Wasion Group Holdings Limited
威勝集團控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3393)

Annual Report 2010

CORPORATE MISSION:

ENERGY **METERING** &
ENERGY **SAVING** EXPERT

This report is printed on environmentally friendly paper

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Ji Wei *(Chairman)*
Ms. Cao Zhao Hui
Mr. Zeng Xin
Ms. Zheng Xiao Ping
Mr. Wang Xue Xin
Mr. Liao Xue Dong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Jin Ming
Mr. Pan Yuan
Mr. Hui Wing Kuen

COMPANY SECRETARY

Mr. Choi Wai Lung Edward *FCCA, FCPA*

AUTHORISED REPRESENTATIVES

Mr. Ji Wei
Mr. Choi Wai Lung Edward *FCCA, FCPA*

AUDIT COMMITTEE

Mr. Hui Wing Kuen *(Chairman)*
Mr. Wu Jin Ming
Mr. Pan Yuan

PRINCIPAL BANKERS

In Hong Kong:

Bank of Communications Hong Kong Branch
Bank of China

In the People's Republic of China (the "PRC"):

China Construction Bank
Bank of Communications

LEGAL ADVISER

Sidley Austin
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Central
Hong Kong

AUDITOR

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Hong Kong

REGISTERED OFFICE

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P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

PRINCIPAL PLACE OF BUSINESS

Unit B2A–B, 20/F, Far East Finance Centre
16 Harcourt Road
Admiralty
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
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P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

www.wasion.com

STOCK CODE

3393

LEADING ENERGY MEASUREMENT EQUIPMENT AND TOTAL SOLUTION PROVIDER

Wasion Group Holdings Limited ("Wasion Group") is the leading provider of energy measurement equipment, systems, and services in China. Wasion Group was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2005, which was the first professional syndicate engaged in energy measurement and management in China listed overseas.

Wasion Group's products are widely used in the industries in relation to electricity, water, gas, and heat as well as large and medium sized industrial and commercial enterprises and the Group provides extensive support for technology, products and services to the energy measurement and management in public utilities and energy consumption units through a whole series of advanced measurement meters products, including power meters, intelligent water meters, gas meters, ultra sound heat meters, and data collection terminals for different energy including power data collection terminals, power quality control devices, data collection terminals for water, gas and heat, as well as management systems for power loading, integrated management systems for energy measurement of water, electricity, gas and heat, and remote automatic meter reading systems.

Qualifications and Awards

In 2010, the Group has been granted 54 patents for three-phase meters, 14 patents for single-phase meters, 13 patents for data collection terminals, 3 patents for energy efficiency services and 1 patent for water meters.

"2010 National Award of Science Advancement"

"Top Ten Enterprise of Innovative Technology", "Top Ten Enterprise of Comprehensive Strength" and "Most Influential Brand" for smart water meters

"2010 National Energy Saving Contribution Awards"

"National Award on Science and Technology"

- The "Sizable Enterprises Comprehensive Energy Saving Key Technology and Applications" has been awarded "2010 2nd Class National Award of Science Advancement"
- The Group has been valued as a "Significant Hi-tech Enterprise" under State Torch Program
- The technology research center of the Group has been regarded as a "National-recognized Enterprises Research & Development Centre"
- The Group has been awarded "Hunan International Brand Names"
- The 0.1S Grid Meters have passed the test in "Accuracy and Influencing quantity calibration" of National Institute of Metrology and North China Electric Power Research Institute (NCEPRI) and obtained certification of calibration
- The "Research and Development and Application of Significant Technology of 0.1S Grid Meters" project and "The Research of Key Technology of High-accuracy Impact Load Power Measurement" project have successfully passed technology results identifications
- The impact load power meters and digital power meter testing devices have passed the calibration test of National Institute of Metrology and obtained certification of calibration
- "Digital power meters", the Hunan provincial-level standards drafted by Wasion Group, has been officially announced and is the first digital power meters standards in the PRC
- "Digital Power Meters Under Smart Grid" and "AMI" projects of the Group have been selected as 2010 State Torch Program projects
- Keypad three-phase meter DTSY341 has passed the certification of STS Association & the ANSI power meter series has received certificate from American's MET Laboratories
- The Group has been awarded "Most Influential Brand" for smart water meters
- The Group has been awarded "Top Ten Enterprise of Innovative Technology & Comprehensive Strength" for smart water meters
- The Group has been awarded the certificate of "The Greatest Developing Potential Enterprise in the Energy Saving Service Industry in China"
- The Group has been awarded "2010 National Energy Saving Contribution Award"
- The ultra-sound heat meters have passed the provincial-level technology results identification

CORPORATE VISION:

Continual Innovation Contributing to Wasion's Centennial History

Chairman's Statement

Ji Wei
Chairman

To All Shareholders

On behalf of Wasion Group Holdings Limited ("Wasion Group" or the "Group"), I hereby present the operating results of the Group for the financial year ended 31 December 2010.

For the year ended 31 December 2010, the Group recorded a turnover of RMB1,330.78 million, representing an increase of approximately 23% compared with 2009, and a net profit of RMB191.23 million. The board of directors recommends the payment of a final dividend of HK$0.11 (equivalent to RMB0.093) per share for the year ended 31 December 2010.

Looking back at the year 2010 which we just bade goodbye, it was a mixture of good news and bad news, while changes in the external environment took us to unprecedented tests, everyone in the Group worked as one to overcome what difficulties that came to us such that the Group hit new highs in key operating indicators such as contract amounts, revenue and collection of receivables; also, the Group succeeded in establishing a strategic partnership with Seimens and has been recognized as a National-Recognized Enterprises Technology Center and a key advanced technology enterprise of the State's Torch Project; we were afforded the China Energy-saving Award, the successful appraisal for technology achievements of our 0.1S grid meters and impact loading electronic power meters, the second prize in technological advancement of the State for 2010 in respect of "key technologies and applications in comprehensive electric power saving for large enterprises" submitted jointly with Hunan University, and the recognition of our being "one of the first energy-saving services enterprises on record". All these have demonstrated the achievement of Wasion in technology innovation and system innovation. In spite of our remarkable performance in the centralized tender of the State Grid in 2010, our profit did suffer because of market competition and changes in product mix.

Chairman's Statement

The Group has established its strategic development in the equally important power market, non-power market and international market for the next five years in 2010 and drawn up the road map for Wasion for the next five to ten years; we upgraded our new corporate culture which supports our strategic achievements and defined our corporate mission of becoming an "energy metering and energy saving expert", our corporate vision of "continual innovation contributing to Wasion's centennial history", our mottos of operation of being "perfect work with passion, and success achieved with integrity" as well as our corporate spirit of being "cohesive, ambitious, down-to-earth and creative". The Group will emphasize on the development of energy efficiency management business and smart grid business and development of the overseas market and energy-saving service market for domestic industrial enterprises.

2011 as the beginning of Wasion 's third five-year plan is a year of opportunities and challenges. On one hand with the launching of the State's "Twelfth Five-Year Plan" with investments and constructions being made available, business opportunities have been huge as never before for the Group; on the other hand, with the dropping of prices of meters and rising of labour cost and the limited decrease of cost of materials, the pressure on the Group's profitability is also huge as never before. Therefore, the Group will effect changes in product innovation, technology innovation, market innovation, operation innovation and thinking innovation, so that on one hand we will continue to consolidate our power market which we are most familiar with and which is the most mature business of the Group, and we will reasonably determine our product mix for the centralized procurement tendering, balance the proportions of centralized tendering amount and profit to optimize the Group's overall profit margin; on the other hand, in respect of the management of water, gas, heat and energy efficiency, we will seize any opportunity swiftly, determine

our direction accurately and to achieve breakthrough in key areas, in particular, our energy efficiency business, and this will be the horizon towards which the Group will move forward; the Group will speed up the birth of products and work hard in market planning, and will operate carefully to take a vantage point for our business; in respect of the overseas market, we will seek more collaboration with overseas partners and leverage their strengths and focus on breakthroughs on key areas, laying a solid foundation for a cross-border development and making due preparation in technology, products and talents.

We firmly believe that we will once again accomplish for the Group as long as we have the courage to innovate and as long as we work honestly and pragmatically by means of technology innovation, management innovation and give full play to our equipment and our people. It is true that we will have difficulties ahead, but we have the confidence and the means to overcome them; it is true that we will have risks in our moving on, but we have the experience and power to tackle them; let us move on as one to take the bull by the horns and achieve even better results for the Group with our serious efforts and repay our shareholders for their support with brilliant results.

Yours faithfully,
Ji Wei
Chairman

Hong Kong, 28 March 2011

MOTTOS OF OPERATION:

Perfect Work with Passion, and Success achieved with Integrity

Management Discussion and Analysis

FINANCIAL REVIEW

Financial Highlights

	2010 **RMB'000**	2009 RMB'000
Turnover	**1,330,781**	1,078,165
Gross profit	**427,729**	485,312
Profit for the year	**191,233**	262,041
Total assets	**3,614,965**	3,176,027
Shareholders' equity	**2,234,697**	2,147,875
Basic earnings per share (RMB)	**0.21**	0.31
Diluted earnings per share (RMB)	**0.20**	0.30

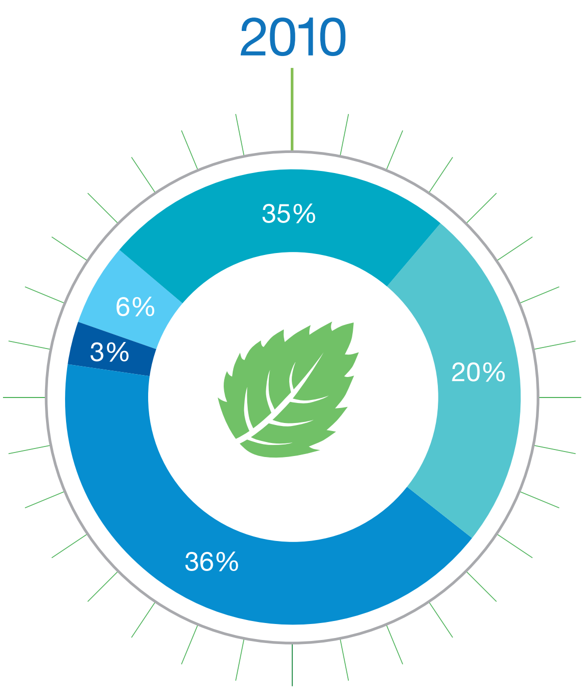
Key Financial Figures

	2010	2009
Gross profit margin	**32%**	45%
Operating profit margin	**18%**	27%
Net profit margin	**14%**	24%
Return on equity	**9%**	12%
Current ratio	**1.84**	2.47
Quick ratio	**1.49**	2.08
Inventory turnover period (Days)	**179**	202
Trade receivable turnover period (Days)	**248**	260
Trade payable turnover period (Days)	**270**	294
Gearing ratio	**14%**	13%
Interest coverage (Profit from operations divided by finance costs)	**8.47**	20.03

Five Year Financial Summary

	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
Profit for the year attributable to equity shareholders of the Company	**191,233**	262,041	261,530	212,896	151,736
Total assets	**3,614,965**	3,176,027	2,543,842	1,915,555	929,613
Total liabilities	**1,380,268**	1,028,152	1,158,739	692,277	343,737
Shareholders' equity	**2,234,697**	2,147,875	1,385,103	1,223,278	585,876

Turnover Breakdown by Business Segments



- Water, gas and heat meters
- Data collection terminals and power management systems
- Three-phase electronic power meters
- Single-phase electronic power meters
- Energy efficiency solutions

FINANCIAL REVIEW

Turnover

During the year under review, turnover increased by 23% to RMB1,330.78 million (2009: RMB1,078.17 million).

Gross Profit

The Group's gross profit decreased by 12% to RMB427.73 million for the year ended 31 December 2010. Due to the pricing pressure from State Grid centralized procurement and change in product structure, the overall gross profit margin has dropped from 45% in 2009 to 32% in 2010.

Other Revenue and Gains

The other revenue and gains of the Group amounted to RMB54.60 million (2009: RMB13.82 million) which was mainly comprised of gain on disposal of land and buildings located at Weiming Ningxiang Science Park, net exchange gain, bank interest income, dividend income and refund of value-added tax.

Operating Expenses

In 2010, the Group's operating expenses amounted to RMB245.82 million (2009: RMB213.12 million). The increase in operating expenses was mainly due to the increase in selling expenses, depreciation of production plant and expenditure on research and development. Operating expenses accounted for 18% of the Group's turnover in 2010, representing a decrease of 2% as compared with 20% in 2009.

Finance Costs

For the year ended 31 December 2010, the Group's finance costs amounted to RMB27.92 million (2009: RMB14.28 million). The increase was attributable to the increase in bank borrowings and reduction of interest on borrowings capitalised upon the completion of the construction of new production plant.

Operating Profit

Earnings before finance costs and tax for the year ended 31 December 2010 amounted to RMB236.51 million (2009: RMB286.01 million), representing a decrease of 17% as compared with 2009.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the year ended 31 December 2010 decreased by 27% to RMB191.23 million as compared with 2009.

Capital Structure

For the year ended 31 December 2010, one director and certain employees have exercised 250,000 share options at an exercise price of HK$2.225 and 150,000 share options at an exercise price of HK$3.200 under which the issued and fully paid share capital of the Company has been increased by HK$4,000.

Liquidity and Financial Resources

The Group's primary sources of working capital and long-term funding needs have been cash flows from operation and financing activities.

As at 31 December 2010, the Group's current assets amounted to approximately RMB2,306.75 million (2009: RMB2,053.49 million), with cash and cash equivalents totaling approximately RMB553.53 million (2009: RMB644.67 million).

As at 31 December 2010, the Group's total bank loans amounted to approximately RMB501.33 million (2009: RMB419.21 million), of which RMB391.33 million (2009: RMB250.21 million) will be due to repay within one year and the remaining RMB110 million (2009: RMB169 million) will be due in the next three years. Net book value of the Group's pledged assets for the bank loans was approximately RMB166.27 million (2009: RMB237.27 million). In 2010, the interest rate for the Group's bank borrowings ranged from 2.28% to 5.85% per annum (2009: 3.75% to 5.84% per annum).

The gearing ratio (total borrowings divided by total assets) increased from 13% in 2009 to 14% in 2010 as a result of increase in the Group's bank borrowings.

Exchange Rate Risk

Most of the businesses of the Group are settled in Renminbi, which is not freely convertible into foreign currencies. Since the amount of foreign currency of the Group used to purchase raw materials exceeded the amount of foreign currency earned from exports, the appreciation of Renminbi during the year did not have any adverse effect on the Group's results. During the year under review, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

Emolument Policy

As at 31 December 2010, the Group had 2,999 (2009: 2,991) staff. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB116.91 million in 2010 (2009: RMB83.97 million). Employee remuneration is determined on performance, experience and prevailing market conditions, with compensation policies being reviewed on a regular basis. The aggregate amount of the emoluments of the Company's directors was RMB4.43 million in 2010 (2009: RMB4.48 million).

The Group's employees in the PRC have enrolled in the mandatory central pension scheme operated by the State. The Group also provides housing allowances and benefits for medicine, employment injury and retirement for its staff in the PRC in accordance with the relevant PRC rules and regulations. The directors of the Company (the "Directors") confirm that the Group has fulfilled its obligations under the relevant PRC employment laws. The Group also set up the mandatory provident fund scheme for the employees in Hong Kong.

Share Option Scheme

The Company has established a share option scheme to recognise and acknowledge the contributions made or will be made to the Group by the eligible participants. The purpose of the scheme is to encourage the eligible participants to continue their contribution. The eligible participants include any full-time or part-time employees, executives, officers, Directors (including executive, non-executive and independent non-executive Directors), advisers, consultants, suppliers and agents of the Company or any of its subsidiaries or invested entities, and any person who, in the opinion of the board of directors of the Company, will contribute to the Group or have done so.

Charge on Assets

As at 31 December 2010, the pledge deposits are denominated in Renminbi as security for bills facilities granted to the Group. In addition, certain of the Group's land and buildings are pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 31 December 2010, the capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated balance sheet amounted to RMB14.04 million (2009: RMB94.98 million).

Contingent Liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

MARKET REVIEW

The power market of China was full of rapid changes and was stepping into consolidation in 2010. During the year, according to the new principle of "implementing measures by provincial grid corporations under the centralization of the headquarters", the State Grid ("State Grid") centralized procurement of smart meters. This changed the traditional practice of organizing tenders by headquarters and provincial grid corporations separately. Although the large-scale centralized procurement put pressure on prices, it contributed to the consolidation of the industry, mass production and decrease in cost. State Grid undertook four tenders in 2010 in Shanghai, Chongqing, Shenyang, Lanzhou and Changsha respectively, with a total tender volume of approximately 45 million units. Leveraging on the comprehensive strength in brand, technology, market, quality and scale, Wasion Group achieved steady and outstanding results in all the bids, with an accumulated tender value of RMB 830 million. Among which three-phase meters amounted to 760,000 units, representing 20% of the total tender volume and ranked the top in terms of market share. Single-phase meters had a tender volume of 2.6 million units and ranked the second in the industry in terms of tender value and volume. The Group continued to maintain its leading position in the three-phase meters market share while the market share in single-phase meters rapidly increased, which further strengthened the leading position of the Group in the power field.

2010 is the beginning year of the policies of energy performance contract business in China. On 2 April 2010, the State Council of the PRC issued the "Opinions on Accelerating the Implementation of Energy Performance Contracting to Promote the Development of Energy Saving Service Industry". The State also promulgated a series of policies and documents thereafter on supporting the energy saving, emissions reduction and energy performance contract business, to further guide and carry out the implementation of the promotion of energy performance contract in China. This marked the new era of the energy performance contract business in the country, which eventually gained the support of governmental policies. As one of the energy saving service corporations qualified by the National Development and Reform Commission, Wasion Group honorably received rewards of national technology advancement among the corporations in the energy saving industry. Leveraging on its own strengths in the industry and technology, Wasion seized opportunities for the development in the energy saving service area, and was stepping forward to the newly established aim of becoming the "Energy Metering and Energy Saving Expert".

BUSINESS REVIEW

Domestic Markets

In the past year, while facing the complicated, ever-changing and competitive market, the Group emphasized on strengthening and expanding the development of power retail business, based on the premise of ensuring the leading role in market share in the centralized procurement of State Grid and tenders of provincial power corporations. Meanwhile, the Group also emphasized on strengthening the business development of the non-power market, optimized sales resources structure and expanded the business model, so as to further focus on the major industries and substantial customers in various provinces as well as to greatly enhance the development of energy metering such as water, gas and heat, and the energy efficiency management business.

As the country's value on energy saving and emission reduction was deepened, the testing procedures were continuously reinforced. Governments and corporations became aware of energy saving and lowering consumption work. Based on the original energy efficiency supervision and management business, the Group strictly followed the policies to enhance the development of self-energy-saving technology and electricity-saving products with core ideas of energy saving technology. Meanwhile, the Group strengthened the capacity of integrated energy saving solutions, and focused on the expansion of key areas such as energy saving in electric machinery systems, highly reliable power saving techniques, air source heat pumps, ground source heat pumps, and energy saving in architecture, and achieved an effective breakthrough. Energy efficiency solution business has become a new source for the Group's income and will become the driving force for the Group's profit growth in the future.

Electronic Power Meters

During the year under review, sales of electronic power meters remained the major source of revenue of the Group. Turnover from sales of three-phase electronic power meters and single-phase electronic power meters for the year ended 31 December 2010 amounted to RMB486.42 million and RMB471.19 million respectively, representing an increase of 3% and 66% respectively as compared with last year and contributed to 36% and 35% of the Group's total turnover respectively (2009: 44% and 26% respectively). As State Grid's centralized procurement had led to a competitive market and a change on product structure, the gross profit margin of three-phase and single-phase meters had been dropped by different extents.

Data Collection Terminals

In 2010, revenue from sales of data collection terminals amounted to RMB260.21 million, representing an increase of 4% as compared with last year and accounted for 20% (2009: 23%) of the Group's total turnover.

Water, Gas and Heat Meters

Smart fluid measurement market, which is represented by smart water, gas and heat meters, was satisfactory in 2010. The market coverage expanded, customers obviously increased, and the sales structure became reasonable as compared with 2009. Although the overall smart fluid measurement products recorded a lower sales volume than power measurement products, its potential growth is substantial and will act as an important support for the Group's switch from power measurement to energy measurement business in the future.

Revenue from sales of water, gas and heat meters in 2010 amounted to RMB75 million, representing an increase of 3% as compared with last year and accounted for 6% (2009: 7%) of the Group's total turnover.

Energy Efficiency Solution

As the macro-economic situation changed in the market, the Group not only ensured the steady growth of business for traditional measurement products, but also strived to develop high margin energy efficiency solution business. In 2010, the Group's revenue from energy efficiency solution business amounted to RMB 37.95 million (2009: Nil), representing 3% of the total revenue (2009: Nil). The twelfth five-year plan of the country imposed important plans on energy saving and emission reduction, therefore the Group put energy efficiency solution as its key development area and anticipated that it will be the Group's business highlight in the future.

International Markets

In terms of international markets, the Group has established branches in Singapore and Shenzhen to put more efforts on the exploration of the markets in Southeast Asia and America with some new markets explored during the year, including Indonesia, Malaysia, Philippines, Peru and Saudi Arabia. In addition, the cooperation projects on AMI technology in United States and Japan are under smooth development, and once the pilot tests and the pilot sale are completed, the market competitiveness and the development prospect of the Group's AMI will be considerably improved. The prepaid keypad power meters and systems individually developed by the Group have fully passed the STS international certification, and the ANSI meter products have also passed relevant American certifications, which have laid a solid foundation for its next step to explore the international markets. In terms of marketing strategy, the Group adopted the new technology-induced business mode, which further enriched the means and channels for the Group's participation in the international markets.

Entry into a Strategic Cooperation Framework Agreement with Siemens

The Group entered into a strategic cooperation framework agreement with Siemens Ltd., China ("Siemens") in May 2010 to conduct research on the feasibility of undertaking the smart grid pilot projects together in China, including the execution of conducting feasibility researches in the areas of smart power consumption, smart home, smart power transmission and smart power distribution in the market of China. Both parties have constantly maintained close interactions on the basis of the framework agreement, and have progressively finalized several specific cooperation intentions and projects.

Research and Development

Leveraging on the continuous innovative corporation core value, the Group focused on enhancing the research and development of new energy efficiency products and new measurement technology. The research expenses for 2010 (including the capitalization part) was approximately RMB88.38 million (2009: RMB85.60 million), representing 6.6% of the total turnover of the Group (2009: 7.9%).

In 2010, the technology research center of the Group has been regarded as a National-recognized Enterprises Technology Center, and has also been valued as a "Key Hi-tech Enterprise" under State Torch Program. Two programs of the Group, "Digital Power Meters Under Smart Grid" and Advanced Metering Infrastructure ("AMI"), have been selected as 2010 State Torch Program projects. In 2010, the Group's "Sizable Enterprises Comprehensive Energy Saving Key Technology and Applications" has been awarded "2010 2nd Class National Award of Science Advancement", with two items being awarded by provincial authorities. Five new products, ultra-sound heat meters and distribution of continuous dynamic reactive power generator etc. have passed the provincial-level technology results identification or been awarded by provincial-level outstanding new products. In 2010, the Group has been granted a total of 85 new patents and among which 4 are invention patents, and was responsible for drafting and announced the first "digital power meters" standard in the industry pursuant to provincial-level standards. The self-developed American ANSI power meter series has also received certificate from American MET Laboratories, and keypad three-phase meter has passed the certification of South African STS Association.

In 2010, the Group's subsidiary Changsha Weisheng Energy Industrial Technology Company Limited has been awarded as the "Enterprise with the Greatest Developing Potential in the Energy Saving Service Industry in China" and the "National Energy Saving Contribution Awards". Another subsidiary of the Group Hunan Weiming Technology Company Limited has been granted three awards, "Top Ten Enterprise of Innovative Technology", "Top Ten Enterprise of Comprehensive Strength" and "Most Influential Brand" for smart water meters. These fully demonstrated the results and strengths of Wasion Group in the new business areas.

The Group's enhanced and continuous innovative power, together with the promotion of new technology and new products will greatly boost business growth of the Group in the future, and will also guarantee steady profits for the Group.

PROSPECT

2011 is the first year of China's "twelfth five-year plan", under which the country will promote the construction of smart energy network which covers water, electricity, gas and heat in full gear, ramp up society-wide efforts on energy saving and emission reduction, and focus on the development of energy saving service industry. The Group will capitalize on the opportunity and push forward overall development of all business fields. In addition, with the emergence of a global smart grid, the Group will initiate new strategies for its overseas business, highlight reinforcement of strategic alliance while attaching importance to existing market and channel expansion, and accelerate its exploration in the international market with the assistance from strategic partners.

Power grid companies, led by State Grid, will keep scaling up the application of smart meters in 2011. It is estimated that market demand for smart meters will exceed 50 million units while the demand for data collection terminals will remain strong. As further emphasis will be placed on product quality and service capability, procurement price will be climbing up steadily. Moreover, power grid companies will be committed to the advance of smart grid pilot and demonstration projects in 2011 and the Group will step up its efforts to participate in these pilot programs in the field of smart power distribution and smart power consumption, from which it will be benefited by leveraging on its leading technology position in the power metering field and advantages in the power industry.

As identified in Document No.1 relating to the "Decision on Expediting the Reform and Development of Water Conservancy" promulgated by the State Council on 29 January 2011, the strategic positioning of water conservancy under the new situation has been affirmed and initiatives such as aggressive promotion of water price reform, reasonable adjustments on urban water prices and steady implementation of escalating fee-charging scale for water pricing were articulated. While smart water meters are essential for water metering under escalating water pricing scheme, it could be interpreted as huge potential in the smart water metering market for Wasion Group. The Group will seize the opportunity arising from the evolvement of smart water metering and water resources management and commit itself in developing more competitive products and solutions, in order to grow into a high-end supplier in China's smart water metering service industry.

In terms of gas metering market, since natural gas is enjoying increasing popularity throughout the country coupled with nationwide promotion of the clean energy, the demand for smart gas meters will also be pushed up. Wasion Group has successfully engaged in significant partnership with large gas companies including Kunlun Gas and China Gas on account of its supreme systematic solutions. The Group will consider the cooperative opportunity as a breakthrough and increase its market share in the smart gas metering market rapidly.

In terms of heat metering market, on one hand, the Group will intensify heat metering market expansion backed by mandatory implementation of heat charging fee on a per household basis, and on the other hand, integrate energy efficiency management technology with energy performance contract business, proactively develop energy saving products and energy saving business in the heat supply field and turn them into major business growth engines of the Group in the future.

Government policies on energy saving service industry were announced last year and 2011 will mark as the first year of actual implementation. Based on the preliminary preparation and experience, Wasion Group sets its target on industrial energy saving market and aims to build up core competence in energy consumption monitor and assessment, energy saving technology and products and distributed renewable energy in order to promote the continuous development of the Group's energy efficiency management business.

Looking into the future, we are facing huge business opportunities provided by the initiatives on energy saving and emissions reduction. With the huge domestic and international demand and opportunities, the Group will adhere to the core value of "Perfect work with Passion, and Success achieved with Integrity" and the corporate mission of becoming an "Energy Metering and Energy Saving Expert" and leverage on the operating theory of "achieving mutual success through innovation and dedication" to progress towards the established strategic objective of focusing on three markets, namely the domestic power industry market, the domestic non-power industry market and the international market.

CORPORATE SPIRIT:

Be Cohesive, Ambitious, Down-to-Earth and Creative

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ji Wei (吉為), aged 54, is an executive Director, the chairman of the Company and the founder of the Group. Mr. Ji obtained a master degree in business administration from the University of Northern Virginia in June 2005. Mr. Ji is responsible for the Group's overall strategic planning and the formulation of corporate policies and has over 26 years of experience in management. Prior to founding the Group in 2000, Mr. Ji was a business manager of Hunan Province Minerals Import and Export Company (湖南省五金礦產進出口公司) between 1980 and 1985 and the import and export manager of Hunan International Economic Development (Group) Company (湖南省國際經濟開發（集團）公司) between 1985 and 1989. Mr. Ji is also a director of each of Hunan Willfar Information Technology Co., Ltd. (湖南威遠信息技術有限公司) ("Hunan Willfar"), Hunan Classic Investment Co., Ltd. (湖南經典投資有限公司) ("Hunan Classic"), Changsha Weihua Property Development Co., Ltd. (長沙威華置業有限公司) ("Weihua Property") and Changsha Weizhong Chemical Machinery Co., Ltd. (長沙威重化工機械有限公司) ("Weizhong Machinery"). Mr. Ji was appointed as an executive Director with effect from 20 July 2004. Mr. Ji was appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in 2007. He was also awarded with the honourary titles of "Excellent Entrepreneur Supporting Chinese Communist Party" and "Excellent Entrepreneur of Changsha Hi Tech Zone" in 2008.

Ms. Cao Zhao Hui (曹朝輝), aged 43, is an executive Director and the chief executive officer of the Company. Ms. Cao graduated from Hunan Commerce College in financial accounting and obtained a degree in Economics from the Hunan Financial and Economic College. Ms. Cao was employed as the director of finance with Hunan Weisheng Electronics Co., Ltd. (湖南威勝電子有限公司) ("Hunan Weisheng") between 1998 and 2000. She joined the Group in 2000 and was the director of finance and the director of the general manager's office from 2000 to 2003. She was appointed as a director of Changsha Weisheng Electronics Co., Ltd. (長沙威勝電子有限公司) ("Changsha Weisheng") in March 2004 and as an executive Director in March 2005. Ms. Cao is also a director of each of Hunan Willfar, Weihua Property, Weizhong Machinery and Hunan Classic. Ms. Cao was appointed as the executive Director with effect from 3 March 2005. Ms. Cao was accredited the honor of "Woman Pioneer" and "Excellent Entrepreneur" of Changsha in 2005. Ms. Cao was appointed as a member of the Chinese People's Political Consultative Conference of Changsha in 2007. She was also awarded with the honourary titles of "Star of Woman Venturer" and "Excellent Entrepreneur of Changsha Hi Tech Zone" in 2008.

Mr. Zeng Xin (曾辛), aged 41, is an executive Director and the vice president. Mr. Zeng graduated from the State Security Technology University with a degree in system engineering in 1992. During 1992 to 1993, he studied in the Qinghua University for a postgraduate degree programme. In 1995, Mr. Zeng obtained a master degree in engineering from the China Academy of Space Technology (中國空間技術研究院) and participated in several research projects in the China Academy of Space Technology (中國空間技術研究院) during his studies and after graduation. Mr. Zeng worked with Hunan Weisheng as a system engineer, vice-director of research, director of research and director of system between 1995 and 1999 and as the general manager with Hunan Willfar between 1999 and July 2004, and a director from December 1999 to January 2005. Mr. Zeng joined the Group in July 2004 and was appointed as an executive Director with effect from 1 September 2005.

Ms. Zheng Xiao Ping (鄭小平), aged 48, is an executive Director, the chief engineer and the director of quality control. Ms. Zheng graduated from the Taiyuan University of Technology with a degree in industrial automation. She obtained a master degree in engineering from the North China Institute of Technology. Between 1987 and 1988, Ms. Zheng was a teaching assistant at the Taiyuan University of Technology. She lectured at the Taiyuan University of Technology between 1988 and 1993 and was appointed as the research director of Hunan Weisheng from 1993 to 2000 being responsible for the research and development work. She joined the Group in 2000 and was responsible for the research and development work of the Company. Ms. Zheng was appointed as the executive Director with effect from 1 September 2005. Ms. Zheng was appointed as a director of Changsha Weisheng in March 2004 and an executive director in September 2005. Ms. Zheng was awarded the "Technical Expert with Outstanding Achievement" in 1998 and 2000 respectively by the Changsha High and New Technological Development Zone. In 2003, Ms. Zheng was awarded as an "Individual with Advanced Technology Creation in Hunan" by the Hunan Economic and Trade Committee. She was also awarded with the honourary titles of "Excellent Entrepreneur of Changsha Hi Tech Zone", "Legendary Women Pioneer Individual" and "Ten Most Outstanding Women of Changsha" in 2008. Ms. Zheng is the spouse of Mr. Wang Xue Xin.

Mr. Wang Xue Xin (王學信), aged 49, is an executive Director and the general manager of International marketing of the Company. Mr. Wang obtained a master degree in automation from the Harbin Industrial University in 1987 and was certified as a senior engineer. Mr. Wang lectured at the Taiyuan University of Technology between 1987 and 1990 and was the director of the development team of Taiyuan University of Technology Technological Development Company from 1990 to 1993. Mr. Wang worked as the engineer and the deputy manager of Hunan Weisheng from 1993 to 2000. Mr. Wang joined the Group in 2000 and is responsible for carrying out the research and development functions of the Group. Mr. Wang obtained the Changsha Award for Scientific Advancement and Elite Expert of Changsha in 1998 and 2003 respectively. Mr. Wang was a director of Hunan Willfar from February 2000 to January 2005, a director of Hunan Weike Power Meters Company Limited from May 2002 to January 2005 and a director of Hunan Weiming Technology Co., Ltd. from May 2002 to May 2004. Mr. Wang was appointed as an executive Director with effect from 3 March 2005. Mr. Wang is the spouse of Ms. Zheng Xiao Ping.

Mr. Liao Xue Dong (廖學東), aged 49, is an executive Director and the director of risk management. Mr. Liao graduated from the Central South University with a degree in mechanical equipment. Mr. Liao has worked with Hunan International Economic Development (Group) Company (湖南省國際經濟開發（集團）公司) and Hunan Weisheng prior to joining the Group in 2000. Mr. Liao was appointed as an executive Director with effect from 1 September 2005 and the director of risk management in 2010.

Independent Non-Executive Directors

Mr. Wu Jin Ming (吳金明), aged 48, is an independent non-executive Director. Mr. Wu graduated from the Agricultural University of Hunan in 1986 with a degree in agricultural economics and undertook further studies in 1987 in economics at the Wuhan University. Mr. Wu was an assistant professor, a vice-dean and a lecturer at the faculty of economics of the Agricultural University of Hunan. He was a visiting scholar at the Shiga University of Japan. Mr. Wu has been a professor of the College of Commerce of the Central South University since 2001 and is now the instructor of doctorial students and doctors of economics. Mr. Wu was a member of the Chinese People's Political Consultative conference of Hunan Province in 2003 and was appointed as the advisory consultant as regards the decisions on substantial projects of the Hunan provincial government in June 2004. Mr. Wu was appointed as an independent non-executive Director in September 2005.

Mr. Pan Yuan (潘垣), aged 78, is an independent non-executive Director. Mr. Pan graduated from the Electricity Faculty of the Central China Industrial College (華中工學院電力系) and worked in the Second Ministry of Mechanical Industry (第二機械工業部) 401 Institute, 585 Institute and at the China Academy of Sciences and was a researcher, a teaching assistant and a director of the academic study of the Institute of Plasma Science and Technology of the China Academy of Sciences. Mr. Pan was a visiting scholar at the European United Tokamak Fusion Centre and at the Fusion Centre of the University of Texas. Mr. Pan was appointed as an academician of the China Engineering Institute (中國工程學院) in 1997. Mr. Pan is currently a professor at the Central China Technical University (華中科技大學), a mentor for doctorate students and the honourary dean of the Electricity and Electronic Engineering College and the vice-director of the academic committee of the Central China Technical University. Mr. Pan was responsible for researching on the theory and the new application on the improvement of tokamak magnetic confinement performance (改善托卡馬克等離子體磁約束性能的新理論和新途徑), a major project sponsored by the National Natural Science Fund. Mr. Pan was appointed as an independent non-executive Director in September 2005.

Mr. Hui Wing Kuen (許永權), aged 63, is an independent non-executive Director. Mr. Hui has extensive experience in taxation and financial management. Mr. Hui worked in the Inland Revenue Department of Hong Kong for more than 24 years and was an assistant commissioner at his retirement in 1995. Mr. Hui is a member of the Taxation Institute of Australia, the Australian Society of Certified Practising Accountants, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Company Secretaries. Mr. Hui was appointed as an independent non-executive Director in September 2005.

SENIOR MANAGEMENT OF THE GROUP

Mr. Huang Qing (黃慶), aged 44, graduated from the Wuhan Industrial College (武漢工業學院) with a degree in computer accounting (會計電算化). Between 1988 and 1997, Mr. Huang was the finance manager of Hunan International and he was the finance manager of Hunan Weisheng between 1997 and 2000. He joined Changsha Weisheng as a sales manager in 2000 and is responsible for carrying out the sales functions of the Group. He began as being responsible for the preparation and construction work for Wasion Science and Technology Park in 2006, and was appointed as the chief operating officer of the Group in 2009.

Mr. Feng Xijun (馮喜軍), aged 44, obtained a master degree in mechanics from the Shanxi Mining Industry College (山西礦業學院). He was an industrial safety engineer of coal mines of the Shanxi Taiyuan Xishan Mining Bureau and was the deputy director and a director of Shanxi Power Company High and New Technology Development Company Research Institute and the deputy general manager of Hunan Willfar. Mr. Feng joined the Group in 2004 and was the deputy general manager of Changsha Weisheng Information Technology Company Limited. He was appointed as the director of development of the Group in 2009.

Ms. Li Hong (李鴻), aged 36, obtained EMBA from the People's University of China (中國人民大學). She joined the Company in 1994, and was the manager of public relations and company secretarial department, the manager of human resources department and the director of human resources of the Company. She was awarded the "Outstanding HR Manager in China" as rated by China Human Resources annually in 2007 and 2008, Third Class Award of Brilliant Personnel in Changsha City Personnel System, a "Brilliant Personnel" for Ideology Promotion in Changsha City and one of the representatives for the new social stratum in Changsha City.

Mr. Choi Wai Lung Edward (蔡偉龍), aged 42, is the financial controller and company secretary of the Company. Mr. Choi is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants with over 20 years of experience in accounting, auditing and finance.

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 42 of the annual report. No interim dividend was paid to the shareholders during the year.

The directors recommend the payment of a final dividend, of HK$0.11 (equivalent to RMB0.093) per share to the shareholders on the register of members on 24 May 2011.

FIXED ASSETS

During the year, the Group transferred investment property from property, plant and equipment at a carrying amount of RMB9,180,000.

Details of movements in the property, plant and equipment and investment property of the Group during the year are set out in notes 13 and 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2010 comprised the merger reserve and retained profits of RMB94,753,000 in aggregate.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Ji Wei *(Chairman)*
Cao Zhao Hui *(Chief Executive Officer)*
Zeng Xin
Zheng Xiao Ping
Wang Xue Xin
Liao Xue Dong

Independent non-executive directors:
Wu Jin Ming
Pan Yuan
Hui Wing Kuen

In accordance with article 87 of the Articles of Association of the Company (the "Articles"), one-third of the directors for the time being shall retire from office by rotation at each annual general meeting of the Company provided that every director shall be subject to retirement at least once every three years. Ms. Cao Zhao Hui and Mr. Zeng Xin, the executive directors and Mr. Wu Jin Ming, the independent non-executive director, shall retire from their offices at the Annual General Meeting and shall be eligible to offer themselves for re-election pursuant to articles 87 and 88 of the Articles of Association of the Company.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2010, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

(a) Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ji Wei	Interest of controlled corporation (Note 1)	468,888,888	50.48%
Wang Xue Xin	Beneficial owner (Note 2)	912,000	0.10%
Cao Zhao Hui	Beneficial owner	400,000	0.04%
Zeng Xin	Beneficial owner	500,000	0.05%
Zheng Xiao Ping	Beneficial owner (Note 2)	912,000	0.10%
Liao Xue Dong	Beneficial owner	400,000	0.04%
Hui Wing Kuen	Beneficial owner	410,000	0.04%
Pan Yan	Beneficial owner	100,000	0.01%
Wu Jin Ming	Beneficial owner	100,000	0.01%

Notes:

(1) The shares are held by Star Treasure Investments Holdings Limited ("Star Treasure"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Ji Wei.

(2) 512,000 shares and 400,000 shares are held by Mr. Wang Xue Xin and Ms. Zheng Xiao Ping respectively. Ms. Zheng Xiao Ping is the spouse of Mr. Wang Xue Xin.

(b) Share options

Name of Director	Number of options to subscribe for shares	Capacity	Number of Underlying ordinary shares	Percentage of the issued share capital of the Company
Wang Xue Xin	1,900,000	Beneficial owner	1,900,000	0.20%
Cao Zhao Hui	1,600,000	Beneficial owner	1,600,000	0.17%
Zeng Xin	1,500,000	Beneficial owner	1,500,000	0.16%
Zheng Xiao Ping	1,600,000	Beneficial owner	1,600,000	0.17%
Liao Xue Dong	1,200,000	Beneficial owner	1,200,000	0.13%
Hui Wing Kuen	200,000	Beneficial owner	200,000	0.02%
Pan Yuan	100,000	Beneficial owner	100,000	0.01%
Wu Jin Ming	100,000	Beneficial owner	100,000	0.01%

Other than as disclosed above, none of the directors, chief executives nor their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2010.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors and independent non-executive directors entered into service agreements with the Company for a term of three years and one year respectively and either the Company or the executive director/independent non-executive director may terminate the appointment by giving the other a prior notice of three months in writing before its expiration.

Other than as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in shares and underlying shares" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions — Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued capital of the Company
Ji Wei	Interest in controlled corporation	468,888,888	50.48%
Star Treasure	Beneficial owner	468,888,888	50.48%

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2010.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share options", at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

The following table disclosed movements in the Company's share options during the year:

Name and category of participation	Number of share options: As at 1 January 2010	Exercised during the year	As at 31 December 2010	Date of grant of share options	Vesting period of share options	Exercise period of share options	Exercise price of share options*	Share price of the Company as at the date of grant of share options**
Directors								
Wang Xue Xin	1,900,000	—	1,900,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Cao Zhao Hui	1,600,000	—	1,600,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Zeng Xin	1,500,000	—	1,500,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Zheng Xiao Ping	1,600,000	—	1,600,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Liao Xue Dong	1,200,000	—	1,200,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Hui Wing Kuen	300,000	(100,000)	200,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Pan Yuan	100,000	—	100,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Wu Jing Ming	100,000	—	100,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Sub-total	8,300,000	(100,000)	8,200,000					
Other employees	5,023,000	(150,000)	4,873,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Other employees	3,060,000	(25,000)	3,035,000	7 February 2007	7 February 2007 to 6 February 2009	7 February 2009 to 6 February 2017	3.200	3.200
Other employees	7,000,000	(125,000)	6,875,000	7 February 2007	7 February 2007 to 6 February 2010	7 February 2010 to 6 February 2017	3.200	3.200
Sub-total	15,083,000	(300,000)	14,783,000					
Total	23,383,000	(400,000)	22,983,000					

* The exercise price of share options is subject to adjustment made in respect of the alteration in capital structure of the Company.

** The share price of the Company as at the date of the grant of share options was the closing price as quoted on the Stock Exchange of the trading day on the date of the grant of share options.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SHARE AWARDS

The share award plan (the "Share Award Plan") of the Company was adopted by the Board on 10 October 2008. The Share Award Plan became effective on 10 October 2009 and, unless otherwise terminated or amended, will remain in force for 10 years. Eligible employees, but not directors, are entitled to participate in the Plan.

The purpose of the Share Award Plan is to recognise and reward the contribution of the employees to the growth and development of the Group through an award of shares of the Company. Under the Share Award Plan, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select an employee for participation in the Scheme and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards granted by the Board under the Scheme (but not counting any which have lapsed or have been forfeited) exceed 2% of the total number of issued shares as at the beginning of that financial year.

As announced by the Company on 21 July 2009, the Share Award Plan was terminated by the Board as it would increase the administration burden and affect the Company's preparation of its consolidated financial statement as the Company will be required to comply with several PRC regulations. Since no shares award has ever been awarded to any eligible employee since the adoption of the Share Award Plan, and taking into account that the Share Award Plan may not be an efficient method to reward and provide incentive to the employees of the Group, the Board considered it is in the best interests of the Company to terminate the Share Award Plan.

The balance of the plan asset upon the termination has been dealt with in accordance with the terms of the Share Award Plan and the net proceeds has been returned to the Company.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers that all of the independent non-executive directors are independent.

CORPORATE GOVERNANCE

The Company is committed to maintain the high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 34 to 40 of the annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2010, the Company has repurchased its listed shares on the Stock Exchange and the details are as below:

Month of repurchase	Number of shares repurchased	Highest price per share	Lowest price per share	Total Consideration Paid
		HK$	HK$	HK$
January 2010	1,500,000	5.30	5.08	7,820,280
June 2010	1,288,000	4.65	4.45	5,845,300
	2,788,000			13,665,580

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total sales and total purchases of the Group respectively.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules throughout the year ended 31 December 2010.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 98 of the annual report.

AUDIT COMMITTEE

The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2010.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messers. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Ji Wei
CHAIRMAN

Hong Kong
28 March 2011

Corporate Governance Report

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the needs of its business.

The Company's corporate governance practices are based on the principles ("Principles"), code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules. The Company has applied the Principles and the Code Provisions as set out in the CG Code and complied with all of the Code Provisions. The Company regularly reviews its organisational structure to ensure that operations are conducted in accordance with the standards of the CG Code.

The Company wishes to highlight the importance of its Board in ensuring effective leadership and control of the Company and transparency and accountability of all operations.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All Directors should take decisions objectively in the interests of the Company.

The Board reserves for its decisions on all major matters of the Company, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company, with a view to ensuring that board procedures and all applicable rules and regulations are followed.

Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer of the Company (the "Chief Executive Officer") and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has the full support of the Chief Executive Officer and the senior management to discharge its responsibilities.

Composition

The composition of the Board ensures a balance of skills and experience necessary for its independent judgement and fulfilling its business needs.

The Board currently comprises nine members, consisting of six executive Directors and three independent non-executive Directors. Their biographical details are set out on pages 24 to 26 of this annual report.

The Board of the Company comprises the following Directors:

Executive Directors:

Ji Wei, chairman of the Board (the "Chairman") and nomination committee of the Company (the "Nomination Committee"), and member of remuneration committee of the Company (the "Remuneration Committee")

Cao Zhao Hui
Zeng Xin
Zheng Xiao Ping
Wang Xue Xin
Liao Xue Dong

Independent Non-executive Directors:

Hui Wing Kuen, chairman of audit committee of the Company (the "Audit Committee") and Remuneration Committee, and member of Nomination Committee

Wu Jin Ming, member of Audit Committee, Remuneration Committee and Nomination Committee

Pan Yuan, member of Audit Committee

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

During the year under review, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive Directors bring a wide range of technical, business and financial expertise, experiences and independent judgement to the Board. Through their active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company.

Appointment and Succession Planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of directors.

Each of the executive Directors is engaged in a service contract for a term of three years. The appointment may be terminated by not less than three months' written notice. All the independent non-executive Directors are appointed for a specific term. The terms of their appointments are as follows:

Hui Wing Kuen	:	up to the 2011 annual general meeting
Wu Jin Ming	:	up to the 2011 annual general meeting
Pan Yuan	:	up to the 2011 annual general meeting

Pursuant to the Articles, all Directors are subject to retirement by rotation once every three years and any new Director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following general meeting and the next following annual general meeting respectively.

Training for Directors

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary.

Board Meetings

Number of Meetings and Directors' Attendance

In 2010, the Company has held five board meetings. The Company will endeavour to hold at least four regular board meetings a year.

The attendance of the Directors at board meetings held during the year is set out below:

Directors	**Attendance/ Number of Meetings**
Executive Directors:	
Ji Wei *(Chairman)*	5/5
Cao Zhao Hui	5/5
Zeng Xin	4/5
Zheng Xiao Ping	4/5
Wang Xue Xin	4/5
Liao Xue Dong	4/5
Independent Non-Executive Directors:	
Hui Wing Kuen	4/5
Wu Jin Ming	4/5
Pan Yuan	4/5

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep the Directors appraised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Chief Executive Officer, chief financial officer and company secretary of the Company attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

Minutes of all Board meetings and committee meetings are kept by the company secretary of the Company. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. So, the posts of the Chairman and Chief Executive Officer are held separately by Mr. Ji Wei and Ms. Cao Zhao Hui respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practices. With support of the senior management, the Chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at the Board meetings.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. She is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

COMMITTEES

The Board has established three committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Committees of the Company are established with defined written terms of reference. The terms of reference of the Committees will be posted on the Company's website and are available upon request.

The majority of the members of each Committee are independent non-executive Directors and the list of the chairman and members of each Committee is set out under "Composition" of this report on pages 34 to 35.

The Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

NOMINATION COMMITTEE

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

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Two Nomination Committee meetings have been held during the year to review the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

The attendance of individual members at Nomination Committee meetings held during the year is set out below:

	Attendance/ Number of Meetings
Ji Wei *(Chairman)*	2/2
Hui Wing Kuen	2/2
Wu Jin Ming	2/2

In accordance with the Articles, Ms. Cao Zhao Hui, Mr. Zeng Xin and Mr. Wu Jin Ming shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

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

REMUNERATION COMMITTEE

The primary objectives of the Remuneration Committee include establishing a formal and transparent procedure for developing policies for the remuneration of the executive Directors and for fixing the remuneration packages of all Directors and the senior management. The Remuneration Committee is also responsible for ensuring the remuneration packages which are sufficient to attract and retain the Directors for running the Company successfully; to avoid over-paying and to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee normally meets towards the end of each year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors and the senior management and other related matters. The human resources department is responsible for collection and administration of the human resources data and making recommendations to the remuneration committee for consideration. The Remuneration Committee shall consult the Chairman about these recommendations on remuneration policy and structure and remuneration packages.

Two Remuneration Committee meetings have been held during the year to review the remuneration policy and structure of the Company and remuneration packages of the executive Directors and the senior management.

The attendance of individual members at Remuneration Committee meetings held during the year is set out below:

	Attendance/ Number of Meetings
Hui Wing Kuen *(Chairman)*	2/2
Ji Wei	2/2
Wu Jin Ming	2/2

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any) or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year to review the financial results and reports, financial reporting and compliance procedures, and the re-appointment of the external auditors.

The attendance of individual members at Audit Committee meetings held during the year is set out below:

	Attendance/ Number of Meetings
Hui Wing Kuen *(Chairman)*	2/2
Wu Jin Ming	2/2
Pan Yuan	2/2

There is no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2010.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 41 of this annual report.

The Company's external auditor is Deloitte Touche Tohmatsu. Total auditor's remuneration paid and payable by the Group for the year ended 31 December 2010 amounted to RMB2.6 million, which comprises RMB2.1 million for the audit of the Group's consolidated financial statements for the year ended 31 December 2010 and RMB0.5 million for the review of the Group's interim report for the six months ended 30 June 2010.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Company's assets, and reviewing the effectiveness of such on an annual basis through the Audit Committee.

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the senior management.

The management of the Company is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk.

Deloitte.
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TO THE MEMBERS OF WASION GROUP HOLDINGS LIMITED
威勝集團控股有限公司
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Wasion Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 97, which comprise the consolidated balance sheet as at 31 December 2010 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
Turnover	5	**1,330,781**	1,078,165
Cost of sales		**(903,052)**	(592,853)
Gross profit		**427,729**	485,312
Other revenue and gains	6	**54,599**	13,820
Administrative expenses		**(112,411)**	(91,756)
Selling expenses		**(92,920)**	(90,419)
Research and development expenses		**(40,485)**	(30,946)
Finance costs	7	**(27,916)**	(14,277)
Profit before taxation	8	**208,596**	271,734
Income tax expense	9	**(17,363)**	(9,693)
Profit for the year		**191,233**	262,041
Other comprehensive income (expense)			
Exchange difference arising on translation		**(6,888)**	(1,437)
Fair value gain on available-for-sale investments		**3,573**	—
Other comprehensive expense for the year		**(3,315)**	(1,437)
Total comprehensive income for the year		**187,918**	260,604
Earnings per share	12		
Basic		**RMB21 cents**	RMB31 cents
Diluted		**RMB20 cents**	RMB30 cents

Consolidated Balance Sheet

At 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**665,766**	627,085
Deposit paid for acquisition of property, plant and equipment		**—**	3,355
Investment property	14	**8,997**	—
Prepaid lease payments	15	**73,984**	124,894
Intangible assets	16	**214,336**	251,912
Available-for-sale investments	17	**56,604**	4,961
Goodwill	18	**110,326**	110,326
Long-term receivable	19	**178,200**	—
		1,308,213	1,122,533
CURRENT ASSETS			
Inventories	20	**443,085**	327,423
Trade and other receivables	19	**1,144,766**	943,710
Amounts due from related parties	32	**21,338**	21,233
Prepaid lease payments	15	**1,655**	2,714
Pledged bank deposits	21	**142,378**	113,746
Bank balances and cash	21	**553,530**	644,668
		2,306,752	2,053,494
CURRENT LIABILITIES			
Trade and other payables	22	**832,729**	568,951
Amount due to a related party	32	**205**	559
Tax liabilities		**28,294**	11,410
Borrowings — due within one year	23	**391,332**	250,210
		1,252,560	831,130
NET CURRENT ASSETS		**1,054,192**	1,222,364
		2,362,405	2,344,897

Consolidated Balance Sheet

At 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
CAPITAL AND RESERVES			
Share capital	24	**9,406**	9,427
Reserves		**2,225,291**	2,138,448
		2,234,697	2,147,875
NON-CURRENT LIABILITIES			
Borrowings — due after one year	23	**110,000**	169,000
Deferred tax liability	25	**17,708**	28,022
		127,708	197,022
		2,362,405	2,344,897

The consolidated financial statements on pages 42 to 97 were approved and authorised for issue by the Board of Directors on 28 March 2011 and are signed on its behalf by:

Ji Wei	**Cao Zhao Hui**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note i)	Exchange reserve RMB'000	PRC statutory reserves RMB'000 (Note ii)	Shares held for share award plan RMB'000	Share option reserve RMB'000	Investment revaluation reserve RMB'000	Other reserve RMB'000 (Note iii)	Retained profits RMB'000	Total RMB'000
At 1 January 2009	8,384	693,267	49,990	(55,616)	90,888	(16,902)	34,459	—	—	580,633	1,385,103
Profit for the year	—	—	—	—	—	—	—	—	—	262,041	262,041
Other comprehensive expense for the year	—	—	—	(1,437)	—	—	—	—	—	—	(1,437)
Total comprehensive income (expense) for the year	—	—	—	(1,437)	—	—	—	—	—	262,041	260,604
Transfer to PRC statutory reserves	—	—	—	—	16,796	—	—	—	—	(16,796)	—
Cancellation of the share award plan	—	—	—	—	—	16,902	—	—	33,164	—	50,066
Recognition of equity-settled share-based payments	—	—	—	—	—	—	1,990	—	—	—	1,990
Issue of shares upon exercise of share options	216	67,852	—	—	—	—	(16,622)	—	—	—	51,446
Issue of shares to settle consideration for acquisition of subsidiaries in 2008	281	109,747	—	—	—	—	—	—	—	—	110,028
Issue of shares for share placement	546	382,024	—	—	—	—	—	—	—	—	382,570
Share issue expenses	—	(11,992)	—	—	—	—	—	—	—	—	(11,992)
Dividend recognised as distribution (note 11)	—	—	—	—	—	—	—	—	—	(81,940)	(81,940)
At 31 December 2009	9,427	1,240,898	49,990	(57,053)	107,684	—	19,827	—	33,164	743,938	2,147,875
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**191,233**	**191,233**
Other comprehensive income (expense) for the year	**—**	**—**	**—**	**(6,888)**	**—**	**—**	**—**	**3,573**	**—**	**—**	**(3,315)**
Total comprehensive income (expense) for the year	**—**	**—**	**—**	**(6,888)**	**—**	**—**	**—**	**3,573**	**—**	**191,233**	**187,918**
Transfer to PRC statutory reserves	**—**	**—**	**—**	**—**	**20,137**	**—**	**—**	**—**	**—**	**(20,137)**	**—**
Recognition of equity-settled share-based payments	**—**	**—**	**—**	**—**	**—**	**—**	**172**	**—**	**—**	**—**	**172**
Issue of shares upon exercise of share options	**3**	**1,209**	**—**	**—**	**—**	**—**	**(307)**	**—**	**—**	**—**	**905**
Repurchase of own shares	**(24)**	**(11,953)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(11,977)**
Dividend recognised as distribution (note 11)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(90,196)**	**(90,196)**
At 31 December 2010	**9,406**	**1,230,154**	**49,990**	**(63,941)**	**127,821**	**—**	**19,692**	**3,573**	**33,164**	**824,838**	**2,234,697**

Notes:

(i) Merger reserve represents the difference between the nominal value of shares of the subsidiary acquired over the nominal value of the shares used by the Company in exchange thereafter.

(ii) PRC statutory reserves are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to the Group's PRC subsidiaries.

(iii) Other reserve represents the excess of the balance of plan asset over the carrying amount of shares held under share award plan of the Company, which was recognised upon termination of the plan during the year ended 31 December 2009.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	NOTE	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		**208,596**	271,734
Adjustments for:			
Finance costs		**27,916**	14,277
Interest income		**(3,899)**	(2,450)
Dividend income from an available-for-sale investment		**(2,947)**	(4,535)
(Gain) loss on disposals of property, plant and equipment		**(33,523)**	17
Net foreign exchange (gain) loss		**(6,978)**	643
Depreciation of property, plant and equipment		**31,844**	20,503
Depreciation of investment property		**183**	—
Release of prepaid lease payments		**2,560**	1,902
Amortisation of intangible assets		**59,146**	50,688
Share-based payment expenses		**172**	1,990
Impairment of other receivables		**1,876**	—
Write-down of inventories		**1,999**	—
Operating cash flows before movements in working capital		**286,945**	354,769
Increase in inventories		**(117,661)**	(71,845)
Increase in trade and other receivables		**(202,932)**	(174,974)
Increase in trade and other payables		**264,764**	60,991
Cash generated from operations		**231,116**	168,941
Income tax paid		**(10,793)**	(22,947)
NET CASH FROM OPERATING ACTIVITIES		**220,323**	145,994
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(138,126)**	(189,841)
Expenditure on development projects		**(53,785)**	(54,652)
Purchase of available-for-sale investments		**(48,070)**	—
Increase in pledged bank deposits		**(28,632)**	(40,101)
Prepaid lease payment paid		**(10,819)**	—
(Advances to) repayment of related parties		**(105)**	89,457
Dividends received from an available-for-sale investment		**2,947**	4,535
Interest received		**3,899**	2,450
Proceeds on disposals of property, plant and equipment (net of transaction costs of RMB11,539,000 (2009: Nil))		**10,078**	—
Deposit paid for acquisition of property, plant and equipment		**—**	(3,355)
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	29	**—**	(384)
NET CASH USED IN INVESTING ACTIVITIES		**(262,613)**	(191,891)

	2010 RMB'000	2009 RMB'000
FINANCING ACTIVITIES		
Repayment of borrowings	**(604,752)**	(598,127)
Dividends paid	**(90,196)**	(81,940)
Interest paid on borrowings	**(28,291)**	(34,495)
Shares repurchased	**(11,977)**	—
Repayment to related parties	**(354)**	(69,244)
Proceeds on issue of shares upon exercise of share options	**905**	51,446
New borrowings raised	**687,441**	563,210
Proceeds on cancellation of share award plan	**—**	50,066
Expenses on issue of shares	**—**	(11,992)
Proceeds on issue of shares	**—**	382,570
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(47,224)**	251,494
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(89,514)**	205,597
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,624)**	(89)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**644,668**	439,160
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**553,530**	644,668

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors consider the immediate and ultimate holding company to be Star Treasure Investments Holdings Limited ("Star Treasure"), a limited liability company incorporated in the British Virgin Islands ("BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

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

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 33.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HKFRS 3 (as revised in 2008) Business Combinations

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. The Group has applied the amendments in advance of their effective dates (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 February 2010

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised Standards and Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Business combinations that took place prior to 1 January 2010

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

Goodwill

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

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related tax.

Revenue from the sale of goods is recognised when the goods are delivered and the title has passed and all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Deposits and instalments received from customers prior to meeting the above criteria on revenue recognition are include in the consolidated balance sheet under current liabilities.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payments have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment property

Investment property is property held to earn rentals or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property over its estimated useful live and after taking into account of its estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated balance sheet and is amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research and development expenditure

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

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

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

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

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less subsequent accumulated amortisation and any accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses on the same basis as intangible assets acquired separately. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instruments.

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

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including long-term receivable, trade and other receivables, amounts due from related parties, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Retention amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to a related party and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. The cost of the Company's shares repurchased by the Company (or its subsidiaries) for the share award plan as set out in note 26 is recognised as a deduction from equity in a special reserve (shares held for share award plan). No gain or loss shall be recognised in profit or loss on the purchase, sales issue or cancellation of such shares.

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Equity-settled share-based payment transactions

Share options/awarded shares granted to employees

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

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

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

At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to retained profits.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

Government subsidy

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily obtainable from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of intangible assets

The Group tests whether intangible assets have suffered any impairment in accordance with its accounting policy whenever there is any indication that the assets may have been impaired. The recoverable amounts of intangible assets have been determined based on discounted cash flow method. The directors consider that the recoverable amount exceeded the carrying amount of the intangible assets and no impairment was recognised during the year. Where the actual future cash flows is different from the original estimate, an impairment loss may arise. The carrying amount of intangible assets at the balance sheet date was approximately RMB214.3 million (2009: RMB251.9 million).

Estimated carrying amounts of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit ("CGU") to which goodwill has been allocated. This calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGU containing goodwill using a suitable discount rate. Where the expected future cash flows arising from the relevant CGU differ from the original estimation, an impairment loss may arise. The carrying amount of goodwill of approximately RMB110.3 million (2009: RMB110.3 million) as at 31 December 2010 was allocated to the electronic meters segment. Details of the recoverable amount calculation are disclosed in note 18.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of long-term receivable, trade and other receivables and amount due from related parties

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of trade and bill receivables is approximately RMB819.3 million (2009: RMB699.6 million), net of allowance for doubtful debts of approximately RMB16.6 million (2009: RMB16.6 million). As at 31 December 2010, the carrying amount of long-term receivable is approximately RMB178.0 million (2009: Nil) and amount due from related parties is approximately RMB21.3 million (2009: RMB21.2 million).

5. TURNOVER AND SEGMENT INFORMATION

	2010 RMB'000	2009 RMB'000
Sales of goods	**1,292,828**	1,078,165
Service income	**37,953**	—
	1,330,781	1,078,165

The Group's operating segments, identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance, are summarised as follows:

(a) electronic meters segment, which engages in the development, manufacture and sale of electronic power, water, gas and heat meters;

(b) data collection terminals segment, which engages in the development, manufacture and sale of data collection terminals; and

(c) energy efficiency solution segment, which engages in providing energy efficiency solution services (the operation of the energy efficiency solution segment commenced during the year ended 31 December 2010).

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the year ended 31 December 2010

	Electronic meters RMB'000	Data collection terminals RMB'000	Energy efficiency solution RMB'000	Elimination RMB'000	Consolidated RMB'000
TURNOVER					
External sales	**1,032,616**	**260,212**	**37,953**	**—**	**1,330,781**
Inter-segment sales*	**12,164**	**15,083**	**1,615**	**(28,862)**	**—**
Total	**1,044,780**	**275,295**	**39,568**	**(28,862)**	**1,330,781**
Segment profit	**115,972**	**92,345**	**11,907**	**—**	**220,224**
Unallocated income					**10,256**
Gain on disposal of property, plant and equipment					**33,300**
Central administration costs					**(27,268)**
Finance costs					**(27,916)**
Profit before taxation					**208,596**

* Inter-segment sales were charged at prevailing market rates.

For the year ended 31 December 2009

	Electronic meters RMB'000	Data collection terminals RMB'000	Energy efficiency solution RMB'000	Elimination RMB'000	Consolidated RMB'000
TURNOVER					
External sales	828,472	249,693	—	—	1,078,165
Inter-segment sales*	3,952	19,531	—	(23,483)	—
Total	832,424	269,224	—	(23,483)	1,078,165
Segment profit	202,905	100,129	—	—	303,034
Unallocated income					5,806
Central administration costs					(22,829)
Finance costs					(14,277)
Profit before taxation					271,734

* Inter-segment sales were charged at prevailing market rates.

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents profit attributable to each segment without allocation of certain other revenue and gains, central administration costs, directors' salaries, finance costs and taxation. This is the measure reported to the Group's Chief Executive Officer, its chief operating decision maker, for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

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

	2010 **RMB'000**	2009 RMB'000
SEGMENT ASSETS		
Electronic meters	**1,908,013**	1,740,370
Data collection terminals	**566,767**	395,957
Energy efficiency solution	**76,754**	—
Total segment assets	**2,551,534**	2,136,327
Unallocated assets	**1,063,431**	1,039,700
Consolidated assets	**3,614,965**	3,176,027
SEGMENT LIABILITIES		
Electronic meters	**626,569**	482,186
Data collection terminals	**144,351**	28,361
Energy efficiency solution	**16,221**	—
Total segment liabilities	**787,141**	510,547
Unallocated liabilities	**593,127**	517,605
Consolidated liabilities	**1,380,268**	1,028,152

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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

- all assets are allocated to reportable segments other than certain property, plant and equipment, investment property, prepaid lease payments, available-for-sale investment, long-term receivable, other receivables, amounts due from related parties, pledged bank deposits and bank balances and cash; and
- all liabilities are allocated to reportable segments other than certain other payables, amount due to a related party, tax liabilities, borrowings and deferred tax liability.

Other segment information

For the year ended 31 December 2010

	Electronic meters RMB'000	Data collection terminals RMB'000	Energy efficiency solution RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets and liabilities:				
Additions to non-current assets	**133,715**	**64,136**	**6,531**	**204,382**
Depreciation and amortisation of property, plant and equipment and intangible assets	**70,154**	**17,455**	**2,232**	**89,841**
Release of prepaid lease payments	**1,384**	**414**	**36**	**1,834**
Gain on disposals of property, plant and equipment	**216**	**4**	**3**	**223**
Write-down of inventories	**213**	**4**	**2**	**219**

For the year ended 31 December 2009

	Electronic meters RMB'000	Data collection terminals RMB'000	Energy efficiency solution RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets and liabilities:				
Additions to non-current assets	183,935	77,249	—	261,184
Depreciation and amortisation of property, plant and equipment and intangible assets	55,751	14,162	—	69,913
Release of prepaid lease payments	1,481	126	—	1,607
Loss on disposal of property, plant and equipment	17	—	—	17

Revenue from major customers

The directors are not aware of any customer that individually contributing over 10% of the consolidated turnover from external customers for both years.

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are mainly located in the PRC.

The following table provides an analysis of the Group's turnover by geographical location of customers, irrespective of the origin of the goods, and information about its non-current assets by geographical location of the assets.

	Turnover from external customers Year ended 31 December		Non-current assets (note)	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
PRC	**1,287,608**	1,044,204	**1,069,102**	1,114,065
Overseas	**43,173**	33,961	**4,307**	3,507
	1,330,781	1,078,165	**1,073,409**	1,117,572

Note: Non-current assets excluded financial instruments.

6. OTHER REVENUE AND GAINS

	2010 RMB'000	2009 RMB'000
Other revenue and gains includes:		
Gain on disposals of property, plant and equipment	**33,523**	—
Net foreign exchange gain	**6,978**	—
Bank interest income	**3,899**	2,450
Refund of value-added tax ("VAT", note)	**3,380**	5,857
Dividend income from an available-for-sale unlisted equity securities investment	**2,947**	4,535
Rental income from investment property	**903**	—

Note: Pursuant to the relevant regulations in the PRC, certain subsidiaries of the Group operated in the PRC are entitled to refunds of VAT on the sale of high technology products. The amount represents the refunds of VAT paid or payable in excess of 3% of income generated from the sales of these products and is recognised when the refund is approved by the relevant tax authorities.

7. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest on borrowings wholly repayable within five years	**28,291**	34,495
Less: amounts capitalised in property, plant and equipment	**(375)**	(20,218)
	27,916	14,277

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.58% (2009: 6.13%) per annum to expenditures on qualifying assets.

8. PROFIT BEFORE TAXATION

	2010 RMB'000	2009 RMB'000
Profit before taxation has been arrived at after charging:		
Staff costs including directors' emoluments:		
Salaries and benefits	**111,508**	77,108
Retirement benefit scheme contributions	**5,229**	4,868
Share-based payment expenses	**172**	1,990
	116,909	83,966
Auditor's remuneration	**2,147**	2,047
Loss on disposal of property, plant and equipment	**—**	17
Depreciation of property, plant and equipment	**31,844**	20,503
Depreciation of investment property	**183**	—
Release of prepaid lease payments	**2,560**	1,902
Amortisation of intangible assets	**59,146**	50,688
Cost of inventories recognised as expense (including write-down of inventories of RMB1,999,000 (2009: Nil))	**882,740**	592,853
Impairment of other receivables	**1,876**	—
Net foreign exchange loss	**—**	643

9. INCOME TAX EXPENSE

	2010 RMB'000	2009 RMB'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
— Current year	**25,259**	13,417
— Under(over)provision in prior years	**2,418**	(511)
	27,677	12,906
Deferred taxation (note 25)		
— Current year	**(10,314)**	(3,213)
	17,363	9,693

Notes:

(i) Hong Kong

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income that was subject to Hong Kong Profits Tax during both years.

(ii) PRC

PRC EIT was calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC, except for the followings:

(a) Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the applicable tax rate for the next three years. These tax holidays and concessions have been expired in 2010.

(b) Certain PRC subsidiaries which are approved as enterprises that satisfied the condition as high technology development enterprises and obtained the Certificate of High New Technology Enterprise will continue to be subject to a preferential rate of 15%.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), the tax holidays and concessions from EIT entitled as set out in (a) above had continued to be applicable until the end of the five year transitional period under the Law of the PRC on Enterprise Income Tax (the "EIT Law"). The preferential treatment set out in (b) above continues on the implementation of the EIT Law.

9. INCOME TAX EXPENSE (Continued)

Notes: *(Continued)*

(iii) Other jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, a Macao company incorporated under that Law ("58/99/M Company") is exempted from Macao Complementary Tax (Macao Income Tax) as long as the 58/99/M Company does not sell its products to a Macao resident company.

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

	2010 RMB'000	2009 RMB'000
Profit before taxation	**208,596**	271,734
Tax at the income tax rate of 25% (2009: 25%)	**52,149**	67,933
Tax effect of expenses not deductible for tax purpose	**4,092**	4,809
Tax effect of income not taxable for tax purpose	**(447)**	(738)
Tax effect of tax losses not recognised	**2,417**	631
Utilisation of tax loss previously not recognised	**(16)**	(153)
Effect of tax concessions/exemption granted to PRC and Macao subsidiaries	**(43,250)**	(62,278)
Under (over) provision in prior years	**2,418**	(511)
Tax charge for the year	**17,363**	9,693

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The employments paid or payable to each of the nine (2009: nine) directors were as follows:

(a) Directors' emoluments

Details of emoluments of individual directors are set out as follows:

2010

	Directors' fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonuses RMB'000 (note)	Retirement benefit scheme contributions RMB'000	Total RMB'000
Ji Wei ("Mr. Ji")	—	1,039	—	11	1,050
Cao Zhao Hui	—	560	51	9	620
Wang Xue Xin	—	560	209	9	778
Zheng Xiao Ping	—	410	30	9	449
Liao Xue Dong	—	380	30	9	419
Zeng Xin	—	480	35	9	524
Wu Jin Ming	130	—	—	—	130
Pan Yuan	130	—	—	—	130
Hui Wing Kuen	329	—	—	—	329
	589	3,429	355	56	4,429

2009

	Directors' fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonuses RMB'000 (note)	Retirement benefit scheme contributions RMB'000	Total RMB'000
Mr. Ji	—	1,057	—	11	1,068
Cao Zhao Hui	—	565	51	9	625
Wang Xue Xin	—	565	209	9	783
Zheng Xiao Ping	—	414	30	9	453
Liao Xue Dong	—	384	30	9	423
Zeng Xin	—	484	35	9	528
Wu Jin Ming	132	—	—	—	132
Pan Yuan	132	—	—	—	132
Hui Wing Kuen	335	—	—	—	335
	599	3,469	355	56	4,479

No directors waived any emoluments for both years.

Note: Discretionary bonuses are recommended by the Remuneration Committee and is decided by the board of directors, having regard to the Group's operating results, individual performance and comparable market statistics.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended 31 December 2010 included four (2009: four) directors of the Company, details of whose emoluments are included above. The emoluments of the remaining one (2009: one) individual for the year are as follows:

	2010 RMB'000	2009 RMB'000
Salaries and other benefits	**980**	1,127
Retirement benefit scheme contributions	**10**	11
Share-based payment expenses	**—**	23
	990	1,161

The above emoluments were within the band of HK$1,000,001 to HK$1,500,000 for both years.

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

11. DIVIDENDS

	2010 RMB'000	2009 RMB'000
Dividends recognised as distribution during the year: 2009 final dividend — HK$0.11, equivalent to RMB0.097, per share (2009: 2008 final dividend HK$0.11, equivalent to RMB0.097, per share)	**90,196**	81,940
Dividends proposed after the end of the reporting period: 2010 final dividend — HK$0.11, equivalent to RMB0.093, per share (2009: 2009 final dividend of HK$0.11, equivalent to RMB0.097, per share)	**86,394**	90,196

The proposed dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

12. 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:

	2010 **RMB'000**	2009 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**191,233**	262,041

	2010	2009
Number of shares		
Weighted average number of ordinary shares of purpose of basic earnings per share	**929,339,031**	845,982,009
Effect of dilutive potential ordinary shares in respect of:		
Share options	**12,133,483**	21,919,074
Contingently issuable shares for acquisition of subsidiaries	**—**	9,170,927
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**941,472,514**	877,072,010

The weighted average number of ordinary shares for the year ended 31 December 2009 shown above has been arrived at after deducting the shares held by the trustee of the share award plan of the Company, as set out in note 26, prior to its termination on 21 July 2009.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2009	101,424	5,964	83,103	9,166	17,456	273,812	490,925
Additions	5,115	557	20,825	4,209	3,782	175,571	210,059
Acquired on acquisition of subsidiaries (note 29)	—	—	—	—	—	229	229
Transfer	104,247	—	—	—	—	(104,247)	—
Disposals	—	—	(16)	(6)	—	—	(22)
Exchange realignment	—	(1)	—	1	(2)	43	41
At 31 December 2009	210,786	6,520	103,912	13,370	21,236	345,408	701,232
Additions	—	139	16,599	3,388	1,447	120,283	141,856
Transfer	445,166	602	6,402	9,598	—	(461,768)	—
Transfer to investment property	(10,500)	—	—	—	—	—	(10,500)
Disposals	(63,965)	(637)	(133)	—	—	—	(64,735)
Exchange realignment	—	(41)	—	(3)	(36)	195	115
At 31 December 2010	**581,487**	**6,583**	**126,780**	**26,353**	**22,647**	**4,118**	**767,968**
DEPRECIATION							
At 1 January 2009	7,828	3,432	32,619	4,665	5,106	—	53,650
Provided for the year	2,478	437	14,202	1,921	1,465	—	20,503
Eliminated on disposals	—	—	(2)	(3)	—	—	(5)
Exchange realignment	—	(1)	—	—	—	—	(1)
At 31 December 2009	10,306	3,868	46,819	6,583	6,571	—	74,147
Provided for the year	10,903	276	15,768	2,746	2,151	—	31,844
Transfer to investment property	(1,320)	—	—	—	—	—	(1,320)
Eliminated on disposals	(2,231)	(161)	(31)	—	—	—	(2,423)
Exchange realignment	—	(25)	—	(6)	(15)	—	(46)
At 31 December 2010	**17,658**	**3,958**	**62,556**	**9,323**	**8,707**	**—**	**102,202**
CARRYING VALUES							
At 31 December 2010	**563,829**	**2,625**	**64,224**	**17,030**	**13,940**	**4,118**	**665,766**
At 31 December 2009	200,480	2,652	57,093	6,787	14,665	345,408	627,085

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated on straight-line basis at the following rates per annum:

Buildings	Over the remaining period of the lease terms of the relevant land on which buildings are erected, or 50 years, whichever is the shorter
Leasehold improvements	Over the remaining period of the relevant lease, or 5 years, whichever is the shorter
Plant and machinery	10%–20%
Furniture, fixtures and office equipment	20%
Motor vehicles	10%

The carrying amount of the Group's property interests comprises properties erected on land outside Hong Kong held under:

	2010 RMB'000	2009 RMB'000
Long leases	—	41,066
Medium-term leases	563,829	159,414
	563,829	200,480

At 31 December 2010, certain property interests of the Group (including those under construction) with aggregate carrying values of RMB140,518,000 (2009: RMB176,675,000) were pledged to banks to secure banking facilities granted to the Group. The formal titles of certain buildings with an aggregate carrying value of approximately RMB212,387,000 (2009: RMB5,100,000) have not been granted to the Group.

14. INVESTMENT PROPERTY

	RMB'000
COST	
Transfer from property, plant and equipment and at 31 December 2010	**9,180**
DEPRECIATION	
Provided for the year ended 31 December 2010 and at 31 December 2010	**183**
CARRYNG VALUE	
At 31 December 2010	**8,997**
At 31 December 2009	—

The fair value of the Group's investment property at 31 December 2010, together with the relevant land on which the buildings were erected with carrying amount of RMB1,579,000, was RMB11,929,000. The fair value has been arrived at based on a valuation carried out by 湖南里程資產評估有限責任公司, independent valuers not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions.

The above investment property is depreciated on a straight-line basis over 50 years, and situated on land outside Hong Kong under medium-term lease.

15. PREPAID LEASE PAYMENTS

	2010 RMB'000	2009 RMB'000
The Group's prepaid lease payments comprise leasehold land outside Hong Kong held under:		
long leases	—	47,999
medium-term leases	**75,639**	79,609
	75,639	127,608
Analysed for reporting purposes as:		
Non-current assets	**73,984**	124,894
Current assets	**1,655**	2,714
	75,639	127,608

The Group had paid substantially all the consideration for the land use rights in the PRC. However, as at 31 December 2009, the carrying amount of the land use rights for which the Group had not yet been granted formal title amounted to approximately RMB31,718,000. Formal title has been obtained by the Group during the year ended 31 December 2010.

At 31 December 2010, certain leasehold land of the Group with aggregate carrying values of RMB25,756,000 (2009: RMB60,593,000) were pledged to banks to secure banking facilities granted to the Group.

16. INTANGIBLE ASSETS

	Development costs RMB'000	Acquired patents, copyrights and trademarks RMB'000	Acquired technology RMB'000	Customer relationship and contracts RMB'000	Premium on land RMB'000	Total RMB'000
COST						
At 1 January 2009	97,438	55,821	81,309	37,917	80,644	353,129
Additions	54,652	—	—	—	—	54,652
At 31 December 2009	152,090	55,821	81,309	37,917	80,644	407,781
Additions	47,891	5,894	—	—	—	53,785
Disposal	—	—	—	—	(33,931)	(33,931)
At 31 December 2010	**199,981**	**61,715**	**81,309**	**37,917**	**46,713**	**427,635**
AMORTISATION						
At 1 January 2009	38,503	32,314	20,240	12,183	1,941	105,181
Provided for the year	17,812	7,418	16,262	7,584	1,612	50,688
At 31 December 2009	56,315	39,732	36,502	19,767	3,553	155,869
Provided for the year	26,020	7,725	16,262	7,584	1,555	59,146
Eliminated on disposal	—	—	—	—	(1,716)	(1,716)
At 31 December 2010	**82,335**	**47,457**	**52,764**	**27,351**	**3,392**	**213,299**
CARRYING VALUES						
At 31 December 2010	**117,646**	**14,258**	**28,545**	**10,566**	**43,321**	**214,336**
At 31 December 2009	95,775	16,089	44,807	18,150	77,091	251,912

Except for certain of the development costs and trademarks that were internally-generated and acquired separately from third parties, the balance of the above intangible assets were purchased as part of business combinations in prior years.

The above intangible assets have finite useful lives and are amortised on a straight-line basis over the following periods:

Development costs	5 years
Acquired patents, copyrights and trademarks	3 to 10 years
Acquired technology	5 years
Customer relationship and contracts	5 years
Premium on land	Over the remaining period of the lease terms of the relevant land

17. AVAILABLE-FOR-SALE INVESTMENTS

	2010 RMB'000	2009 RMB'000
Available-for-sale investments comprise:		
Equity securities listed in Hong Kong	**43,569**	—
Unlisted equity securities	**13,035**	4,961
	56,604	4,961

The above unlisted equity securities represent unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

At 31 December 2010, available-for-sale investments of the Group amounting to RMB43,569,000 (2009: Nil) were denominated in foreign currency of Hong Kong dollars ("HKD").

18. GOODWILL

	RMB'000
CARRYING AMOUNT	
At 1 January 2009, 31 December 2009 and 2010	110,326

For the purposes of impairment testing, goodwill set out above has been allocated to a CGU, electronic meters segment.

During the year ended 31 December 2010, management of the Group determines that there is no impairment of its CGU containing goodwill.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 7% (2009: 7%). The cash flows beyond the 5-year period are extrapolated using a steady growth rate of 5% (2009: 8%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

19. LONG-TERM RECEIVABLE AND TRADE AND OTHER RECEIVABLES

Long-term receivable

Long-term receivable represents the remaining consideration receivable in respect of the disposal of certain assets of the Group during the year. The details of the disposal are set out in note 34.

The amount is repayable within 2 years from the date of the agreement and carries interest at 6 months benchmark lending rate offered by the People's Bank of China. The assets disposed have been pledged in favour of the Group subsequent to the end of the reporting period. Such pledge will be released upon settlement of the balance of the consideration.

Trade and other receivables

	2010 RMB'000	2009 RMB'000
Trade and bills receivables	**835,944**	716,198
Less: Allowance for doubtful debts	**(16,623)**	(16,623)
	819,321	699,575
Retentions held by trade customers	**83,109**	67,216
Deposits, prepayments and other receivables	**242,336**	176,919
	1,144,766	943,710

The Group allows credit periods ranging from 90 days to 365 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2010 RMB'000	2009 RMB'000
0–90 days	**411,677**	467,503
91–180 days	**187,073**	100,011
181–365 days	**209,707**	123,787
Over 1 year	**10,864**	8,274
	819,321	699,575

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. 98% (2009: 98%) of the trade receivables that are neither past due nor impaired have good credit rating.

19. LONG-TERM RECEIVABLE AND TRADE AND OTHER RECEIVABLES (Continued)

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB15,076,000 (2009: RMB9,767,000) which are past due at the reporting date for which the Group has not provided for impairment loss. In view of no significant change in credit quality and substantial subsequent settlement form those debtors of the Group which are past due but not impaired for the relevant period, the directors consider that no allowance is required. The Group does not hold any collateral over these balances. The average age of these receivables is approximately 365 days (2009: approximately 365 days).

The entire balance of the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB16,623,000 (2009: RMB16,623,000) which had been in severe financial difficulties. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts is as follow:

	RMB'000
At 1 January 2009, 31 December 2009 and 2010	16,623

The Group would provide fully for all receivables over 2 years because historical experience is such that receivables that are past due beyond 2 years are generally not recoverable.

At 31 December 2010, trade receivables of the Group amounting to RMB9,689,000 (2009: RMB18,073,000) were denominated in foreign currency of United States dollars ("USD").

Retentions held by trade customers are expected to be realised after twelve months from the end of the reporting period.

20. INVENTORIES

	2010 RMB'000	2009 RMB'000
Raw materials	**216,699**	192,254
Work in progress	**154,598**	75,400
Finished goods	**71,788**	59,769
	443,085	327,423

21. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits

The pledged bank deposits are pledged to banks to secure credit facilities granted to the Group. The deposits were pledged to secure bills payables and short-term bank borrowings and are therefore classified as current assets. The pledged bank deposits will be released upon settlements of relevant borrowings.

The deposits carry fixed interest rate from 0.36% to 2.2% (2009: 0.36%) per annum.

Bank balances and cash

Bank balances and cash comprise cash held by the Group and bank balances that carry fixed interest rates ranging from 0.01% to 3.6% (2009: 0.01% to 3.6%) per annum and have original maturity of three months or less.

The Group's bank balances and cash denominated in currencies other than functional currency of the relevant group entities are set out as follows:

	2010 **RMB'000**	2009 RMB'000
HKD	**5,604**	65,300
USD	**15,540**	13,083
	21,144	78,383

22. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2010 **RMB'000**	2009 RMB'000
0–90 days	**425,745**	172,469
91–180 days	**220,305**	184,349
181–365 days	**13,105**	68,012
Over 1 year	**9,723**	52,856
Trade payables	**668,878**	477,686
Other payables	**163,851**	91,265
	832,729	568,951

23. BORROWINGS

	2010 RMB'000	2009 RMB'000
Bank loans and trust receipt loans	**501,332**	419,210
Analysed as:		
Secured	**135,000**	281,800
Unsecured	**366,332**	137,410
	501,332	419,210

The Group's borrowings are repayable:

	2010			2009		
	Fixed-rate borrowings RMB'000	Floating-rate borrowings RMB'000	Total RMB'000	Fixed-rate borrowings RMB'000	Floating-rate borrowings RMB'000	Total RMB'000
Within one year	**201,332**	**190,000**	**391,332**	73,846	176,364	250,210
More than one year, but not exceeding two years	**—**	**—**	**—**	—	34,000	34,000
More than two years, but not exceeding five years	**—**	**110,000**	**110,000**	—	135,000	135,000
	201,332	**300,000**	**501,332**	73,846	345,364	419,210
Less: Amounts due within one year shown under current liabilities	**(201,332)**	**(190,000)**	**(391,332)**	(73,846)	(176,364)	(250,210)
Amounts due after one year	**—**	**110,000**	**110,000**	—	169,000	169,000

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2010	2009
Effective interest rate:		
Fixed-rate borrowings	**2.28% to 5.31% per annum**	5.31% to 5.76% per annum
Variable-rate borrowings	**4.86% to 5.85% per annum**	3.75% to 5.84% per annum

At 31 December 2010, borrowings of the Group amounting RMB73,332,000 (2009: RMB28,410,000) were denominated in foreign currency of USD.

23. BORROWINGS (Continued)

At the end of the reporting period, the Group has the following undrawn short-term borrowing facilities:

	2010 RMB'000	2009 RMB'000
Expiring within one year	**150,845**	106,889

24. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised		
At 1 January 2009, 31 December 2009 and 31 December 2010	100,000,000,000	1,000,000

	Notes	Number of shares	Nominal value RMB'000
Issued and fully paid			
At 1 January 2009		812,879,787	8,384
Issue of shares upon exercise of share options	(i)	24,497,000	216
Issue of shares to settle consideration for acquisition of subsidiaries in 2008	(ii)	31,879,888	281
Issue of shares for share placement	(iii)	62,000,000	546
At 31 December 2009		931,256,675	9,427
Issue of shares upon exercise of share options	(i)	400,000	3
Shares repurchased	(iv)	(2,788,000)	(24)
At 31 December 2010		**928,868,675**	**9,406**

24. SHARE CAPITAL (Continued)

Notes:

(i) During the year, 400,000 (2009: 24,497,000) ordinary shares of HK$0.01 each in the Company were issued on the exercise of share options under the share option scheme of the Company as set out in note 26 with proceeds of approximately HK$1,036,000 (equivalent to approximately RMB905,000) (2009: HK$58,347,000 (equivalent to approximately RMB51,446,000)).

(ii) In May 2008, the Group entered into a sale and purchase agreement for the acquisition of two subsidiaries from Mr. Ji by the issue of a maximum of 31,879,888 ordinary shares of HK$0.01 each in the Company as part of the consideration. 31,879,888 shares of the Company have been issued during the year ended 31 December 2009.

(iii) On 21 July 2009, the Company had entered into a placing and subscription agreement (the "Agreement") with Star Treasure (a private limited company wholly owned by Mr. Ji), Total Right Holdings Limited ("Total Right", a trustee holding the share award plan of the Company as set out in note 26 on the Company's behalf), and a placing agent.

Pursuant to the Agreement,

(a) 80,000,000 and 13,461,000 existing shares of the Company which were held by Star Treasure and Total Right, respectively, would be placed to independent third parties at a placing price of HK$7 per share;

(b) 62,000,000 new shares of the Company would be issued to Star Treasure at a subscription price of HK$7 per share; and

(c) 18,000,000 existing shares of the Company which had been issued to the employees of the Group in previous years upon exercise of share options would be purchased by Star Treasure at a price of HK$7 per share.

The placing and subscription was completed on 28 July 2009, with the 62,000,000 new shares being issued to Star Treasure on the same day. These shares were issued under the general mandate granted to the directors at the annual general meeting of the Company on 15 May 2009 and rank pari passu with other shares in issue in all respects.

(iv) During the year ended 31 December 2010, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share Highest price paid HK$	Price per share Lowest price paid HK$	Aggregate consideration paid HK$'000
2010				
January	1,500,000	5.30	5.08	7,820
June	1,288,000	4.65	4.45	5,846
	2,788,000			13,666

The aggregate consideration paid of HK$13,666,000 is equivalent to approximately RMB11,977,000.

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

25. DEFERRED TAX LIABILITY

The following is the deferred tax liability recognised by the Group and movements thereon during the current and prior years:

	Fair value adjustments of intangible assets and land and buildings on business combinations RMB'000
At 1 January 2009	31,235
Credit to profit or loss	(3,213)
At 31 December 2009	28,022
Credit to profit or loss	(10,314)
At 31 December 2010	**17,708**

At the end of the reporting date, the Group had unused tax losses of approximately RMB17,133,000 (2009: RMB7,526,000). No deferred tax asset has been recognised in respect of any the tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward for a period of five years from the respective year of assessment.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to consolidated accumulated profits of PRC subsidiaries amounting RMB616.0 million (2009: RMB404.9 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

There was no other significant unprovided deferred taxation for the year or at the end of the reporting period.

26. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

The Company's share option scheme (the "Scheme") was adopted for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity"). Eligible participants of the Scheme include directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any members of the Group or any Invested Entity or any holder of any securities issued by any members of the Group or any Invested Entity. The Scheme became effective on 26 November 2005 and, unless otherwise terminated or amended, will remain in force for 10 years.

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the Company's shares in issue as at the date of listing. The limit may be increased to 10% of the then issued share capital of the Company from time to time upon shareholders' approval at a general meeting of the shareholders. The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Group shall not exceed such number of Company's shares as equal to 30% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time unless prior approval has been obtained from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

As at 31 December 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 22,983,000 (2009: 23,383,000), representing approximately 2.5% (2009: 2.5%) of the then issued share capital of the Company.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant. There is no minimum period for which an option must be held before the exercise of the subscription right attaching hereto except otherwise imposed by the board of directors. The exercise price is specified in the rules governing the share option scheme and shall not be lower than the highest of the official closing price of the ordinary shares of the Company on the Stock Exchange on the date of the offer of grant of options, the average of the official closing price of the ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options and the nominal value of an ordinary share of the Company.

26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option scheme (Continued)

The following table discloses movements of the Company's share options held by directors and employees during the current and prior year under the Scheme:

Category	Date of grant	Exercise period	Exercise price HK$	Outstanding at 1.1.2009	Exercised during the year	Outstanding at 31.12.2009	Exercised during the year	Outstanding at 31.12.2010
Directors	23.2.2006	23.2.2008 to 22.2.2016	2.225	10,900,000	(2,600,000)	8,300,000	(100,000)	8,200,000
Employees	23.2.2006	23.2.2008 to 22.2.2016	2.225	22,980,000	(17,957,000)	5,023,000	(150,000)	4,873,000
	7.2.2007	7.2.2009 to 6.2.2017	3.200	7,000,000	(3,940,000)	3,060,000	(25,000)	3,035,000
	7.2.2007	7.2.2010 to 6.2.2017	3.200	7,000,000	—	7,000,000	(125,000)	6,875,000
				36,980,000	(21,897,000)	15,083,000	(300,000)	14,783,000
Total				47,880,000	(24,497,000)	23,383,000	(400,000)	22,983,000
Exercisable at year end						16,383,000		22,983,000
Weighted average exercise price (HK$)				2.510	2.382	2.644	2.591	2.645

For the year ended 31 December 2010, the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$5.19 (2009: HK$7.63).

The Group recognised the share-based payment expense of RMB172,000 for the year ended 31 December 2010 (2009: RMB1,990,000) in relation to share options granted by the Company.

26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share award plan

The Company's share award plan (the "Plan") was adopted pursuant to a resolution passed on 10 October 2008. Pursuant to the Plan under which eligible employees, but not directors, are entitled to participate. The purpose of the Plan is to recognise and reward the contribution of the employees to the growth and development of the Group through an award of shares of the Company. The Plan became effective on 10 October 2008 and, unless otherwise terminated or amended, will remain in force for 10 years.

The Plan is operated through a trustee which is independent of the Group and has the right to, among other conditions, in its sole discretion, determine whether the shares are to be purchased on or off the Stock Exchange from time to time, unless during the year at which the directors of the Company are prohibited by the Listing Rules or any corresponding codes or securities dealing restrictions adopted by the Company. In any given financial year of the Company, the maximum number of shares to be purchased by the trustee for the purpose of the Plan shall not exceed 2% of the total number of issued shares as at the beginning of that financial year.

The directors would notify the trustee of the Plan in writing upon the making of any award to any participants. Upon the receipt of such notice, the trustee would set aside the appropriate number of awarded shares in the pool of shares. The relevant awarded shares shall vest in the relevant awardees within 10 business days after the latest of (a) the date specified by the directors on the notice of the award; (b) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such participants as specified in the related notice of award have been attained and notified to the trustee of the Plan by the directors in writing; and (c) where applicable, the date on which the trustee of the Plan has completed the purchase of shares for the purpose of making the relevant award. No new shares would be allotted and issued to satisfy the awards made under the Plan.

Following the adoption of the Plan, the management of the Company has further communicated with its PRC lawyers and noticed that if the Board of Directors decides to award any share to potential eligible employees (most of them being PRC citizens employed in the PRC), the Company will be required to comply with several PRC regulations, which also increase the administration burden and affect the Company's preparation of its consolidated financial statement.

As a result, a resolution has been passed by the board of directors to terminate the Plan on 21 July 2009 in accordance with its rules and procedures. At no time prior to the termination of the Plan had any participants been awarded any share under the Plan. Details of the termination are set out in the Company's announcement dated 21 July 2009.

27. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23 and equity attributable to owners of the Company, comprising issued share capital and various reserves as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010 RMB'000	2009 RMB'000
Financial assets		
Loan and receivables:		
Long-term receivable	**178,200**	—
Trade and other receivables	**916,137**	782,496
Amounts due from related parties	**21,338**	21,233
Pledged bank deposits	**142,378**	113,746
Bank balances and cash	**553,530**	644,668
	1,811,583	1,562,143
Available-for-sale financial assets:		
Available-for-sale investments	**56,604**	4,961
	1,868,187	1,567,104
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	**684,920**	484,485
Amount due to a related party	**205**	559
Borrowings	**501,332**	419,210
	1,186,457	904,254

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, long-term receivable, trade and other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a related party and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the policies on how to mitigate these risks.

Market risk

(i) Currency risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB, the functional currency of the relevant group entities. Certain entities in the Group have foreign currencies transactions, bank balances and cash and borrowings which expose the Group to foreign currency risk.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

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

	Assets		Liabilities	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
HKD	**49,173**	65,300	**—**	—
USD	**25,229**	31,156	**73,332**	28,410
	74,402	96,456	**73,332**	28,410

Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of HKD and USD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in profit where RMB strengthen 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit for the year.

	HKD		USD	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Profit for the year	**(280)**	(3,265)	**2,405**	(130)
Other equity	**(2,178)**	—	**—**	—

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate long-term receivables (see note 19), pledged bank deposits and bank balances (see note 21) and borrowings (see note 23). Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed rate borrowings (see note 23).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China RMB Benchmark Loan Rates and London Interbank Offer Rate arising from the Group's RMB borrowings and USD borrowings, respectively.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates of borrowings. The analysis is prepared assuming the amount of the outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would decrease/increase by RMB1,500,000 (2009: RMB1,726,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(iii) Other price risk

The Group is exposed to equity price risk through its available-for-sale investments in listed equity securities (note 17). The Group's equity price risk is mainly concentrated on one listed equity instrument operating in power supply industry sector quoted in the Stock Exchange of Hong Kong Limited.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate is increased to 5% in current year as a result of the volatile financial market.

If the prices of the respective equity instruments had been 5% (2009: Nil) higher/lower, investment valuation reserve would increase/decrease by RMB2,178,000 (2009: Nil) for the Group as a result of the changes in fair value of other available-for-sale investments.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has concentration of credit risk on liquid funds, which are deposited with several banks with good reputation. The Group also has concentration of credit risks on amounts due from related parties, as the amounts are due from a limited number of related parties. The long-term receivable representing the remaining consideration from disposal of certain assets as disclosed in note 34 is concentrated on a single independent third party, and credit risk is reduced as the amount is pledged by the asset disposed. Other than the above, the Group does not have any other significant concentration of credit risk.

Liquidity risk

The Group has net current assets amounting to approximately RMB1,054,192,000 at 31 December 2010 (2009: RMB1,222,364,000). The Group has sufficient funds to finance its current working capital requirements taking into account of the existing banking facilities and cash flows from operations.

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's contractual maturity for its financial liabilities based on the agreed repayment terms. The table for non-derivative financial liabilities has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity risk tables

	Weighted average interest rate	Less than 90 days RMB'000	91 to 180 days RMB'000	181 to 365 days RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at 31 December 2010 RMB'000
2010								
Non-derivative financial liabilities								
Trade and other payables	—	206,525	345,446	74,020	58,929	—	684,920	684,920
Amount due to a related party	—	205	—	—	—	—	205	205
Borrowings	4.89%	229,786	90,264	85,947	5,891	111,904	523,792	501,332
		436,516	435,710	159,967	64,820	111,904	1,208,917	1,186,457

	Weighted average interest rate	Less than 90 days RMB'000	91 to 180 days RMB'000	181 to 365 days RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at 31 December 2009 RMB'000
2009								
Non-derivative financial liabilities								
Trade and other payables	—	204,554	157,501	84,002	38,428	—	484,485	484,485
Amount due to a related party	—	559	—	—	—	—	559	559
Borrowings	4.74%	62,675	111,858	90,048	64,558	116,460	445,599	419,210
		267,788	269,359	174,050	102,986	116,460	930,643	904,254

The amounts included above for variable interest rate investments for non-derivative financial liabilities is subject to change of changes in variable interest notes determined at the end of reporting period.

28. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

The fair value of available-for-sale investment traded in active liquid market is determined with reference to quoted market bid price (i.e. level 1 fair value measurement under HKFRS 7).

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

29. ACQUISITION OF A SUBSIDIARY

There was no acquisition of subsidiary during the year ended 31 December 2010.

During the year ended 31 December 2009, the Group acquired the entire equity interest of 長沙瑞生電子科技有限公司 Changsha Ruisheng Electronic Company Limited ("Changsha Ruisheng") at a cash consideration of RMB1,000,000 on 25 October 2009. The transaction had been accounted for using the purchase method of accounting.

The net assets acquired in the transaction are as follows:

	2009 Acquiree's carrying amount before combination and fair value RMB'000
Net assets acquired:	
Property, plant and equipment	229
Prepaid lease payments	31,824
Trade and other receivables	4,206
Bank balances and cash	616
Trade and other payables	(35,875)
	1,000
Total consideration satisfied by:	
Cash	1,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(1,000)
Bank balances and cash acquired	616
	(384)

29. ACQUISITION OF A SUBSIDIARY (Continued)

During the year ended 31 December 2009, the subsidiary acquired contributed a loss of approximately RMB127,000 to the Group's profit for the year between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2009, total group revenue for the year ended 31 December 2009 would have been RMB1,082,294,000, and profit for the year ended 31 December 2009 would have been RMB262,010,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

30. OPERATING LEASE

The Group as lessee

	2010	2009
	RMB'000	RMB'000
Minimum lease payments paid under operating leases during the year in respect of rented premises	**4,646**	4,243

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

	2010	2009
	RMB'000	RMB'000
Within one year	**1,643**	2,155
In the second to fifth year inclusive	**102**	2,328
	1,745	4,483

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated for a term ranging from one to two years with fixed rentals.

30. OPERATING LEASE (Continued)

The Group as lessor

Property rental income earned during the year was RMB903,000 (2009: Nil). The property is expected to generate rental yields of 9.1% (2009: Nil) on an ongoing basis. All of the properties held have committed tenants for the next 4 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2010 RMB'000	2009 RMB'000
Within one year	**843**	—
In the second to fifth year inclusive	**2,355**	—
	3,198	—

31. CAPITAL COMMITMENTS

	2010 RMB'000	2009 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**14,044**	94,983

32. RELATED PARTY DISCLOSURES

(i) Transactions

Company/individual	**Transactions**	2010 RMB'000	2009 RMB'000
Liang Ke Nan ("Mr. Liang") (Note)	Rental expense paid	**218**	226

Note: The Group entered into a lease agreement with Mr. Liang, brother of Mr. Ji, under which the Group was granted the right to use an office premise and a staff quarter.

32. RELATED PARTY DISCLOSURES (Continued)

(ii) Balances

(a) Particulars of amounts due from related parties

			Maximum amounts outstanding for the year ended 31 December	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Companies controlled by certain directors of the Company	**21,338**	21,233	**21,338**	110,690

The amounts are unsecured, interest-free and expected to be recovered within one year.

(b) Particulars of amount due to a related party

	2010 RMB'000	2009 RMB'000
Mr. Liang	**205**	559

The amount is unsecured, interest-free and repayable on demand.

(iii) Credit facilities

Details of the borrowings of the Group which are secured by assets held by related parties are as follows:

		Banking facilities utilised by the Group	
Related party	**Assets pledged as securities by the related party**	**2010 RMB'000**	2009 RMB'000
Changsha Weihua Property Development Ltd. ("Weihua Property") (Note)	Property, plant and equipment	**—**	7,800

Note: Mr. Ji has controlling interest in Weihua Property.

32. RELATED PARTY DISCLOSURES (Continued)

(iv) The remuneration of key management during the year were as follows:

	2010 RMB'000	2009 RMB'000
Short-term benefits	**3,913**	4,106
Retirement benefit scheme contributions	**66**	67
Share-based payment expense	**—**	23
	3,979	4,196

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

33. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up/issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly 2010	Directly 2009	Indirectly 2010	Indirectly 2009	Principal activities
Oceanbase Group Limited	BVI/Hong Kong	US$1,000,000	**100%**	100%	**—**	—	Investment holding
Power Well Creation Limited	Hong Kong	HK$2	**100%**	100%	**—**	—	Investment holding
Changsha Wasion Industrial Investment Company Limited ("Wasion Industrial") (note (i))	The PRC	RMB60,000,000	**—**	—	**100%**	100%	Investment holding
Changsha Weisheng Energy Industrial Technology Company Limited ("Weisheng Energy") (note (ii))	The PRC	HK$50,000,000	**—**	—	**100%**	100%	Development, manufacture and sale of energy saving products
Changsha Weisheng Import and Export Trading Company Limited ("Weisheng Import and Export") (note (i))	The PRC	RMB10,000,000	**—**	—	**100%**	100%	Trading of power meters
Changsha Weisheng Information Technology Company Limited ("Weisheng Information") (note (ii))	The PRC	RMB250,000,000	**—**	—	**100%**	100%	Development, manufacture and sale of power meters, data collection terminals and related services
Changsha Ruisheng (note i)	The PRC	RMB10,000,000	**—**	—	**100%**	100%	Dormant

33. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ operations	Paid up/issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2010	2009	2010	2009	
Gam Sheng Macao Commercial Offshore Limited	Macao	MOP1,000,000	—	—	100%	100%	Trading of electronic components
Hunan Weike Power Meters Company Limited ("Hunan Weike") (note (ii))	The PRC	HK$50,000,000	—	—	100%	100%	Development, manufacture and sale of power meters
Hunan Weiming Technology Co., Ltd. ("Hunan Weiming") (note (ii))	The PRC	HK$50,000,000	—	—	100%	100%	Development, manufacture and sale of water, gas and heat meters
Wasion Group Limited ("Changsha Weisheng") (note (iii))	The PRC	RMB450,000,000	—	—	100%	100%	Development, manufacture and sale of power meters
Wasion Singapore Private Limited	Singapore	SG$1,000,000	—	—	100%	100%	Inactive
Wasion Technology Shenzhen Company Limited ("Wasion Shenzhen") (note i)	The PRC	RMB10,000,000	—	—	100%	100%	Development and sale of power meters

Notes:

(i) Wasion Industrial, Weisheng Import and Export, Changsha Ruisheng and Wasion Shenzhen are limited liability companies established in the PRC.

(ii) Weisheng Energy, Weisheng Information, Hunan Weike and Human Weiming are sino-foreign enterprises.

(iii) Changsha Weisheng is a wholly foreign owned enterprise established in the PRC.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

34. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2010, the Group had disposed a parcel of land in the PRC, together with the buildings erected thereon to an independent third party. The total consideration is amounted to RMB198,000,000, of which RMB19,800,000 has been settled during the year. The remaining RMB178,000,000 is included in long-term receivable. The carrying amounts of the assets disposed include property, plant and equipment of RMB60,718,000, prepaid lease payments of RMB60,228,000 and intangible assets of RMB32,215,000.

No material non-cash transaction had taken place during the year ended 31 December 2009.

Financial Summary

RESULTS

	Year ended 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Profit for the year	151,736	212,896	261,530	262,041	**191,233**

ASSETS AND LIABILITIES

	As at 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Total assets	929,613	1,915,555	2,543,842	3,176,027	**3,614,965**
Total liabilities	(343,737)	(692,277)	(1,158,739)	(1,028,152)	**(1,380,268)**
Shareholders' funds	585,876	1,223,278	1,385,103	2,147,875	**2,234,697**