recognised                                                   | <b>35,957</b>                        | 27,399                 |
| Utilisation of tax losses previously not recognised                                       | <b>(1,798)</b>                       | –                      |
| Effect of different tax rates of subsidiaries                                             | <b>(1,026)</b>                       | (246)                  |
| Effect of tax benefit granted to certain PRC subsidiaries                                 | <b>(34,871)</b>                      | (49,921)               |
| Deferred tax associated with withholding tax on undistributed profits of PRC subsidiaries | <b><u>4,838</u></b>                  | <u>3,302</u>           |
| Tax charge for the year                                                                   | <b><u>37,338</u></b>                 | <u>34,341</u>          |

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 RMB944,630,000 (2012: RMB855,147,000), 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.

## 7. PROFIT FOR THE YEAR

|                                                                       | 2013<br><i>RMB'000</i> | 2012<br><i>RMB'000</i> |
|-----------------------------------------------------------------------|------------------------|------------------------|
| Profit for the year is arrived at after charging the following items: |                        |                        |
| Auditors' remuneration                                                | 3,446                  | 3,521                  |
| Depreciation of property, plant and equipment                         | 47,310                 | 37,077                 |
| Release of prepaid lease payments                                     | 2,770                  | 1,450                  |
| Amortisation of intangible assets included in                         |                        |                        |
| – Administrative expense                                              | 15,950                 | 17,246                 |
| – Cost of sales                                                       | 8,102                  | 7,753                  |
| Staff costs:                                                          |                        |                        |
| Directors' emoluments                                                 | 4,110                  | 6,531                  |
| Other staff costs                                                     |                        |                        |
| – Salaries and other benefits                                         | 312,181                | 224,770                |
| – Retirement benefits scheme contributions                            | 21,755                 | 8,821                  |
|                                                                       | 338,046                | 240,122                |
|                                                                       | 338,046                | 240,122                |

## 8. DIVIDENDS

Dividends recognised as distribution during the year:

|                                              | 2013<br><i>RMB'000</i> | 2012<br><i>RMB'000</i> |
|----------------------------------------------|------------------------|------------------------|
| 2012 final dividends-HK\$2.5 cents per share | 20,448                 | –                      |
| 2011 final dividends-HK\$3.0 cents per share | –                      | 24,960                 |
|                                              | 20,448                 | 24,960                 |
|                                              | 20,448                 | 24,960                 |

During the current year, dividends of approximately HK\$25,657,000 (equivalent to RMB20,448,000) at HK\$2.5 cents per share in respect of the year ended 31 December 2012 were declared based on 1,026,264,000 shares outstanding as at 31 December 2012, and paid to the owners of the Company.

The Directors do not recommend the payment of a final dividend for the year.

## 9. 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:

| <b>Earnings</b>                                                                                                                  | <b>2013</b><br><b>RMB'000</b>     | <b>2012</b><br><b>RMB'000</b>     |
|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Earnings for the purposes of basic and diluted earnings per share<br>(profit for the year attributable to owners of the Company) | <b>73,574</b>                     | 84,583                            |
| <b>Number of shares</b>                                                                                                          | <b>2013</b><br><b>'000 shares</b> | <b>2012</b><br><b>'000 shares</b> |
| Number of ordinary shares for the purpose of basic earnings<br>per share                                                         | <b>1,026,264</b>                  | 1,026,264                         |

No diluted earnings per share is presented as there was no potential ordinary shares outstanding during the current and prior years.

## 10. INTANGIBLE ASSETS

|                                            | <b>Development<br/>costs</b><br><i>RMB'000</i><br><i>(Note)</i> | <b>Licenses</b><br><i>RMB'000</i> | <b>Trademarks</b><br><i>RMB'000</i> | <b>Patents</b><br><i>RMB'000</i> | <b>Non-patented<br/>technologies</b><br><i>RMB'000</i> | <b>Total</b><br><i>RMB'000</i> |
|--------------------------------------------|-----------------------------------------------------------------|-----------------------------------|-------------------------------------|----------------------------------|--------------------------------------------------------|--------------------------------|
| <b>COST</b>                                |                                                                 |                                   |                                     |                                  |                                                        |                                |
| At 1 January 2012                          | 30,962                                                          | 291,082                           | 62,468                              | 6,536                            | –                                                      | 391,048                        |
| Additions                                  | 14,891                                                          | –                                 | –                                   | 12,545                           | –                                                      | 27,436                         |
| Acquired on acquisition of<br>subsidiaries | –                                                               | –                                 | 23,281                              | 3,465                            | –                                                      | 26,746                         |
| At 31 December 2012                        | 45,853                                                          | 291,082                           | 85,749                              | 22,546                           | –                                                      | 445,230                        |
| Additions                                  | 47,840                                                          | –                                 | –                                   | –                                | 35,550                                                 | 83,390                         |
| At 31 December 2013                        | 93,693                                                          | 291,082                           | 85,749                              | 22,546                           | 35,550                                                 | 528,620                        |
| <b>AMORTISATION</b>                        |                                                                 |                                   |                                     |                                  |                                                        |                                |
| At 1 January 2012                          | 8,416                                                           | 15,157                            | –                                   | 1,965                            | –                                                      | 25,538                         |
| Provided for the year                      | 4,303                                                           | 17,247                            | –                                   | 3,449                            | –                                                      | 24,999                         |
| At 31 December 2012                        | 12,719                                                          | 32,404                            | –                                   | 5,414                            | –                                                      | 50,537                         |
| Provided for the year                      | 4,728                                                           | 13,072                            | –                                   | 3,586                            | 2,666                                                  | 24,052                         |
| At 31 December 2013                        | 17,447                                                          | 45,476                            | –                                   | 9,000                            | 2,666                                                  | 74,589                         |
| <b>CARRYING VALUES</b>                     |                                                                 |                                   |                                     |                                  |                                                        |                                |
| At 31 December 2013                        | 76,246                                                          | 245,606                           | 85,749                              | 13,546                           | 32,884                                                 | 454,031                        |
| At 31 December 2012                        | 33,134                                                          | 258,678                           | 85,749                              | 17,132                           | –                                                      | 394,693                        |

*Notes:*

- i: Development costs are internally generated.
- ii: Included in additions for the year ended 31 December 2013 are non-patented technologies of RMB35,550,000 contributed by a non-controlling shareholder of Zhongjing Shihua.

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:

| <b>Category</b>   | <b>Estimated useful lives</b> |
|-------------------|-------------------------------|
| Development costs | 5 years                       |
| Licenses          | 2.5-30 years                  |
| 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.

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.

## **11. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

|                                                     | <b>2013</b><br><b>RMB'000</b> | 2012<br><i>RMB'000</i> |
|-----------------------------------------------------|-------------------------------|------------------------|
| Unlisted equity investment, at cost less impairment | <b>64,217</b>                 | 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 are of the opinion that its fair values cannot be measured reliably.

The Group obtains 0.25% to 9.99% equity interests in the private entities.

## 12. INVENTORIES

|                  | 2013<br><i>RMB'000</i> | 2012<br><i>RMB'000</i> |
|------------------|------------------------|------------------------|
| Raw materials    | 601,023                | 635,688                |
| Work in progress | 106,080                | 135,877                |
| Finished goods   | 43,601                 | 85,651                 |
|                  | <u>750,704</u>         | <u>857,216</u>         |

For the year ended 31 December 2013, cost of inventories of approximately RMB1,429,223,000 (2012: RMB1,288,201,000) is recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

## 13. TRADE AND BILLS RECEIVABLES

|                                              | 2013<br><i>RMB'000</i> | 2012<br><i>RMB'000</i> |
|----------------------------------------------|------------------------|------------------------|
| Trade receivables                            | 1,750,616              | 1,626,463              |
| Less: impairment losses on trade receivables | (135,184)              | (80,812)               |
|                                              | <u>1,615,432</u>       | <u>1,545,651</u>       |
| Bills receivable                             | 209,381                | 154,309                |
|                                              | <u>1,824,813</u>       | <u>1,699,960</u>       |

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

|                               | 2013<br><i>RMB'000</i> | 2012<br><i>RMB'000</i> |
|-------------------------------|------------------------|------------------------|
| United States Dollar ("US\$") | 129,783                | 91,891                 |
| Japanese Yen ("JPY")          | 8,881                  | 38,326                 |
| European Dollar ("EUR")       | 4,033                  | 25,066                 |
| Singapore Dollar ("SG\$")     | 114                    | —                      |
| Indonesian Rupiah ("IDR")     | 2,714                  | —                      |
|                               | <u>145,525</u>         | <u>155,283</u>         |

At 31 December 2013, included in trade receivables are retention receivable of RMB107,337,000 (2012: RMB95,341,000). 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 2013, retention receivables with a carrying amount of RMB100,587,000 (2012: RMB71,948,000) 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:

|                | <b>2013</b><br><b>RMB'000</b> | 2012<br><b>RMB'000</b>  |
|----------------|-------------------------------|-------------------------|
| 0 – 90 days    | <b>815,337</b>                | 850,015                 |
| 91 – 180 days  | <b>254,305</b>                | 280,278                 |
| 181 – 365 days | <b>399,839</b>                | 294,339                 |
| 1 – 2 years    | <b>344,233</b>                | 257,867                 |
| 2 – 3 years    | <b>11,099</b>                 | 17,461                  |
|                | <b><u>1,824,813</u></b>       | <b><u>1,699,960</u></b> |

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 81% of the trade receivables that are neither past due nor impaired are from customers with good payment history.

As at 31 December 2013, trade receivables with a carrying amount of RMB348,582,000 (2012: RMB251,935,000) 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:

|           | <b>2013</b><br><b>RMB'000</b> | 2012<br><b>RMB'000</b> |
|-----------|-------------------------------|------------------------|
| 1-2 years | <b>337,483</b>                | 234,474                |
| 2-3 years | <b>11,099</b>                 | 17,461                 |
| Total     | <b><u>348,582</u></b>         | <b><u>251,935</u></b>  |

## Movement in the allowance for doubtful debts

|                                                   | 2013<br><i>RMB'000</i> | 2012<br><i>RMB'000</i> |
|---------------------------------------------------|------------------------|------------------------|
| At 1 January                                      | 80,812                 | 9,019                  |
| Impairment losses recognised on trade receivables | 85,157                 | 80,020                 |
| Amounts recovered during the year                 | (29,190)               | (8,177)                |
| Amounts written off as uncollectible              | (1,595)                | (50)                   |
|                                                   | <u>135,184</u>         | <u>80,812</u>          |
| At 31 December                                    | <u>135,184</u>         | <u>80,812</u>          |

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.

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 2013

|                                           | Bills<br>receivable<br>discounted<br>to banks<br><i>RMB'000</i> | Bills<br>receivable<br>endorsed<br>to suppliers<br><i>RMB'000</i> | Trade<br>receivables<br>factored<br>to banks<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|-------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------|-------------------------|
| Carrying amount of transferred assets     | 11,300                                                          | 109,277                                                           | 30,000                                                         | 150,577                 |
| Carrying amount of associated liabilities | (11,300)                                                        | (109,277)                                                         | (30,000)                                                       | (150,577)               |
| Net position                              | <u>—</u>                                                        | <u>—</u>                                                          | <u>—</u>                                                       | <u>—</u>                |

### As at 31 December 2012

|                                           | Bills<br>receivable<br>discounted<br>to banks<br><i>RMB'000</i> | Bills<br>receivable<br>endorsed<br>to suppliers<br><i>RMB'000</i> | Trade<br>receivables<br>factored<br>to banks<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|-------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------|-------------------------|
| 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                              | <u>—</u>                                                        | <u>—</u>                                                          | <u>—</u>                                                       | <u>—</u>                |

#### 14. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

|                                                                           | 2013<br><i>RMB'000</i> | 2012<br><i>RMB'000</i> |
|---------------------------------------------------------------------------|------------------------|------------------------|
| Constructions in progress at the end of reporting period:                 |                        |                        |
| Contract costs incurred plus recognised profits less<br>recognised losses | 471,010                | 613,894                |
| Less: progress billings                                                   | <u>(396,687)</u>       | <u>(495,259)</u>       |
| Analysis for reporting purpose as:                                        |                        |                        |
| Amounts due from customers for contract work                              | <u>74,323</u>          | <u>118,635</u>         |

#### 15. TRADE PAYABLES

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

|                | 2013<br><i>RMB'000</i> | 2012<br><i>RMB'000</i> |
|----------------|------------------------|------------------------|
| 0 – 90 days    | 190,087                | 326,709                |
| 91 – 180 days  | 86,605                 | 56,744                 |
| 181 – 365 days | 82,322                 | 39,144                 |
| 1 – 2 years    | 44,304                 | 39,451                 |
| Over 2 years   | <u>22,135</u>          | <u>18,445</u>          |
|                | <u>425,453</u>         | <u>480,493</u>         |

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

#### 16. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

|                                       | 2013<br><i>RMB'000</i> | 2012<br><i>RMB'000</i> |
|---------------------------------------|------------------------|------------------------|
| Advance from customers                | 117,843                | 149,605                |
| Accrued payroll and welfare           | 54,509                 | 73,300                 |
| Interest payable                      | 18,225                 | 19,137                 |
| Other deposits, payables and accruals | 192,260                | 59,860                 |
| Other tax payable                     | <u>109,261</u>         | <u>78,016</u>          |
|                                       | <u>492,098</u>         | <u>379,918</u>         |

## 17. GUARANTEED NOTES

|                  | 2013<br><i>RMB'000</i>  | 2012<br><i>RMB'000</i> |
|------------------|-------------------------|------------------------|
| Guaranteed notes | <u><b>1,146,863</b></u> | <u>1,173,115</u>       |

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 overseas 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 RMB3,954,000 at 31 December 2013 (2012: RMB9,573,000). The early redemption right has been recognised as embedded derivative financial asset in the consolidated statement of financial position, and a loss of RMB5,619,000 was recognised during the current year (2012: a gain of RMB9,573,000) (Note 4).

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) and a gain of approximately RMB1,295,000 (Note 4) was recognised in the profit or loss. There was no repurchase during the year ended 31 December 2013.

## 18. SHARE CAPITAL OF THE COMPANY

|                                                           | 2013                               |                  | 2012                               |                               |
|-----------------------------------------------------------|------------------------------------|------------------|------------------------------------|-------------------------------|
|                                                           | Number of<br>shares<br>'000 shares | Amount<br>HK'000 | Number of<br>shares<br>'000 shares | Amount<br>HK'000              |
| Authorised:                                               |                                    |                  |                                    |                               |
| Ordinary shares of HK\$0.01 each                          | <u>3,000,000</u>                   | <u>30,000</u>    | <u>3,000,000</u>                   | <u>30,000</u>                 |
| Issued and fully paid:                                    |                                    |                  |                                    |                               |
| At 1 January and 31 December                              | <u>1,026,264</u>                   | <u>10,262</u>    | <u>1,026,264</u>                   | <u>10,262</u>                 |
|                                                           |                                    |                  | <b>2013</b><br><b>RMB'000</b>      | <b>2012</b><br><b>RMB'000</b> |
| Shown in the consolidated statement of financial position |                                    |                  | <u><b>9,548</b></u>                | <u><b>9,548</b></u>           |

## 19. RESERVES

### (a) Other reserve

The Group's other reserve includes an amount of RMB47,842,000 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 RMB5,159,000 generated from acquisition of additional interest in a subsidiary.

### (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.

## 20. DEFERRED INCOME

|                            | Deferred<br>income of<br>system sales<br>RMB'000<br>(Note a) | Arising from<br>government<br>grants<br>RMB'000<br>(Note b) | Total<br>RMB'000 |
|----------------------------|--------------------------------------------------------------|-------------------------------------------------------------|------------------|
| At 1 January 2012          | 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           |
| Addition                   | –                                                            | 23,607                                                      | 23,607           |
| Released to profit or loss | (21,249)                                                     | (3,462)                                                     | (24,711)         |
| At 31 December 2013        | –                                                            | 60,827                                                      | 60,827           |

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.

## 21. DISPOSAL OF BUSINESS

On 12 August 2013, the Company's subsidiary, Beijing CAG Material & Equipment Technology Co. Ltd ("Beijing CAG") disposed its global system for mobile communications for Railways operations at consideration of RMB 25,156,000 to an independent third party.

The details of net assets disposed of were as follows:

|                                      | <i>RMB'000</i>       |
|--------------------------------------|----------------------|
| Trade receivables                    | 15,036               |
| Prepayments                          | 11,465               |
| Trade payables                       | 5,591                |
| Advance from customers               | <u>2,459</u>         |
| Net assets disposed of               | 18,451               |
| Gain on disposal of business         | <u>6,705</u>         |
| Total consideration                  | <u><u>25,156</u></u> |
| Satisfied by                         |                      |
| Cash                                 | 7,346                |
| Other receivables                    | <u>17,810</u>        |
|                                      | <u><u>25,156</u></u> |
| Net cash inflow arising on disposal: |                      |
| Cash consideration received          | <u><u>7,346</u></u>  |

## **OPERATION AND BUSINESS REVIEW**

In 2013, the Group maintained its leading positions for its four core businesses in the petrochemical and railway industries in China. The Group is the largest integrated solution provider of safety and critical control systems in the petrochemical and coal chemical industries; the largest domestic manufacturer of control valves; one of the largest solution providers of railway signaling systems; as well as one of the qualified suppliers of traction and auxiliary power supply systems in railway industry in China.

In 2013, the Group continued to take various measures to streamline and improve its operations in both business segments. The Group implemented a stringent budgetary planning and control system as well as cost-control measures so as to lower the marketing and operational cost. It also rolled out an internal reorganization programme to enhance its operational efficiency.

### **Petrochemical Industry**

The Group's safety and critical control related business remained stable despite a slowdown in China's economic growth in 2013. As at 31 December 2013, the Group successfully completed and delivered approximately 298 sets of systems, bringing the cumulative number of delivered systems to approximately 2,844 sets. The Group secured large-scale projects in 2013 from renowned petrochemical and coal-chemical related companies, such as Sinopec, PetroChina, China Coal Energy and Shenhua Group, 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 win new contracts in 2013 from these multinational corporations.

The Group's customized safety and critical control system services were becoming more and more popular and achieved moderate growth in the provision of engineering and maintenance services business. The Group was awarded "Excellent Brand for Engineering Maintenance" ("工程服務品牌獎") and "Excellent Brand for After-Sales Service" ("售後服務能力品牌獎") as one of china automation service brands.

With the continuous efforts in sales and marketing, production, internal operation, and R&D, the Group's control valve business achieved robust significant organic growth in 2013. The Group's strength of control valve business also lies on its engineering and maintenance services. Wuzhong Instrument has established a strong control valve engineering and maintenance services team. Building on years of experience, the Group's control valve engineering and maintenance services team can undertake plant-wide control valve engineering and maintenance services for both its own products and the products made by other companies, including first-tier multinational corporations. In 2013, the maintenance services made a considerable contribution to the profit and also secured more new orders which were used to replace the control valves manufactured by other producers.

The Group continued to invest in R&D during the year. For example, in 2013, the Group's wholly owned subsidiary Wuzhong Instrument undertook several national R&D projects awarded by National Development and Reform Commission, the Ministry of Science and Technology, and the Ministry of Industry and Information Technology, etc. In this regard, several control valves and devices have been put into commercial production. The outcomes of its R&D projects have been highly recognized. For instance, one of its R&D achievements, Innovation and Industrialization of Key Technologies for its high-end control valves, received the National Award (Second Prize) for Science and Technology Progress. Another achievement namely Temperature Adjustment Devices used by Coal-chemical Industry won the Provincial Award (First Prize) for Science and Technology Progress.

## **Railway Industry**

Along with the structural change and adjustment launched by the Party's Congress in early 2013, reform and restructuring were taken place in national railway sector. As the former Ministry of Railway ("MOR") was dissolved and the newly established China Railway Corporation ("CRC") was undergoing its internal institutional building, national railway projects were further delayed in the first half of 2013. However, following the re-start of many national railway construction projects in the second half of 2013, the Group was able to execute and deliver more signaling orders on hand. In 2013, the Group won the railway signaling system projects of the Datong-Xi'an passenger dedicated rail line, Zhengkai (from Zhengzhou to Kaifeng) Intercity Railway (鄭開城際) and Zhengjiao (from Zhengzhou to Jiaozuo) Intercity Railway (鄭焦城際), etc. The Group also, for the first time, won a signaling project in Guizhou Province under the administration of Chengdu Railway Bureau. Furthermore, the Group won the signalling contract for Chengdu Subway Line 3 as a subcontractor. As at 31 December 2013, the Group completed and delivered approximately 165 sets of systems, bringing the cumulative number of delivered systems to approximately 1,826 sets.

The Group's business of on-board auxiliary power supply systems and related products has been heavily affected by the institutional change of national railway sector in 2013. As the newly established CRC focused on its internal structuring, no tendering for equipment was conducted in the first half of 2013. Thus the Group's revenue from related business dropped significantly in 2013. However, the Group achieved milestone breakthrough in traction systems applied in metro projects. The Group together with ABB Microunion won its first subway contracts of traction systems for Guangzhou Subway Line 9. In addition, the Group won its second traction systems project for Nanjing Subway Line 1 as a general contractor. With the track records of these two projects, the management of the Group believes that the Group will be able to capture the potential opportunity of the huge metro market in the future.

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2013, revenue of the Group increased by 4.4% to RMB2,308.8 million (2012: RMB2,210.7 million), compared with that of previous year.

Revenue generated from petrochemical segment increased by 18.9% to RMB1,747.9 million (2012: RMB1,470.5 million), whereas revenue generated from railway segment shrank by 24.2% to RMB560.9 million (2012: RMB740.2 million) for the year ended 31 December 2013.

### Turnover analysis by operating segment

|               | For the year ended 31 December |              |                        |              | Change<br>(%) |
|---------------|--------------------------------|--------------|------------------------|--------------|---------------|
|               | 2013<br>(RMB' million)         | %            | 2012<br>(RMB' million) | %            |               |
| Petrochemical | 1,747.9                        | 75.7         | 1,470.5                | 66.5         | +18.9         |
| Railway       | 560.9                          | 24.3         | 740.2                  | 33.5         | -24.2         |
|               | <u>2,308.8</u>                 | <u>100.0</u> | <u>2,210.7</u>         | <u>100.0</u> | <u>+4.4</u>   |

### Turnover analysis by types of goods supplied and services rendered

|                                                   | For the year ended 31 December |              |                        |              | Change<br>(%) |
|---------------------------------------------------|--------------------------------|--------------|------------------------|--------------|---------------|
|                                                   | 2013<br>(RMB' million)         | %            | 2012<br>(RMB' million) | %            |               |
| System sales and Engineering design services      |                                |              |                        |              |               |
| – Petrochemical                                   |                                |              |                        |              |               |
| – Safety system                                   | 892.3                          | 38.7         | 919.8                  | 41.6         | -3.0          |
| – Control valve (Note)                            | 583.0                          | 25.3         | 343.0                  | 15.5         | +70.0         |
| – Railway                                         |                                |              |                        |              |               |
| – Signalling system                               | 349.4                          | 15.1         | 317.3                  | 14.4         | +10.1         |
| – Traction system                                 | 129.9                          | 5.6          | 222.0                  | 10.0         | -41.5         |
| Sub-total                                         | <u>1,954.6</u>                 | <u>84.7</u>  | <u>1,802.1</u>         | <u>81.5</u>  | <u>+8.5</u>   |
| Provision of engineering and maintenance services | 168.5                          | 7.3          | 156.4                  | 7.1          | +7.7          |
| Distribution of equipment                         | <u>185.7</u>                   | <u>8.0</u>   | <u>252.2</u>           | <u>11.4</u>  | <u>-26.4</u>  |
| Total                                             | <u>2,308.8</u>                 | <u>100.0</u> | <u>2,210.7</u>         | <u>100.0</u> | <u>+4.4</u>   |

*Note:* Control valve system sales included related service income

## **System sales and related services to petrochemical industries**

### ***Safety systems and engineering design services***

For the year ended 31 December 2013, revenue generated from system sales and engineering design services in relation to petrochemical industries slightly decreased by 3.0% to RMB892.3 million (2012: RMB919.8 million). The decrease was mainly caused by the decline in revenue generated from the engineering design services business.

### ***Control valve***

The Group's control valve business delivered satisfactory results and contributed RMB583 million (2012: RMB343 million) to the Group's revenue for the year ended 31 December 2013. Nevertheless, it should be noted that the control valve business was consolidated in May 2012 and therefore results for only eight months were recorded in 2012 whereas the results of the consolidated business for the full year 2013 were recorded. For full year comparison, the control valve business achieved robust growth of 28% and gained market share. Wuzhong Instrument is now the largest domestic manufacturer of control valves in China.

## **System sales to railway industries**

### ***Signalling system***

Revenue generated from system sales in relation to signalling system increased by 10.1% to RMB349.4 million (2012: RMB317.3). The management of the Group would like to point out that the CRC was basically under internal adjustment and therefore only a small number of national railway construction projects biddings were conducted in the first half of 2013. Nonetheless, following the resumption of many projects in the second half of 2013, the Group caught the window to execute and deliver many orders on hand. Furthermore, the Group, for the first time, won a signalling project in Guizhou Province under the administration of Chengdu Railway Bureau, and started to provide them with the Group's signalling systems.

### ***Traction system***

Revenue generated from system sales in relation to traction system significantly decreased by 41.5% to RMB129.9 million (2012: RMB222). The decrease was mainly caused by CRC's delay in tendering out the rolling stock projects as a result of CRC's internal adjustment. This also led to a significant delay in tendering out the traction system production and supply in 2013.

## **Provision of engineering and maintenance services**

For the year ended 31 December 2013, revenue generated from the provision of engineering and maintenance services increased by 7.7% to RMB168.5 million (2012: RMB156.4 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 will have to be replaced following the end of their life cycle.

## **Distribution of equipment**

For the year ended 31 December 2013, revenue in relation to equipment distribution shrank by 26.4% to RMB185.7 million (2012: RMB252.2 million).

In terms of types of goods and services rendered, 84.7% (2012: 81.5%) of the Group's revenue was generated from system sales, 7.3% (2012: 7.1%) from the provision of engineering and maintenance services and 8% (2012: 11.4%) from equipment distribution.

In addition, in terms of operating segment, 75.7% (2012: 66.5%) of the Group's revenue was generated from petrochemical and 24.3% (2012: 33.5%) from railway.

## ***Gross profit***

Gross profit for the year ended 31 December 2013 amounted to RMB828.3 million (2012: RMB865.2 million), representing an decrease of RMB36.9 million or 4.3% over the previous year.

The overall gross profit margin decreased by 3.3% points to 35.8% (2012: 39.1%) for the year ended 31 December 2013.

## Gross profit margin analysis by types of goods supplied and services rendered

|                                                   | For the year ended 31 December |             |                      |
|---------------------------------------------------|--------------------------------|-------------|----------------------|
|                                                   | 2013<br>(%)                    | 2012<br>(%) | Change<br>(% points) |
| System sales and Engineering design services      |                                |             |                      |
| – Petrochemical                                   |                                |             |                      |
| – Safety system                                   | 29.1                           | 40.9        | -11.8                |
| – Control valve                                   | 33.8                           | 35.8        | -2.0                 |
| – Railway                                         |                                |             |                      |
| – Signalling system                               | 47.7                           | 41.8        | +5.9                 |
| – Traction system                                 | 32.3                           | 40.5        | -8.2                 |
| Sub-total                                         | 34.0                           | 40.1        | -6.1                 |
| Provision of engineering and maintenance services | 70.4                           | 68.6        | +1.8                 |
| Distribution of equipment                         | 24.3                           | 15.5        | +8.8                 |
| Total                                             | 35.8                           | 39.1        | -3.3                 |

### 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 of safety and critical control system and engineering design services decreased significantly by 11.8% points to 29.1% (2012: 40.9%). The major reasons for the decrease were: (i) the decrease in margin for the engineering design works as the contributions were mainly related to management and procurement; (ii) losses were recorded for two overseas metering EPC projects; and (iii) the unfavourable change in the product mix of which the proportion of revenue related to the lower-margin ESD increased relative to ITCC.

#### *Gross profit margin of control valve*

The gross profit margin decreased by 2% points to 33.8% (2012: 35.8%) due to keen market competition. The management of the Group believes that the gross profit margin would be improved following the launch of new high-end control valves.

## **Gross profit margin of system sales in relation to railway industries**

### ***Gross profit margin of signalling system***

The gross profit margin increased by 5.9% points to 47.7% (2012: 41.8%). The improvement of the gross profit margin was mainly due to the decrease in costs of procuring raw material and core components.

### ***Gross profit margin of traction system***

The gross profit margin decreased significantly by 8.2% points to 32.3% (2012: 40.5%). The significant decrease in gross profit margin was mainly because majority of the revenue contribution was from the lower-margin series of electric control cabinets in relation to subway and overseas projects.

### ***Gross profit margin of the provision of engineering and maintenance services***

The gross profit margin increased by 1.8% points to 70.4% (2012: 68.6%).

### ***Gross profit margin of distribution of equipment***

For the year ended 31 December 2013, the gross profit margin of the equipment distribution business increased significantly by 8.8% points to 24.3% (2012: 15.5%).

## **Other Income**

For the year ended 31 December 2013, other income decreased by RMB2.2 million to RMB73.2 million (2012: RMB75.4 million). This was resulted from net effect of the decrease in VAT refund and other income by RMB12 million but mostly offset by the increase in the government grants by RMB10.6 million.

## **Other Losses**

For the year ended 31 December 2013, other losses amounted to RMB51.2 million (2012: other losses of RMB75.3 million). This was mainly attributable to (i) the decrease in the allowance for bad and doubtful debts by RMB12.1 million to RMB59.7 million provided (2012: RMB71.8 million) against those aged accounts receivables aged over two years in respect of the clients from the railway industry. The management of the Group had major concern on its collectability following the train accident in Wenzhou, Zhejiang Province on 23 July 2012 and the uncertainties surrounding the financing of the CRC resulting delayed payment to its suppliers; (ii) net foreign exchange gain of RMB7.4 million (2012: loss of RMB0.5 million) and (iii) gain of RMB6.7 million on the disposal of a subsidiary which engaged in non-core business.

## **Selling and distribution expenses**

Selling and distribution expenses for the year ended 31 December 2013 were RMB209.7 million (2012: RMB184.4 million), which increased by 13.7% year-on-year. Such increase was mainly attributable to the fact that the selling and distribution expenses of control valve business was consolidated in May 2012 and therefore only the results for eight months were recorded in 2012 whereas the consolidated results for the full year ended 31 December 2013 were recorded.

Selling and distribution expenses as a percentage of the Group's full year revenue recorded at 9.1% (2012: 8.3%).

## **Administrative expenses**

Administrative expenses for the year ended 31 December 2013 amounted to RMB277.1 million (2012: RMB289.2 million), representing a decrease of 4.2% year-on-year. Such decrease was mainly attributable to (i) the decrease in rental expenses as the Group had not renewed the rental contract for its headquarter in Beijing downtown and relocated it to the plant; (ii) the decrease in entertainment and conference fees; and (iii) the decrease in travelling expenses.

In an effort to trim down the selling and distribution expenses as well as the administrative expenses, the Group had implemented stringent budgetary planning and control system as well as undertaken various cost control measures.

Administrative expenses as a percentage of the Group's full year revenue decreased by 1.1% points to 12% (2012: 13.1%).

## **Research and development expenses**

Research and development expenses for the year ended 31 December 2013 were RMB95.9 million (2012: RMB74.3 million). Such increase was mainly due to the increase in the number of research and development projects such as the development of new control valves with large inflow and outflow diameter, the temperature and pressure regulating equipment for coal-chemical industry in response to the Chinese Government's preferential policies regarding localization; the integrated solution project for imported gas turbine and localized compressor; the development of new signalling related technology for railway industries as well as traction system and auxiliary electricity supply related products for trams.

## **Finance costs**

Finance costs for the year ended 31 December 2013 increased by 2.9% to RMB135.1 million (2012: RMB131.3 million). Such increase was mainly attributable to the increase in interest rate in relation to short-term borrowings in China for working capital requirements.

## **Income tax expenses**

Income tax expenses amounted to RMB37.3 million (2012: RMB34.3 million) for the year ended 31 December 2013, which was 8.7% higher than that of the previous year.

The effective tax rate of the Group for the year ended 31 December 2013 increased by 9.4% points to 30.5% (2012: 21.1%). 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 RMB73.6 million in profit attributable to equity holders of the Company for the year ended 31 December 2013 (2012: RMB84.6 million), representing a decline of RMB11 million or 13% when compared with that of the previous year.

## **Earnings per share**

Earnings per share decreased by RMB1.07 cents (representing 13%) from that of the previous year to RMB7.17 cents (2012: RMB8.24 cents) for the year ended 31 December 2013.

## **Dividend**

The Board did not recommend the distribution of final dividend (2012: 2.5 HK cents per share, equivalent to RMB2.0 cents per share) in respect of the year.

## **Liquidity, financial resources and capital structure**

The Group's liquidity position remains strong.

Net cash generated from the Group's operating activities amounted to RMB335.1 million (2012: RMB20.1 million) for the year ended 31 December 2013. This was mainly attributable to (i) the tremendous effort in following up and collecting the trade and bills receivables so that its increase could be kept at a modest level; (ii) meticulous planning to reduce the inventory level; and (iii) the significant decrease in amount due from customers for contract works; and (iv) the increase in other payables and accruals.

Net cash used in investing activities of the Group decreased by RMB9 million to RMB173.4 million (2012: RMB182.4 million) for the year ended 31 December 2013. The investments made during the year were: (i) purchases of property, plant and equipment which amounted to RMB83 million; and (ii) development costs paid amounted to RMB47.8 million.

Net cash used in financing activities amounted to RMB190.8 million (2012: RMB160.2 million) for the year ended 31 December 2013. There was no significant financing activity for the year ended 31 December 2013. Furthermore, the Group repaid the corporate bonds amounted to RMB50 million.

As at 31 December 2013, cash and bank balances (including pledged bank deposits) amounted to RMB598 million (31 December 2012: RMB587.9 million).

### **Gearing position**

The net gearing (total borrowings less cash over equity) ratio was at 43.7% as at 31 December 2013 (31 December 2012: at 48%). As at December 2013, the total borrowings of the Group amounted to RMB1,544.3 million (31 December 2012: RMB1,583.1). The total borrowings mainly comprised the guaranteed notes which amounted to RMB1,146.9 million (equivalent to USD192 million) issued in April 2011.

### **Significant investments, mergers and acquisitions**

For the year ended 31 December 2013, the Group had no significant investments, mergers and acquisitions.

### **Contingent liabilities**

As at 31 December 2013, the Group had no material contingent liabilities.

## **FUTURE OUTLOOK**

The Group will strive to maintain its leading position for its four core businesses in two major industrial segments, namely the petrochemical and railway industries which the Group will continue to focus on.

For the petrochemical segment, the Group will continue to put great emphasis on the business development of control valves in Wuzhong Instrument so as to further enhance its overall competitiveness in sales and marketing, production, internal operation, as well as research and development. The Group will continue to develop high-end control value to capture the great opportunity for localization of industrial products in China. On the other hand, 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 and other industries. Meanwhile, the Group will strive to enlarge the revenue contribution from its recurring engineering and maintenance services through enhanced service team and value-added services.

For the railway segment, the Group will further enhance the business development of traction and auxiliary power supply systems and extra efforts will be paid on traction system projects of urban rail transit. On the other hand, the Group aims to develop itself into a total solution provider which offers a full range of signaling products to both national railway and urban rail transit projects.

Riding on its solid businesses of four main product series, namely safety and critical control systems, control valves, signaling systems, and traction and auxiliary power supply systems, the Group will endeavour to maximize returns to its stakeholders.

## **GENERAL**

### **PROPOSED DIVIDEND**

The Board did not recommend the distribution of final dividend (2012: HK\$2.5 cents per share) for the year ended 31 December 2013.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2013, the Group had a total of 2,966 employees (31 December 2012: 3,082). The decrease in staff headcount was mainly attributable to the business restructuring in the petrochemical business segment.

The emoluments payable to the employees of the Group are determined by their responsibilities, qualifications, performance and experience and the related industrial practices

### **PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

For the year ended 31 December 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES**

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 Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2013.

### **DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS**

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**").

Relevant employees who are likely to be in possession of unpublished price-sensitive information (the “**Inside Information**”) of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. Specific confirmation of compliance has been obtained from each Director and relevant employee to confirm compliance with the Model Code for the year ended 31 December 2013. No incident of non-compliance by Directors and relevant employees was noted by the Company for the year ended 31 December 2013. The Group is aware of its obligations under the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) and the Listing Rules, including the overriding principle that information which is expected to be price-sensitive should be announced promptly and to prevent selective or inadvertent disclosure of Inside Information. Therefore, the Company conducts the handling and dissemination of such Inside Information in accordance with the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission in June 2012 and adopted the Policy on Inside Information on 1 January 2013.

## **AUDIT COMMITTEE**

The consolidated financial statements of the Group for the year ended 31 December 2013 and the related disclosures have been reviewed and approved by the audit committee.

## **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 as at the date of this announcement.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held in Hong Kong on Thursday, 29 May 2014. A notice of the annual general meeting will be issued and disseminated to shareholders in due course.

## **PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY**

The annual results announcement is required to be published on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.com.hk](http://www.hkexnews.com.hk) and the Company’s corporate website [www.cag.com.hk](http://www.cag.com.hk).

## APPRECIATION

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 members 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.

By Order of the Board  
**China Automation Group Limited**  
**Xuan Rui-guo**  
*Chairman*

Hong Kong, 26 March, 2014

*As at the date of this announcement, the Board comprises Mr. XUAN Rui-guo, Mr. HUANG Zhi-yong and Mr. KUANG Jian-ping as executive Directors of the Company; and Mr. WANG Tai-wen, SUI Yong-bin and Mr. NG Wing-fai as independent non-executive Directors.*