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 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
			(Restated)
			(Note 7)
Continuing operations			
Revenue	*1*	**1,223,022**	1,062,132
Cost of sales		**(1,030,607)**	(938,591)
Gross profit		**192,415**	123,541
Other income	*3*	**44,771**	70,893
Other gains and losses	*4*	**25,893**	(138,351)
Selling and distribution expenses		**(110,757)**	(99,523)
Administrative expenses		**(198,938)**	(188,360)
Research and development expenses		**(62,143)**	(71,398)
Other expenses		**(5,519)**	(4,437)
Finance costs	*5*	**(60,747)**	(45,371)
Share of results of associates		**173**	(2,507)
Loss before taxation		**(174,852)**	(355,513)
Income tax (expense) credit	*6*	**(17,403)**	8,701
Loss for the year from continuing operations		**(192,255)**	(346,812)
Discontinued operations			
Loss for the year from discontinued operations	*7*	**(15,295)**	(68,085)
Loss for the year		**(207,550)**	(414,897)
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		**964**	2,536
Share of translation reserve of a joint venture		**–**	527
Reclassification adjustment for the cumulative share of translation reserve upon disposal of a joint venture		**–**	230
		964	3,293
Total comprehensive expense for the year		**(206,586)**	(411,604)

	Notes	2017	2016
		RMB'000	*RMB'000*
			(Restated)
			(Note 7)
Loss (profit) for the year attributable to:			
Owners of the Company			
– from continuing operations		**(201,550)**	(390,757)
– from discontinued operations		**(6,634)**	–
		(208,184)	(390,757)
Non-controlling interests			
– from continuing operations		**9,295**	(24,140)
– from discontinued operations		**(8,661)**	–
		634	(24,140)
		(207,550)	(414,897)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(207,220)**	(387,464)
Non-controlling interests		**634**	(24,140)
		(206,586)	(411,604)
Loss per share	*9*		
From continuing and discontinued operations			
Basic (RMB cents)		**(20.29)**	(38.08)
Diluted (RMB cents)		**(21.45)**	(38.08)
From continuing operations			
Basic (RMB cents)		**(19.64)**	(33.83)
Diluted (RMB cents)		**(20.94)**	(33.83)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Non-current Assets			
Property, plant and equipment		**923,516**	883,918
Deposit for acquisition of property, plant and equipment		**30,937**	40,303
Prepaid lease payments – non-current portion		**256,998**	271,119
Intangible assets	*10*	**249,136**	69,273
Goodwill	*11*	**445,500**	8,890
Interests in associates		**19,336**	20,585
Pledged bank deposits		**119**	405
Deferred tax assets		**79,689**	66,486
Available-for-sale ("AFS") financial assets		**26,953**	41,170
		2,032,184	1,402,149
Current Assets			
Prepaid lease payments – current portion		**6,804**	6,314
Inventories		**425,992**	481,724
Trade and bills receivables	*12*	**1,022,907**	1,420,321
Other receivables and prepayments		**165,766**	145,330
AFS financial assets		**31,000**	–
Pledged bank deposits		**38,284**	61,934
Bank balances and cash		**308,932**	168,538
		1,999,685	2,284,161
Assets classified as held for sale ("HFS")		**–**	50,487
		1,999,685	2,334,648
Current Liabilities			
Trade and bills payables	*13*	**492,441**	485,228
Other payables, deposits received and accruals		**337,514**	342,528
Dividend payable		**2,305**	6
Income tax payable		**45,898**	23,159
Bank borrowings – due within one year		**304,947**	333,803
Guaranteed notes – due within one year		**155,549**	–
		1,338,654	1,184,724
Liabilities directly associated with assets classified as HFS		**–**	39,177
		1,338,654	1,223,901
Net Current Assets		**661,031**	1,110,747
Total Assets less Current Liabilities		**2,693,215**	2,512,896

	Notes	2017	2016
		RMB'000	*RMB'000*
Capital and Reserves			
Share capital		**9,548**	9,548
Share premium and reserves		**1,170,872**	1,378,092
Equity attributable to owners of the Company		**1,180,420**	1,387,640
Non-controlling interests		**188,179**	125,031
Total Equity		**1,368,599**	1,512,671
Non-current Liabilities			
Deferred tax liabilities		**66,056**	16,640
Bank borrowings – due after one year		**110,000**	200,000
Guaranteed notes – due after one year		**–**	205,567
Corporate bonds		**196,697**	195,679
Convertible bonds	*14*	**560,556**	–
Other non-current liabilities		**391,307**	382,339
		1,324,616	1,000,225
Total Equity and Non-current Liabilities		**2,693,215**	2,512,896

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company										
	Share capital *RMB'000*	Share premium *RMB'000*	Other reserve *RMB'000*	Statutory surplus reserves *RMB'000*	Contribution from owners *RMB'000*	Translation reserve *RMB'000*	Share options reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2016	9,548	648,367	34,666	182,499	619	10,014	4,911	882,386	1,773,010	148,171	1,921,181
Loss for the year	–	–	–	–	–	–	–	(390,757)	(390,757)	(24,140)	(414,897)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	2,536	–	–	2,536	–	2,536
Share of translation reserve of a joint venture	–	–	–	–	–	527	–	–	527	–	527
Reclassification adjustment for the cumulative share of translation reserve upon disposal of a joint venture	–	–	–	–	–	230	–	–	230	–	230
Total comprehensive expense for the year	–	–	–	–	–	3,293	–	(390,757)	(387,464)	(24,140)	(411,604)
Appropriations to reserves	–	–	–	93,674	–	–	–	(93,674)	–	–	–
Capital contributions from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	1,000	1,000
Recognition of equity-settled share-based payments	–	–	–	–	–	–	2,094	–	2,094	–	2,094
Effect of share options cancellation	–	–	–	–	884	–	(7,005)	6,121	–	–	–
At 31 December 2016	9,548	648,367	34,666	276,173	1,503	13,307	–	404,076	1,387,640	125,031	1,512,671
Loss for the year	–	–	–	–	–	–	–	(208,184)	(208,184)	634	(207,550)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	964	–	–	964	–	964
Total comprehensive expense for the year	–	–	–	–	–	964	–	(208,184)	(207,220)	634	(206,586)
Appropriations to reserves	–	–	–	168	–	–	–	(168)	–	–	–
Acquisition of a subsidiary *(Note 15)*	–	–	–	–	–	–	–	–	–	135,917	135,917
Derecognised on disposal of a subsidiary *(Note 16)*	–	–	–	–	–	–	–	–	–	(72,203)	(72,203)
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(1,200)	(1,200)
At 31 December 2017	9,548	648,367	34,666	276,341	1,503	14,271	–	195,724	1,180,420	188,179	1,368,599

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Net cash generated from operating activities		**111,517**	119,662
Net cash generated from (used in) investing activities		**129,064**	(249,205)
Net cash used in financing activities		**(108,038)**	(296,114)
Net increase (decrease) in cash and cash equivalents		**132,543**	(425,657)
Cash and cash equivalents at beginning of the year		**179,113**	601,241
Effect of foreign exchange rate changes		**(2,724)**	3,529
Reclassified as HFS		**–**	(10,575)
Cash and cash equivalents at end of the year		**308,932**	168,538
Analysis of the balances of cash and cash equivalents: represented by			
Bank balances and cash		**308,932**	168,538

1. REVENUE

An analysis of the Group's revenue relating to continuing operations for the current and prior years is as follows:

	2017	2016
	RMB'000	*RMB'000*
Continuing operations		
Sales of goods		
System sales	**271,975**	337,966
Trading of equipment	**–**	69,567
Software sales	**15,955**	41,651
Industrial control valves sales	**467,924**	325,488
Pharmaceuticals	**96,368**	–
	852,222	774,672
Provision of service		
Provision of maintenance and engineering services	**177,188**	184,926
Design and consulting services	**98,770**	102,534
Healthcare services	**94,842**	–
	370,800	287,460
	1,223,022	1,062,132

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 Operating Management Committee (the "CODM"), being the chief operating decision maker, in order to allocate resources to the segments and to assess their performance.

As a result of the completion of the acquisition of a hospital group as set out in Note 15, the CODM has added hospital services segment, being the provision of medical consultation services and sales of pharmaceuticals, to the segment presentation in July 2017.

As a result of the disposal of the Group's railway operations as set out in Note 16, the CODM has removed the railway segment, being the integration and sales of traction systems, auxiliary electricity supply systems and industrial signaling systems, trading of equipment, provision of maintenance and engineering services for the railway industry, from the segment presentation in September 2017. The comparative figures for the previous reporting period have been restated accordingly.

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 and consulting services and sales of software products for the petrochemical, chemical, oil and gas, biodiesel and coal chemical industries, manufacture of industrial control valves.
Hospital services	–	provision of healthcare services and sales of pharmaceuticals

Segment revenue and results

The details of the segment revenue and results from continuing operations are as follows:

2017

	Petrochemical *RMB'000*	**Hospital services** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	**1,031,811**	**191,211**	**1,223,022**
Segment (loss) profit before taxation	**(257,974)**	**34,098**	**(223,876)**
Income tax expense	**(6,716)**	**(10,687)**	**(17,403)**
Segment (loss) profit	**(264,690)**	**23,411**	**(241,279)**
Unallocated other income			**1,989**
Unallocated other gains and losses			**76,247**
Unallocated administrative expenses			**(11,176)**
Unallocated finance costs			**(18,036)**
Loss for the year from continuing operations			**(192,255)**

2016

	Petrochemical *RMB'000*	Hospital services *RMB'000*	Consolidated *RMB'000* (Restated)
Segment revenue	1,062,132	–	1,062,132
Segment loss before taxation	(298,676)	–	(298,676)
Income tax credit	8,701	–	8,701
Segment loss	(289,975)	–	(289,975)
Unallocated other income			299
Unallocated other gains and losses			(19,341)
Unallocated administrative expenses			(14,573)
Unallocated finance costs			(23,222)
Loss for the year from continuing operations			(346,812)

All segment revenue reported above is from external customers. There were no inter-segment sales in both reporting periods.

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, other income, other gains and losses, as well as finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

	2017 *RMB'000*	2016 *RMB'000* (Restated)
Segment assets		
Petrochemical	**2,916,893**	3,176,338
Hospital services	**1,055,708**	–
Total segment assets	**3,972,601**	3,176,338
Other assets	**59,268**	509,972
Assets classified as HFS	**–**	50,487
Total consolidated assets	**4,031,869**	3,736,797
Segment liabilities		
Petrochemical	**1,628,140**	1,677,024
General hospital services	**273,142**	–
Total segment liabilities	**1,901,282**	1,677,024
Guaranteed notes	**155,549**	205,567
Convertible bonds	**560,556**	–
Other liabilities	**45,883**	302,358
Liabilities directly associated with assets classified as HFS	**–**	39,177
Total consolidated liabilities	**2,663,270**	2,224,126

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

- all assets are allocated to operating segments other than assets relating to railway operations including the assets classified as HFS and unallocated corporate assets, mainly included certain bank balances and cash, property, plant and equipment and intangible assets.

- all liabilities are allocated to operating segments other than liabilities relating to railway operations including liabilities directly associated with assets classified as HFS and unallocated corporate liabilities, mainly include other payables and dividend payable.

3. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Continuing operations		
Interest income on bank deposits	**820**	775
Value added tax ("VAT") refund *(Note i)*	**1,790**	5,354
Government grant *(Note ii)*	**39,451**	19,412
Net relocation compensation	**–**	43,734
Dividend income from AFS financial assets	**2,008**	–
Others	**702**	1,618
	44,771	70,893

Notes:

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

ii. Other than the deferred income released to profit or loss, government grants also include the government subsidies received by the Company's subsidiaries from relevant government bodies in connection with expenses on technology development. All government grants were recognised at the time the grants are receivable as the corresponding expenses has already been incurred and recognised in profit or loss.

4. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Continuing operations		
Net foreign exchange gain (loss) *(Note i)*	**4,565**	(17,286)
Gain (loss) on disposal of property, plant and equipment and prepaid lease payment:		
– Upon on relocation of operations	**28,987**	–
– Other disposals	**(26,522)**	80
Increase in fair value of convertible bonds *(Note 14)*	**71,305**	–
Early redemption premium of guaranteed notes *(Note ii)*	**–**	(5,342)
Allowance on bad and doubtful debts	**(47,965)**	(92,523)
Loss on disposal of an associate	**(222)**	–
Loss on disposal of a joint venture *(Note iii)*	**–**	(233)
Loss on AFS financial assets *(Note iv)*	**(1,780)**	–
Impairment losses recognised on AFS financial assets	**(3,373)**	(23,047)
Others	**898**	–
	25,893	(138,351)

Notes:

i. The amount includes exchange gain relating to the translation of guaranteed notes from United States Dollar ("US$") to RMB of RMB10,694,000 for the current reporting period (2016: exchange loss of RMB13,167,000)

ii. On 7 January 2016, the Company early redeemed the outstanding principal amount of the guaranteed notes due 2016 (the"2016 Guaranteed Note") of US$42,000,000 (equivalent to approximately RMB275,713,000). The premium of US$813,750 (equivalent to approximately RMB5,342,000) was expensed and included in "other gains and losses".

iii. In November 2016, the Group disposed of its equity interest in CSR (Australia) Rolling Stock Services Company Pty Ltd., the Group's joint venture, to a third party at a consideration of Australian Dollar ("AU$") 980,000 (approximately equivalent to RMB5,059,000). A loss of disposal of a joint venture amounted to RMB233,000 was recognised in prior reporting period.

iv. The amount included the disposal loss of RMB3,012,000 and the gain on invest of unlisted wealth management products of RMB1,232,000.

5. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Continuing operations		
Interest on bank borrowings	**20,858**	25,418
Interest on guaranteed notes	**18,036**	23,223
Interest on corporate bonds	**17,962**	4,042
Interest on long term payable	**3,891**	3,746
	60,747	56,429
Less: Amount capitalised under construction in progress	**–**	(11,058)
	60,747	45,371

In prior reporting period, borrowing cost capitalised of RMB11,058,000 arose from bank borrowings and long term payable specifically for the purpose of obtaining qualifying assets with a capitalisation rate of 5.70% per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE (CREDIT)

	2017	2016
	RMB'000	*RMB'000*
Continuing operations		
Current tax charge from continuing operations comprises:		
PRC enterprise income tax	**28,881**	22,862
Other jurisdictions	**11**	10
Underprovision in prior reporting periods	**–**	3,460
	28,892	26,332
Deferred tax credit	**(11,489)**	(35,033)
	17,403	(8,701)

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.

Certain subsidiaries of the Company are qualified as "High and New Tech Enterprises", which are subject to PRC 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 the subsidiaries are eligible to apply the tax concession again upon expiry of the three-year period.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current year. No provision has been made as the Group has no assessable profit for the prior year.

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

7. DISCONTINUED OPERATIONS

On 25 January 2017, the Group completed the disposal of Beijing Consen Transportation Technology Company Limited ("Beijing Transportation") at a consideration of RMB11,500,000.

The major classes of assets and liabilities of Beijing Transportation had been classified as HFS and separately presented in the consolidated statement of financial position as at 31 December 2016. Details of the assets classified as HFS and liabilities directly associated with the assets classified as HFS.

The Group completed the disposal of 100% equity interests of Beijing Consen Process Control Technology Company Limited ("Consen Process Control") at a cash consideration of RMB64,810,000 on 11 July 2017 and the disposal of 100% equity interests of Beijing Liboyuan Investment Management Company Limited ("Liboyuan Investment") at a cash consideration of RMB14,890,000 on 27 September 2017. Consen Process Control holds 51% equity interest of Nanjing Huashi Electronic Scientific Company Limited ("Nanjing Huashi Electronic") and Liboyuan Investment holds 51% equity interest of Nanjing Huashi Power Equipment Company Limited ("Nanjing Power Equipment"). Nanjing Huashi Electronic and Nanjing Power Equipment engage in the design, production and sale of railway traction control and auxiliary electricity supply systems in the PRC.

The results of the discontinued operations included in losses for the current and prior reporting periods are set out below. The comparative figures have been restated to represent the railway operations as a discontinued operations.

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Loss of the discontinued operations for the year	**(19,227)**	(68,085)
Gain on disposal of the discontinued operations *(Note)*	**3,932**	–
	(15,295)	(68,085)

Note: The amount includes RMB3,742,000 of gain on disposal of Consen Process Control and Liboyuan Investment and RMB190,000 of gain on disposal of Beijing Transportation.

The results of the discontinued operations for the period from 1 January 2017 to the date of disposal of each disposal entity, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	From 1 January 2017 to the respective dates of disposals *RMB'000*	From 1 January 2016 to 31 December 2016 *RMB'000* (Restated)
Revenue	**61,609**	133,127
Cost of sales	**(57,036)**	(120,116)
Gross profit	**4,573**	13,011
Other income	**708**	3,935
Other gains and losses	**–**	(19,015)
Selling and distribution expenses	**(6,203)**	(17,967)
Administrative expenses	**(9,567)**	(28,165)
Research and development expenses	**(5,257)**	(14,794)
Other expenses	**(436)**	(513)
Finance costs	**(3,045)**	(5,418)
Share of results of a joint venture	**–**	1,597
Loss before taxation	**(19,227)**	(67,329)
Income tax expense	**–**	(756)
Loss for the period/year	**(19,227)**	(68,085)
Gain on disposal of discontinued operations	**3,932**	–
Loss for the period from discontinued operations	**(15,295)**	(68,085)
Net cash outflows from operating activities	**(13,169)**	(12,019)
Net cash (outflows) inflows from investing activities	**(11,507)**	11,902
Net cash inflows (outflows) from financing activities	**19,956**	(5,944)
Net cash outflows	**(4,720)**	(6,061)

8. DIVIDENDS

No interim dividends have been declared in the current year.

The directors of the Company do not recommend the payment of dividend for the year ended 31 December 2017 (2016: Nil).

9. LOSS PER SHARE

	2017	2016
	RMB cents	*RMB cents*
Basic loss per share		
From continuing operations	**(19.64)**	(33.83)
From discontinued operations	**(0.65)**	(4.25)
Total basic loss per share	**(20.29)**	(38.08)
Diluted loss per share		
From continuing operations	**(20.94)**	(33.83)
From discontinued operations	**(0.51)**	(4.25)
Total diluted loss per share	**(21.45)**	(38.08)

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

Loss

	2017	2016
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the company	**(208,184)**	(390,757)
Less:		
Loss for the year from discontinued operations	**(6,634)**	(43,588)
Loss for the purpose of basic loss per share from continuing operations	**(201,550)**	(347,169)
Effect of dilutive potential ordinary shares:		
– Fair value gain on convertible bonds	**(71,305)**	–
Loss for the purpose of diluted loss per share from continuing operations	**(272,855)**	(347,169)

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,026,264**	1,026,264
Effect of dilutive potential ordinary shares – Convertible bonds	**276,595**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,302,859**	1,026,264

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company based on the following data:

	2017	2016
	RMB'000	*RMB'000*
Loss		
Loss for the purpose of basic loss per share for the year attribute to owners of the company	**(208,184)**	(390,757)
Effect of dilutive potential ordinary shares: – Fair value gain of convertible bonds	**(71,305)**	–
Loss for the purpose of diluted loss per share	**(279,489)**	(390,757)

The denominators used are the same as those details above for both basic and diluted loss per share from continuing operations.

10. INTANGIBLE ASSETS

	Trademarks	Development costs	Operating Licenses	Patents	Non-Patent Technology	Premium on land use right	Trademark use right	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST								
At 1 January 2016	23,827	102,587	101,080	22,546	35,550	–	–	285,590
Reclassified as HFS	–	(29,584)	–	–	–	–	–	(29,584)
At 31 December 2016	23,827	73,003	101,080	22,546	35,550	–	–	256,006
Additions	–	20,593	–	–	–	–	–	20,593
Acquired on acquisition of a subsidiary *(Note 15)*	–	–	98,733	–	–	24,307	62,300	185,340
Disposal of subsidiaries *(Note 16)*	–	(14,107)	(84,658)	–	–	–	–	(98,765)
At 31 December 2017	23,827	79,489	115,155	22,546	35,550	24,307	62,300	363,174
AMORTISATION AND IMPAIRMENT								
At 1 January 2016	–	50,860	101,080	16,290	35,550	–	–	203,780
Provided for the year	–	9,484	–	3,053	–	–	–	12,537
Reclassified as HFS	–	(29,584)	–	–	–	–	–	(29,584)
At 31 December 2016	–	30,760	101,080	19,343	35,550	–	–	186,733
Provided for the year	–	11,731	1,371	422	–	258	532	14,314
Eliminated on disposal of subsidiaries *(Note 16)*	–	(2,351)	(84,658)	–	–	–	–	(87,009)
At 31 December 2017	–	40,140	17,793	19,765	35,550	258	532	114,038
CARRYING VALUES								
At 31 December 2017	23,827	39,349	97,362	2,781	–	24,049	61,768	249,136
At 31 December 2016	23,827	42,243	–	3,203	–	–	–	69,273

Note: Development costs capitalised are internally generated.

As referred to in Note 15, on 26 July 2017 the Group completed the acquisition of 60% interest in Etern Group Limited ("**Etern Group**"). Etern Healthcare (HK) Limited ("Etern Healthcare"), a subsidiary of Etern Group, had been granted the trademark license from 8 May 2014 to 7 May 2064 at a cash consideration of an aggregate amount of US$9,758,000 (approximately equivalent to RMB62,572,000) on May 2014. The trademark license was sub-licensed to and used by Yongding Hospital with the effective from 8 May 2014. At 26 July 2017, the fair value of the trademark use right is RMB62,300,000 which is higher RMB3,628,000 than the carrying value.

The trademarks with indefinite useful lives 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.

11. GOODWILL

	2017	2016
	RMB'000	*RMB'000*
COST LESS IMPAIRMENT		
At 1 January	**8,890**	8,890
Arising on acquisition of a subsidiary *(Note 15)*	**436,610**	–
At 31 December	**445,500**	8,890

12. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**1,013,630**	1,399,247
Less: impairment losses on trade receivables	**(271,550)**	(261,849)
	742,080	1,137,398
Bills receivable	**280,827**	282,923
	1,022,907	1,420,321

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:

	2017	2016
	RMB'000	*RMB'000*
0 – 90 days	**549,822**	568,268
91 – 180 days	**246,748**	313,135
181 – 365 days	**102,864**	150,282
1 – 2 years	**119,093**	384,256
Over 2 years	**4,380**	4,380
	1,022,907	1,420,321

13. TRADE AND BILLS PAYABLES

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

	2017	2016
	RMB'000	*RMB'000*
0 – 90 days	**265,775**	211,664
91 – 180 days	**177,765**	136,467
181 – 365 days	**13,984**	70,562
1 – 2 years	**11,014**	45,523
Over 2 years	**23,903**	21,012
	492,441	485,228

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

14. CONVERTIBLE BONDS

On 26 July 2017, the Company issued zero-coupon RMB-denominated convertible bonds with the principal amount of RMB675,588,000 as the consideration of the acquisition as set out in Note 15. Each bond will, at the option of the holder, be convertible into the fully paid ordinary shares with a par value of HK$0.01 each in the issued and paid up capital of the Company at an initial conversion price of RMB1.0640 per share. The convertible price is subject to adjustments in the manner set out in the convertible bonds agreement. Conversion may occur at any time on or after 26 July 2017 and up to 26 July 2027. If the convertible bonds have not been converted, they will be redeemed on 26 July 2027 at the principal amount then outstanding.

As the conversion feature of the convertible bonds include certain adjustment in conversion price upon the triggering events which will not be regarded as anti-dilution protection clause. Accordingly, the conversion feature is considered as embedded derivative.

The convertible bonds as a whole are designated as a financial liability at fair value through profit and loss ("**FVTPL**") with changes in fair value recognised in profit or loss and was measured at fair value on the issued date.

The movements in the convertible bonds for the year are set out as below:

	2017
	RMB'000
The fair value at issued date	**631,861**
Gain on changes in fair value *(Note 4)*	**(71,305)**
At 31 December	**560,556**

Binomial model is used for valuation of the convertible bonds.

15. ACQUISITION OF SUBSIDIARIES

On 30 March 2017, the Company entered into a sale and purchase agreement (amended by the supplement agreement dated 23 June 2017) with Ascendent Healthcare (Cayman) Limited ("Ascendent Healthcare") to acquire 60% equity interest of Etern Group by way of issuance of the convertible bonds of the Company in the principal amount equal to the consideration of RMB675,588,000 (Note 14).

The acquisition was completed on 26 July 2017 (the "Acquisition Date") and has been accounted for using acquisition method. The fair value of the consideration of the convertible bonds as disclosed in Note 14, determined using Binomial model, amounted to RMB631,861,000 at the Acquisition Date.

Etern Group is an investment holding company holding 98% equity interest in Yongding Hospital, which is principally engaged in hospital business in Suzhou, PRC.

Acquisition-related costs amounting to RMB4,719,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the consolidated statement of profit or loss and other comprehensive income.

i. Assets acquired and liabilities recognised at the Acquisition Date are as follows:

	RMB'000
Property, plant and equipment	216,969
Prepaid lease payments	34,893
Intangible assets	185,340
– including: operating license	98,733
Inventories	13,626
Trade receivables	16,927
Other receivables and prepayments	19,626
Deposits paid for property, plant and equipment	2,049
AFS financial assets	59,000
Bank balances and cash	12,379
Trade and other payables	(45,120)
Income tax payable	(12,662)
Other payables and accruals	(29,157)
Bank borrowings	(95,000)
Deferred tax liabilities	(47,702)
Net assets acquired	331,168

The fair value of trade and other receivables at the date of acquisition amounted to RMB36,553,000 which approximately to the gross contractual amount of those trade and other receivables at the date of acquisition.

ii. Goodwill arising on acquisition

	RMB'000
Consideration transferred	631,861
Plus: Non-controlling interests	135,917
Less: Net assets acquired	(331,168)
Goodwill arising on acquisition	436,610

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

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

iii. Net cash flow on the acquisition

	RMB'000
Cash and cash equivalent balances acquired	12,379

16. DISPOSAL OF SUBSIDIARIES

As referred to Note 7, on 11 July 2017 and 27 September 2017, the Group discontinued its railway operations at the time of disposal of its subsidiaries, Consen Process Control and Liboyuan Investment. The details of the net assets of Consen Process Control and Liboyuan Investment at the respective dates of disposals were as follows:

	Consen Process Control *RMB'000*	**Liboyuan Investment** *RMB'000*
Net assets disposed of:		
Property, plant and equipment	21,466	103,918
Intangible assets	11,756	–
Prepaid lease payments	–	17,238
Inventories	43,148	–
Trade and bills receivables	127,132	–
Other receivables and prepayments	23,448	7,105
Pledged bank deposits	33,324	–
Bank balances and cash	11,403	420
Trade and bills payables	(72,597)	–
Other payables, deposits received and accruals	(21,623)	(34,387)
Bank and other borrowings	(59,145)	(59,000)
Deferred Income	(1,133)	(7,312)
Net assets disposed of	117,179	27,982
Gain on disposal of the subsidiaries		
Consideration received	64,810	14,890
Net assets disposed of	(117,179)	(27,982)
Non-controlling interests	57,130	15,073
Transaction cost of the disposals	(2,000)	(1,000)
Gain on the disposal	2,761	981

Net cash inflow arising on disposals

	Consen Process Control at disposal date *RMB'000*	Liboyuan Investment at disposal date *RMB'000*
Cash consideration	64,810	14,890
Less: bank balances and cash disposed of	(11,403)	(420)
	53,407	14,470

The impact of Consen Process Control and Liboyuan Investment on the Group's results and cash flows in the current and prior reporting periods is disclosed in Note 7.

17. EVENT AFTER THE END OF THE REPORTING PERIOD

On 18 January 2018, Wuzhong Instrument and Beijing Consen entered into a capital contribution agreement (the "Agreement") with an independent third party investor, to support the investment project of Wuzhong Instrument.

Pursuant to the Agreement, Ningxia Industrial Guide Fund Management Limited ("Ningxia Industrial") agreed to make a capital contribution of RMB150,000,000 in cash to Wuzhong Instrument. The nominal equity interest of Beijing Consen, CDB Development Fund Limited (國開發展基金有限公司) and Ningxia Industrial in Wuzhong Instrument will be 70.59%, 11.76% and 17.65% respectively.

According to the Agreement, Ningxia Industrial will: (1) not appoint directors or management personnel to Wuzhong Instrument to exercise any significant influence on the operational and financial policies; (2) receive an investment income annually on a fixed rate of 5.5%, which is expected to be prepaid quarterly by Beijing Consen and guaranteed by the Company. The investment income is not influenced by the operating results of Wuzhong Instrument and not entitled to share the profit or net assets of Wuzhong Instrument; (3) the Investor is entitled to require Beijing Consen to purchase the Investor's equity interest in Wuzhong Instrument from 31 July 2023 to 31 January 2025 in 4 installments. Accordingly, the directors of the Company consider that this transaction is a financing arrangement and will continue to consolidate Wuzhong Instrument as a wholly-owned subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION AND BUSINESS REVIEW

In 2017, the Group maintained a leading position in its two core businesses in petrochemical industry in China. The Group is the largest integrated solution provider of safety and critical control systems in the petrochemical and coal chemical industries as well as the largest domestic manufacturer of control valves in China.

In 2017, the Group continued to undertake various measures to streamline and enhance its operations. The Group implemented a stringent budgetary planning and control system and cost-control measures with an aim to lower its sales and marketing costs as well as operational costs.

The Group has also undertaken aggressive measures to scale back or even dispose of those business units which have been sustaining losses over the past years. As such, the Group has disposed of its railway traction and auxiliary power supply systems business as it was considered exceedingly competitive and it would be difficult to improve or sustain profitability. At the moment, the Group has disposed of the whole railway segment.

Meanwhile, the Group has considered the prospect of healthcare services sector in China is extremely promising. As such, the Group has actively researched and looked into the investment opportunities in healthcare services industry.

In July 2017, the Group has completed the acquisition of a 60% equity interest in Etern Group, an investment holding company holding a 98% equity interest in Yongding Hospital Company Limited ("Yongding Hospital"), which is principally engaged in hospital business in Suzhou, China. Given the promising prospect in the healthcare services sector in China and the historical profitability of acquired hospital business, the Group considers the hospital business would broaden the income source and enhance financial stability to the Group which may help shield the Group from the impact of market pressure on its existing core businesses.

Petrochemical Industry

In 2017, the Group's safety and critical control related business experienced a recovery and maintained its market share and leading position in the market, echoing the improving trends in the petrochemical industry in China. As at 31 December 2017, the Group successfully completed and delivered approximately 284 sets of systems, bringing the cumulative count of systems delivered to approximately 4,266 sets. During the year, the Group continued to secure large-scale projects from renowned petrochemical and coal-chemical related companies, including China National Petroleum Corporation ("CNPC") and Yanchang Petroleum, etc. In addition, as a qualified vender for GE Oil & Gas, MAN Turbo, Hitachi, Air Product, Air Liquide, Siemens, Atlas Copco, Mitsubishi, Dresser Rand and Elliot, the Group continued to win new contracts in 2017 from these corporations.

Moreover, the Group has upgraded its self-developed proprietary products namely, iMEC, iSOM and OTS systems, providing energy-saving and more complete solutions for turbine and compressor control systems. The Group has won several contracts in optimizing the existing control system for refinery and ethylene projects, and has successfully upgraded the safety and critical control systems for Ningbo Zhongjin, Shijiazhuang Sinopec, etc in 2017. In addition, the Group had been named "Beijing Engineering Laboratory for Safety and Critical Control System of Petrochemical Industry" by Beijing Municipal Commission of Development and Reform in 2017. This endorsement represents the government level recognition of the Group's efforts in achieving independent innovations, nurturing talents and developing technologies.

With persistent efforts in research and development, production, sales and marketing, and improving internal operation, the Group had protected its market positioning in the control valve business in 2017. The Group's unparalleled capability in the provision of engineering and maintenance services constitutes a core competitive advantage in its control valve business. Leveraging years of experiences in this area, the Group's control valve engineering and maintenance services team can undertake plant-wide control valve engineering and maintenance services projects for both its own products and the products supplied by other corporations, including first-tier multi-national corporations. Not only had the maintenance services made significant contribution to the Group's overall profit, they also helped secure new orders in connection with replacement of control valves manufactured by other producers.

The Group continued to invest in research and development. In 2017, the Group's has successfully developed special and high-end control valves, such as spray and temperature-lowering valves for use in power plants and steam valves with multi-stage pressure regulator. Meanwhile, the large-size diameter control valve developed by the Group has been successfully applied for projects of CNPC and Huizhou Refinery.

Healthcare Services Business

In July 2017, the Group completed the acquisition of a 60% equity interest in Etern Group, which indirectly owns a 98% interest in Yongding Hospital based in Jiangsu Province, China. The Group has thereby diversified its businesses into the fast-growing healthcare services market in China through this acquisition.

According to China National Health and Family Planning Development Statistical Bulletin, the total healthcare expenditure in China in 2016 amounted to RMB4,634.49 billion, representing an increase of 13.1% from the RMB4,097.46 billion in 2015. The total healthcare expenditure in China for 2016 accounted for 6.2% of the country's GDP for the same year. At this level, the ratio is still lagging behind those of the middle- and high-income countries. Meanwhile, considering the aging population in China, the growing disposable income of residents as well as initiatives and objectives developed under Regulation Plan for Deepening Medical and Health System Reformation for China during the 13th Five-Year Plan Period, the Group believes in bright prospects for the healthcare services industry in the country.

2017 marked the first year that the Group started to engage in the healthcare services industry. After completing the acquisition of Etern Group's equity interest in July 2017, the Company has been adhering to the principle of "stable transition, steady growth" and achieved a smooth and successful transfer of management rights, kicking off a good start for the Group's long-term business development.

Since the completion of the acquisition, Yongding Hospital has been maintaining good development momentum for its operation. On the one hand, internal refurbishment and enhancement works of the hospital has been proceeding steadily as planned, while construction of phase II of the in-patient building was successfully completed as scheduled and the wards have been gradually put into use. Compared with that of the end of 2016, the number of open beds in the hospital increased by 88, reaching a total of 568 open beds as at 31 December 2017. On the other hand, Yongding Hospital has been actively participating in and initiating its cultural movements, and fulfilled its social responsibilities, striving to enhance its overall image.

Looking ahead, the Group will tap fully opportunities afforded by rapid development of the healthcare services industry in China, and will further expand and strengthen its healthcare services business by adopting the following strategies:

- Strengthening and improving management and operation of Yongding Hospital, enhancing quality of service of the hospital, and offering higher quality services to local residents;

- Implementing various measures under the Group's talent nurturing strategies, which specifically include: establishing and strengthening its cooperation with medical schools, focusing on staff training with more learning and exchange opportunities, and introducing medical and management talents in line with its development strategies, etc.;

- Carrying out diversified cooperation, adhering to the government's hierarchical medical system, and at the same time, expanding the Group's scope of services, establishing community service centers and improving distribution of medical resources;

- Striving to establish and optimize a standardized management system and a quality control system for integrated hospitals; and

- Building regional medical service centers, offering better quality and more convenient medical services to the residents in the respective regions, and actively considering to increase the Group's further investments in the healthcare services industry at appropriate timing.

FINANCIAL REVIEW

CONTINUING OPERATIONS

Revenue

For the year ended 31 December 2017, revenue of the Group increased by 15.1% to RMB1,223.0 million (2016: RMB1,062.1 million).

Revenue generated from the petrochemical segment shrank 2.9% to RMB1,031.8 million (2016: RMB1,062.1 million), whereas revenue generated from the newly acquired healthcare services segment recorded at RMB191.2 million for the year ended 31 December 2017.

Turnover analysis by operating segment

	For the year ended 31 December				
	2017		2016		Change
	(RMB' million)	***%***	*(RMB' million)*	*%*	*(%)*
Petrochemical	**1,031.8**	**84.4**	1,062.1	100.0	-2.9
Healthcare services	**191.2**	**15.6**	–	–	N/A
	1,223.0	**100.0**	1,062.1	100.0	+15.1

Turnover analysis by types of goods supplied and services rendered

	Year ended 31 December				
	2017		2016		Change
	(RMB million)	***Proportion (%)***	*(RMB million)*	*Proportion (%)*	*(%)*
Petrochemical					
– Safety systems	**386.6**	**31.6**	482.1	45.4	-19.8
– Control valves *(note)*	**533.3**	**43.6**	390.8	36.8	+36.5
– Provision of engineering and maintenance services	**111.9**	**9.2**	119.6	11.3	-6.4
– Distribution of equipment	**–**	**–**	69.6	6.5	N/A
Sub-total	**1,031.8**	**84.4**	1,062.1	100.0	-2.9
Healthcare					
– Healthcare services	**191.2**	**15.6**	–	–	–
Total	**1,223.0**	**100.0**	1,062.1	100.0	+15.1

Note: Control valve system sales included related service income

SYSTEM SALES AND RELATED SERVICES TO THE PETROCHEMICAL INDUSTRIES

Safety systems and engineering design services

For the year ended 31 December 2017, revenue generated from system sales and engineering design services in relation to the petrochemical industries decreased by 19.8% to RMB386.6 million (2016: RMB482.1 million). Notwithstanding the rebound in crude oil prices, the Group's revenue from safety systems sales and engineering design services business declined. The decline was primarily attributable to the Group's new strategy to shift its focus and efforts from low-margin contracts to contracts with higher margins and better cashflow terms.

Control valve

Revenue from the Group's control valve business increased by 36.5% to RMB533.3 million (2016: RMB390.8 million). Such increase was attributable to: (i) more large orders won from the pharmaceutical industry; and (ii) restarting during the year of project delayed due to plant relocation in the last quarter of 2016.

Provision of engineering and maintenance services

For the year ended 31 December 2017, revenue generated from provision of engineering and maintenance services decreased slightly by 6.4% to RMB111.9 million (2016: RMB119.6 million).

Distribution of equipment

For the year ended 31 December 2017, the Group did not record any revenue in relation to equipment distribution business (2016: RMB69.6 million).

THE HEALTHCARE SERVICES INDUSTRY

Healthcare services

The Group completed the acquisition of Etern Group on 26 July 2017. Revenue generated from the healthcare services for the five months 31 December 2017 amounted to RMB191.2 million, of which pharmaceuticals and healthcare services accounted for RMB96.4 million and RMB94.8 million respectively.

In addition, in terms of operating segment, 84.4% (2016: 100.0%) of the Group's revenue was generated from the petrochemical segment and 15.6% (2016: N/A) from the healthcare services segment.

Gross profit

Gross profit for the year ended 31 December 2017 amounted to RMB192.4 million (2016: RMB123.5 million), representing an increase by 55.8% as compared with that of the previous year.

The overall gross profit margin for the year ended 31 December 2017 widened by 4.1% percentage points to 15.7% (2016: 11.6%).

Gross profit analysis by types of goods supplied and services rendered

	For the year ended 31 December		
	2017	2016	Change
	(%)	*(%)*	*(%) Point*
Petrochemical			
– safety systems	**5.6**	4.0	+1.6
– control valves	**18.4**	16.7	+1.7
– Provision of engineering and maintenance services	**17.7**	25.2	-7.5
– Distribution of equipment	**N/A**	12.4	N/A
Sub-total	**13.5**	11.6	+1.9
Healthcare			
– Healthcare services	**27.8**	N/A	27.8
Total	**15.7**	11.6	+4.1

GROSS PROFIT MARGIN OF SYSTEM SALES AND RELATED SERVICES TO THE PETROCHEMICAL INDUSTRIES

Gross profit margin of system sales and engineering design services

The gross profit margin of safety system sales and engineering design services stayed low at 5.6% (2016: 4.0%) mainly due to continuing lower output levels.

Gross profit margin of control valve

The gross profit margin marginally improved by 1.7% percentage points to 18.4% (2016: 16.7%). In 2017, the Group changed its strategy and shifted its focus from the low-margin contracts to the higher-margin contracts.

Gross profit margin of provision of engineering and maintenance services

The gross profit margin of provision of engineering and maintenance services was 17.7% (2016: 25.2%).

Gross profit margin of healthcare services

For the year ended 31 December 2017, the gross profit margin of the healthcare services business was 27.8%.

Other Income

For the year ended 31 December 2017, other income decreased by RMB26.1 million to RMB44.8 million (2016: RMB70.9 million). The decline was primarily due to recognition of the net relocation compensation amounted to RMB43.7 million in connection with the Wuzhong Instrument's plant relocation for the control valve business in 2016 but there was no such compensation in 2017.

Other Gains and Losses

For the year ended 31 December 2017, other gains amounted to RMB25.9 million (2016: other losses of RMB138.4 million). Other gains were mainly due to: (i) a gain of RMB71.3 million resulted from the change in fair value of convertible bonds issued on 26 July 2017; (ii) the decrease in allowance for bad and doubtful debts from RMB92.5 million of previous year to RMB48.0 million for the year ended 31 December 2017; and (iii) a gain of RMB29.0 million on disposal of property, plant and equipment upon relocation of the Wuzhong Plant.

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2017 increased by 11.4% to RMB110.8 million (2016: RMB99.5 million).

Such increase was mainly attributable to: (i) higher travelling expenses and cargo charges; (ii) higher technical services fees. These increases were owing to increased business activities.

Selling and distribution expenses as a percentage of the Group's full year revenue was 9.1% (2016: 9.4%).

Administrative expenses

Administrative expenses for the year ended 31 December 2017 amounted to RMB198.9 million (2016: RMB188.4 million), representing an increase of 5.6% year-on-year. The increase was due to the consolidation of the newly acquired healthcare services business starting from July 2017.

Administrative expenses as a percentage of the Group's full year revenue was 16.3% (2016: 17.7%).

Research and development expenses

Research and development expenses for the year ended 31 December 2017 were RMB62.1 million (2016: RMB71.4 million). The research and development projects undertaken were mainly related to development of: (i) high-end control valves in response to the preferential policies regarding localization enacted by the Chinese Government; and (ii) hardware for the turbine machinery control system business.

Finance costs

Finance costs for the year ended 31 December 2017 increased by 33.7% to RMB60.7 million (2016: RMB45.4 million). However, it should be pointed out that borrowing costs of RMB11.1 million in connection with construction of Wuzhong Plant was capitalised in 2016 but no such capitalisation in 2017.

Income tax expenses

Income tax expenses for the year ended 31 December 2017 amounted to RMB17.4 million (2016: Income tax credit of RMB8.7 million).

Loss for the year

As a result of the foregoing, the Group recorded at RMB192.3 million in loss for the year ended 31 December 2017 (2016: RMB346.8 million).

DISCONTINUED OPERATIONS

The discontinued operations incurred losses of RMB15.3 million (2016: losses of RMB68.1 million) for the year ended 31 December 2017.

On 25 January 2017, the Group completed the disposal of entire equity interest in Beijing Consen Transportation Technology Company Limited. The Group also completed the disposal of 100% equity interests of Beijing Consen Process Control Technology Company Limited ("Consen Process Control") on 11 July 2017 and the disposal of 100% equity interests of Beijing Liboyuan Investment Management Company Limited ("Liboyuan Investment") on 27 September 2017. Consen Process Control holds 51% equity interest of Nanjing Huashi Electronic Scientific Company Limited ("Nanjing Huashi Electronic") and Liboyuan Investment holds 51% equity interest of Nanjing Huashi Power Equipment Company Limited ("Nanjing Power Equipment"). Nanjing Huashi Electronic and Nanjing Power Equipment engage in the design, production and sale of railway traction control and auxiliary electricity supply systems in the PRC. At the moment, the Group has already disposed the whole railway segment.

Loss for the period (from continuing and discontinued operations)

The Group recorded loss amounting to RMB207.6 million for the year ended 31 December 2017 (2016: RMB414.9 million).

Loss per share

Loss per share (from both continuing and discontinued operations) for the year ended 31 December 2017 was RMB20.29 cents (2016: RMB38.08 cents).

Loss per share (from continuing operations) for the year ended 31 December 2017 was RMB19.64 cents (2016: RMB33.83 cents).

Dividend

The Board had resolved not to recommend distribution of a final dividend (2016: Nil) in respect of the year.

Liquidity, financial resources and capital structure

Net cash generated from the Group's operating activities for the year ended 31 December 2017 amounted to RMB111.5 million (2016: RMB119.7 million). The Group has adopted a prudent working capital management strategy. As such, the Group had been able to generate positive operating cashflow due to: (i) the decrease in trade and bills receivables; (ii) the decrease in inventories; and (iii) the increase in other payables and accruals.

Net cash generated from investing activities of the Group for the year ended 31 December 2017 amounted to RMB129.1 million (2016: net cash used in investing activities amounted to RMB249.2 million).

This was primarily due to (i) the net cash inflow from the disposal of subsidiaries (as elaborated in the "Discontinued Operatons" section) amounted to RMB67.9 million; and (ii) receipts of government grants amounted to RMB44.9 million.

Net cash used in financing activities for the year ended 31 December 2017 decreased by RMB188.1 million to RMB108.0 million (2016: RMB296.1 million). This was mainly attributable to the partial repayment of the 2018 Guaranteed Notes amounted to RMB40.4 million.

As at 31 December 2017, cash and bank balances (including pledged bank deposits of RMB38.4 million) amounted to RMB347.3 million (31 December 2016: RMB230.9 million (including pledged bank deposits of RMB62.3 million)).

Gearing position

The net gearing (total borrowings less cash over total equity) ratio was at 76.8% as at 31 December 2017 (31 December 2016: at 51.1%).

As at 31 December 2017, total borrowings of the Group amounted to RMB1,398.7 million (31 December 2016: RMB1,003.3 million), of which the convertible bonds amounted to RMB560.6 million, the guaranteed notes due 2018 amounted to US$24 million (equivalent to approximately RMB155.5 million) and the corporate bonds due 2019 amounted to RMB196.7 million.

Significant investments, mergers and acquisitions

On 26 July 2017, the Group completed the acquisition of 60% equity interest of Etern Group Limited by way of issuance of the convertible bonds of the Company in the principal amount equal to the consideration of RMB675.6 million. Etern Group Limited is an investment holding company holding 98% equity interest in Yongding Hospital, which is principally engaged in hospital business in Suzhou, the PRC.

Contingent liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

FUTURE OUTLOOK

The Group has undertaken a detailed strategic review of the Group for the purpose of developing business plans and strategies for its business development in the future, and determining whether any change would be appropriate or desirable in order to optimise its business. The Group has also rolled out an internal restructuring program to dispose of the non-profit making business units. As a result, the Group has disposed of its railway traction and auxiliary power supply system businesses which were operating in an exceedingly competitive environment with escalating difficulties to deliver improvement or to sustain profitability. During the reporting year, the Group has already disposed of its whole railway segment.

For the petrochemical segment, the Group will continue to its efforts in business development of control valves so as to further enhance its overall competitive advantages in production capability, sales and marketing, and internal operational efficiency. To capture opportunities emerged from localisation of industrial products in China, the Group will continue its efforts in research and development to develop high-end and diversified control valves. Meanwhile, the Group will seek to increase the revenue contribution from its recurring engineering and maintenance services by its enhanced service teams and through provision of more value-added services.

In July 2017, the Group completed an acquisition of 60% equity interest in Etern Group Limited, an investment holding company holding 98% interest in Yongding Hospital, which is principally engaged in hospital business in Suzhou, China. Given the promising prospects in the healthcare services sector in China and the profitability track record of acquired hospital business, the board of directors of the Company (the "Board") considers that the hospital business will broaden the income source and enhance the financial stability of the Group, helping shield it from market pressure on its existing core businesses.

In order to further enhance its growth potential and maximise value for shareholders, the Group may consider making further investments in the healthcare services sector and disposing of the loss-making companies in the petrochemical segment should suitable opportunities arise so as to improve the overall earnings of the Group and increase the relative contribution from the healthcare business segment.

GENERAL

PROPOSED DIVIDEND

The Board did not recommend the distribution of final dividend (2016: Nil) for the year ended 31 December 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a total of 2,218 employees (31 December 2016: 1,936), of which 1,449 employees were related to petrochemical business segment whereas 769 employees were related to healthcare business segment.

The decrease in staff headcount in the existing business was mainly attributable to the disposal of traction and auxiliary power supply systems business in June 2017. The healthcare business segment (the newly acquired Etern Group Limited in July 2017) had a total of 769 employees, of which 643 were either doctors, medical technician or nurses.

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 2017, 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 complied with all the applicable code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2017, save and except for the following deviations:.

Code provision A.6.7 stipulates that, among others, the independent non-executive Directors and other non-executive Directors should attend general meetings of the Company. Mr. Zhang Xin Zhi, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 29 May 2017 ("2017 AGM") due to other business commitment.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 14 September 2016, Mr. Xuan Rui Guo, the Chairman and executive Director of the Company, has been appointed as the chief executive officer of the Company. The Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer by the same person can facilitate execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which currently consists of two executive Directors and three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented.

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 to confirm compliance with the Model Code for the year ended 31 December 2017. No incident of non-compliance by Directors was noted by the Company for the year ended 31 December 2017. 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 Insider 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 2017 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 Tuesday, 29 May 2018. 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 and the Company's corporate website 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.

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

Hong Kong, 22 March, 2018

As at the date of this announcement, the Board comprises Mr. Xuan Rui Guo, Mr. Wang Chuensheng as executive Directors of the Company; and Mr. Wang Tai Wen, Mr. Zhang Xin Zhi and Mr. Ng Wing Fai as independent non-executive Directors.