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)

CORPORATE MISSION :

Energy Metering
&
Energy Saving Expert

Contents

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

NOMINATION COMMITTEE

Mr. Ji Wei *(Chairman)*
Mr. Hui Wing Kuen
Mr. Wu Jin Ming

REMUNERATION COMMITTEE

Mr. Hui Wing Kuen *(Chairman)*
Mr. Ji Wei
Mr. Wu Jin Ming

PRINCIPAL BANKERS

In Hong Kong:

Bank of Communications Hong Kong Branch
Hongkong and Shanghai Banking Corporation Limited
Bank of China

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

China Construction Bank
Bank of Communications

LEGAL ADVISER

Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

PRINCIPAL PLACE OF BUSINESS

Unit 2605, 26/F, West Tower, Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
12/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

COMPANY WEBSITE

www.wasion.com

STOCK CODE

3393

Corporate Profile

LEADING ENERGY MEASUREMENT EQUIPMENT AND TOTAL SOLUTION PROVIDER

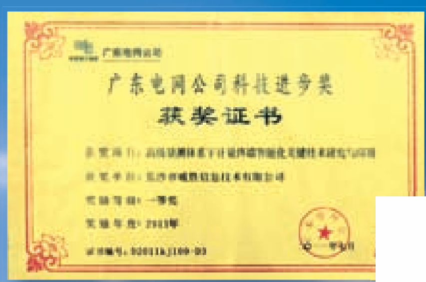
Wasion Group Holdings Limited ("Wasion Group") is the leading provider of energy measurement equipment, systems, and services in China. Wasion Group was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2005, which was the first professional syndicate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

Being the pioneer of digital energy metering industry in China, Wasion Group has proactively making itself the dominant supplier for globalized green energy construction and energy efficiency management, spanning from power and water industry to gas and heat energy, from energy metering to energy efficiency management, from China to the world.

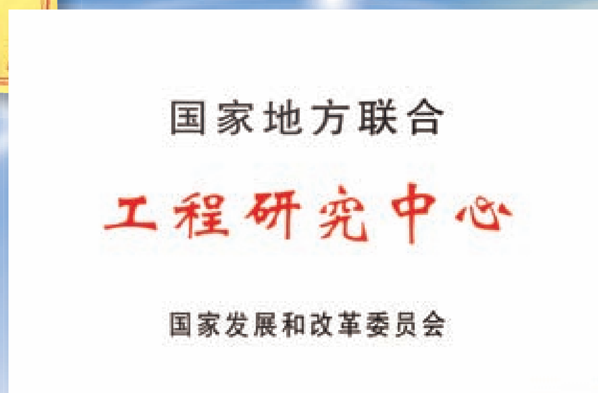
For the future, Wasion Group will strive to become an excellent systematic solution provider for global energy metering and energy efficiency management and anticipate that every city, every enterprise and every family will be benefited from the use of the technology, products and services of Wasion.

QUALIFICATIONS AND AWARDS

In 2011, the Group has been granted 59 patents for electronic meter products, 21 patents for fluid products, 13 patents for data collection terminal products and 1 patent for energy efficiency services



The "Key Technology Research and Application of Smart Calculation Terminals under Advanced Metering Infrastructure "project was awarded "First Prize of Scientific Technology" by China Southern Power Grid



Changsha Weisheng Energy Industrial Technology Company Limited ("Weisheng Energy") obtained an approval from NDRC to establish the National and Local Joint Engineering Research Centre of Smart and Integrated Energy Efficiency Management Technology

The Group was awarded "Top Ten Contribution Unit in Energy Saving 2011"

- Hunan Weiming Energy Technology Company Limited was awarded "2011 The Most Esteemed Enterprise for Smart Water Meters"
- "Wasion" was awarded "2011 Most Influential Brand" for smart water meters
- The Group was awarded "2011 Production and Research Cooperation and Technological Achievement Transformation Unit" in Changsha City

Key Technology Research and Application for High-performance Meters was awarded 2011 First Prize of Scientific Technology Improvement in Changsha City

The Group's technology research center was recognized as a National Corporate Technology Research Center

Weisheng Energy was awarded "National Demonstration Unit of Excellent Energy Saving Technology"

The Group was awarded the "Certificate of AAA Grade Credit Rating Enterprise"

- DDZY102 single-phase tariff control smart meter and DTZ341 three-phase four-wire smart meter successfully passed the new product and new technology identification
- The Group was awarded "2011 Outstanding Enterprise of Energy Saving Service in China" by EMCA Organization
- WPEG200 low voltage reactive power harmonics integrated compensation device was recognized as "National Key New Product"


威胜
物流中心
集团
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集团

MOTTOS OF OPERATION:

Perfect Work With Passion and Success Achieved With Integrity

CHAIRMAN'S STATEMENT

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 2011.

For the year ended 31 December 2011, the Group recorded a turnover of RMB1,968.68 million, representing an increase of 48% compared with 2010, and a net profit of RMB247.49 million, increased by 29% as compared to the previous year. The board of directors recommends the payment of a final dividend of HK$0.15 (equivalent to RMB0.122) per share for the year ended 31 December 2011.

Ji Wei
Chairman

2011 marks the beginning of the third five-year development plan of Wasion Group. Facing the complex operating environment and the growing competition in the industry, the Group still achieved remarkable results from various business platforms, spanning from marketing to distribution, research & development to production and logistics to delivery. In 2011, the contract amounts, the sales turnover and the net profit of the Group showed a significant growth as compared to 2010. In addition, financial indicators such as trade receivables and inventory turnover efficiency also improved significantly. Generally speaking, the overall operating conditions developed favorably.

The domestic power market is the most mature business of the Group where we enjoy traditional competitive strengths, which is also the basis and foundation for the Group's business development. In 2011, the Group successfully won tenders for the centralized procurement of power meters for the State Grid. We triumphed against other competitors in the first tender for the centralized procurement of data collection terminals organised by the State Grid. The Group also tasted victory in the first procurement tender of the China Southern Power Grid. In 2012, the strategy for the domestic power business sector of the Group is to undergo standardization and improvement in efficiency during the process of enlarging operation scale. Furthermore, we will broaden the sources of income and reduce the expenditures at the same time, cherish our tradition yet fostering innovation and seek development in a prudent manner in order to be dominant in terms of both business scales and strengths.

After years of investment and exploration in the domestic non-power market by the Group, the two major business segments, namely fluid measurement and energy efficiency management were basically formed. Urbanization is the key boost for the economic development of China, which offers huge opportunity for the development of the water, gas, and heat meters businesses of the Group. Leveraging on the superior brand recognition of the Group and our manufacturing capabilities and sales networks, the department of fluid measurement of the Group will endeavor to optimize the products and pursue market development in 2012 in order to strive for business breakthroughs. While in its development stage, the focuses of the energy efficiency business are to establish new commercial model, create a service-oriented business model through the efficient combination of resource and innovation, perform outstanding risk management and realize sustainable development.

Overseas markets are also of strategic significance for the Group. Although the current international market is complex, we staunchly believe that the Group will embrace bright development of foreign business. In 2011, the export business of the Group has started to revive and the turnover has increased by 1.1 times as compared to 2010. More importantly, the Group had established a solid foundation for the business development of the international market in the previous year, which included the Meters Hardware Supply Agreement that we entered with Siemens in December last year. Therefore, we are fully confident that the overseas business of the Group will enter into the fast track of development in 2012.

Our vision is to be the expert in the areas of energy measurement and energy efficiency management. Energy is the key concern of the world, for now and for the future. Energy saving as well as environmental protection have become the top of the seven major strategic emerging industries of the nation. History has offered us a chance to succeed. We are looking forward to new challenges and are confident of our capabilities in overcoming them. We will resolutely solidify and develop our well-established energy measurement business, while also strive for innovations and breakthroughs in new businesses, and continue to pursue the "three pillars" strategy covering the power market, the non-power market and the international market. On the level of operation, the product portfolio will be optimized and the profitability will be enhanced. In terms of management, we will make efforts in raising our efficiency, reducing the costs, standardizing the operation and taking precautions towards risk exposures. With all the efforts mentioned, it is expected that the income sources will be broadened, the expenses will be reduced and the innovative activities will continue to be stimulated. We believe that the best way to repay our shareholders for their continuous support is to achieve brilliant and wonderful results.

Yours faithfully,
Ji Wei
Chairman

Hong Kong, 28 March 2012


威胜集团第二届

CORPORATE SPIRIT:

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

Management Discussion and Analysis

FINANCIAL REVIEW

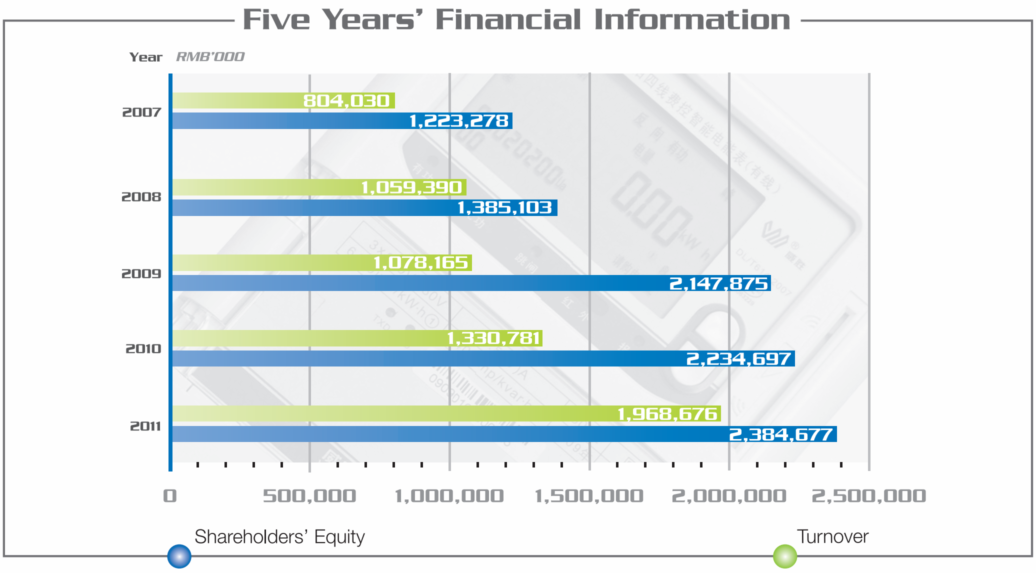
Financial Highlights

	2011 RMB'000	2010 RMB'000
Turnover	**1,968,676**	1,330,781
Gross profit	**595,833**	427,729
Net profit	**247,486**	191,233
Total assets	**4,445,028**	3,614,965
Shareholders' equity attributable to owners of the Company	**2,384,677**	2,234,697
Basic earnings per share (RMB)	**0.27**	0.21
Diluted earnings per share (RMB)	**0.26**	0.20

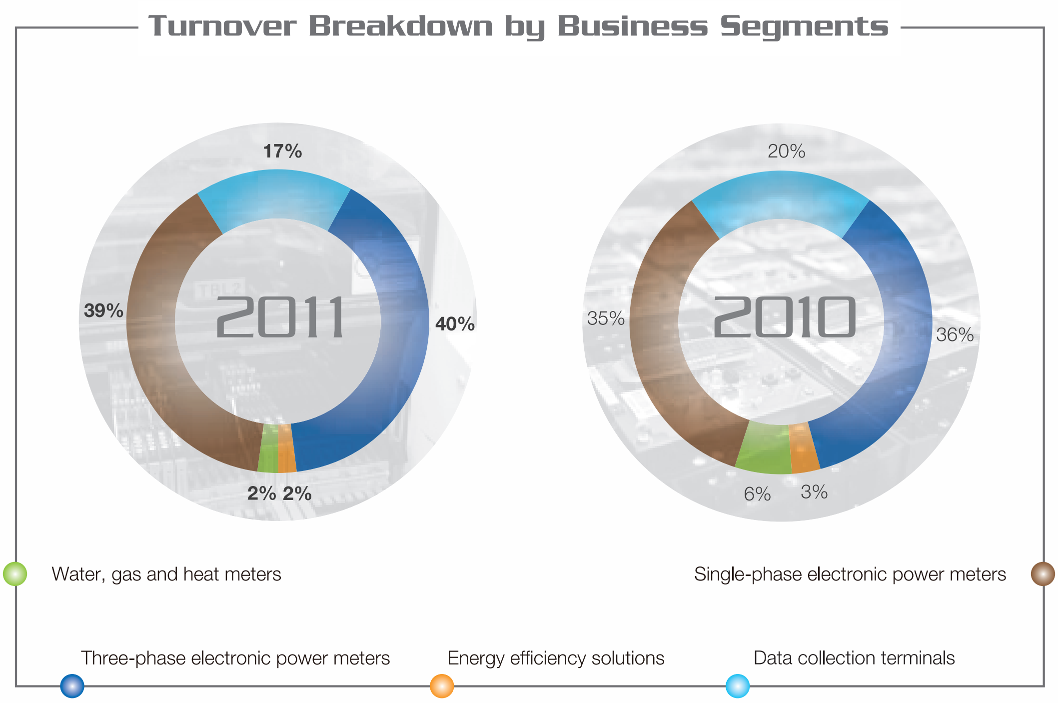
Key Financial Figures

	2011	2010
Gross profit margin	**30%**	32%
Operating profit margin	**18%**	18%
Net profit margin	**13%**	14%
Return on equity	**10%**	9%
Current ratio	**1.93**	1.84
Quick ratio	**1.66**	1.49
Inventory turnover period (Days)	**117**	179
Trade receivable turnover period (Days)	**184**	248
Trade payable turnover period (Days)	**204**	270
Gearing ratio	**24%**	14%
Interest coverage (Profit from operations divided by finance costs)	**6.03**	8.47

Five Year Financial Summary



	2011 HK$'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	1,968,676	1,330,781	1,078,165	1,059,390	804,030
Profit for the year attributable to equity shareholders of the Company	247,486	191,233	262,041	261,530	212,896
Total assets	4,445,028	3,614,965	3,176,027	2,543,842	1,915,555
Total liabilities	2,059,951	1,380,268	1,028,152	1,158,739	692,277
Shareholders' equity attributable to owners of the Company	2,384,677	2,234,697	2,147,875	1,385,103	1,223,278



Turnover

During the year under review, turnover increased by 48% to RMB1,968.68 million (2010: RMB1,330.78 million).

Gross Profit

The Group's gross profit increased by 39% to RMB595.83 million for the year ended 31 December 2011. Due to the change in product structure, the overall gross profit margin has dropped from 32% in 2010 to 30% in 2011.

Other Revenue and Gains

The other revenue and gains of the Group amounted to RMB85.63 million (2010: RMB54.60 million) which was mainly comprised of government grants, net foreign exchange gain, interest income, dividend income and refund of value-added tax.

Operating Expenses

In 2011, the Group's operating expenses amounted to RMB357.05 million (2010: RMB245.82 million). The increase in operating expenses was mainly due to the increase in selling expenses, depreciation of production plant, amortisation of intangible assets and expenditure on research and development. Operating expenses accounted for 18% of the Group's turnover in 2011 which is similar to that of 2010.

Operating Profit

Earnings before finance costs and tax for the year ended 31 December 2011 amounted to RMB324.41 million (2010: RMB236.51 million), representing an increase of 37% as compared with 2010.

Finance Costs

For the year ended 31 December 2011, the Group's finance costs amounted to RMB53.83 million (2010: RMB27.92 million). The increase was due to the increase in bank borrowings and interest rate during the year.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the year ended 31 December 2011 increased by 29% to RMB247.49 million as compared with 2010.

Capital Structure

For the year ended 31 December 2011, one director and certain employees have exercised 350,000 share options at an exercise price of HK$2.225 under which the issued and fully paid share capital of the Company has been increase by HK$3,500.

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 2011, the Group's current assets amounted to approximately RMB3,193.06 million (2010: RMB2,306.75 million), with cash and cash equivalents totaling approximately RMB986.91 million (2010: RMB553.53 million).

As at 31 December 2011, the Group's total bank loans amounted to approximately RMB1,088.95 million (2010: RMB501.33 million), of which RMB700.03 million (2010: RMB391.33 million) will be due to repay within one year and the remaining RMB388.92 million (2010: RMB110 million) will be due in the next three years. Net book value of the Group's pledged assets for the bank loans was approximately RMB207.16 million (2010: RMB166.27 million). In 2011, the interest rate for the Group's bank borrowings ranged from 1.50% to 7.35% per annum (2010: 2.28% to 5.85% per annum).

The gearing ratio (total borrowings divided by total assets) increase from 14% in 2010 to 24% in 2011 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 2011, the Group had 3,259 (2010: 2,999) staff. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB145.26 million in 2011 (2010: RMB116.91 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 RMB3.61 million in 2011 (2010: RMB4.43 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 2011, 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 2011, 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 RMB140.93 million (2010: RMB14.04 million).

Contingent Liabilities

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

MARKET REVIEW

2011 marks the beginning of the twelfth five-year plan of the country and the first year of the implementation of the third five-year plan of the Group ("third five-year plan"). The Group has successfully set sail for its third five-year plan and keep expanding in the spacious field of energy measurement and efficiency management in the course of realizing the corporate mission of "becoming the professional in energy measurement and energy efficiency management", and this was achieved through our unremitting pursue for innovation and active participation in the competitions in the domestic and international markets.

In 2011, the smart grid construction in China has passed from a pilot spot stage to the comprehensive construction stage. The Advanced Metering Infrastructure ("AMI"), being the core foundation for the smart grid, entered into a state of large scale construction and the promotion efforts for smart meters were increased continuously. In the fifth tender for centralized procurement in 2011 launched by the State Grid Corporation of China (the "State Grid"), items such as the concentrator, collector and changeable collection terminal were newly added, which further demonstrated the efforts of the State Grid that it put into the constructions of the smart grid, as well as its leading position in the field. As the second-largest grid company in the PRC, the China Southern Power Grid (the "Southern Grid") has followed the steps of the State Grid and started to adopt a new mode — the centralized procurement tender for the power meter. Centralized tender can help reducing the sales costs and the unit production cost of sizable corporates, enhance market concentration, thus facilitates the Group to increase its market share. After experiencing large scale price reduction caused by the centralized procurement in 2010, the State Grid changed the tender rules in which contracts were granted in accordance with average price. With the amendment, a significant rebound of the overall tender price occurred in 2011.

In 2011, China has widened its scope and intensified its strength in constructing the two-oriented society emphasizing on "environmental friendly and energy saving". The Government has furthered strengthened the management on the water usage reduction, and an escalating water pricing scheme appeared in various regions. The improvement of the heat meter used in centralized heating area in Northern China has been widened throughout the year. The rate of usage for the urban gas pipeline was popularized continuously as well. At the same time, the Government has promulgated the goal of the energy consumption reduction under the twelfth five-year plan, and further restricted the standard of relevant reviews. It is definitely a proof for an optimistic market prospects for the water, gas and heat measurement and management.

For the international market that we actively expanded, the Group obtained new results and breakthroughs in countries and regions, including North America, Europe and Asia in 2011. More importantly, aiming at the international market, the Group has entered into a "Metering Hardware Supply Agreement" with Siemens. We will cooperate with Siemens and expand the smart measurement business to the global market. It is anticipated that a new brilliant advancement in the Group's result will be shown in the future.

BUSINESS REVIEW

Domestic Markets

For the domestic electricity market, the smart grid construction has speeded up the promotion of the smart meter. Smart meter is a vital part in the power distribution in relation to the smart grid investment. The scale of the tender for the smart meter in China has increased significantly in 2011, when five tenders were held by the State Grid in the year 2011 in Nanjing, Nanchang, Xining, Yinchuan and Tianjin, respectively, the aggregate volume of the tenders was approximately 59.85 million units. With the superior comprehensive strengths we possess, such as brand name, technology, market share, quality, business scale as well as management, Wasion Group performed a stable and strong stance in the past tenders. The aggregate amount of the tender contracts that we won reached RMB960 million. The sales income and the market shares of the Group's three-phase meter and the single-phase meter achieved steady growth, with three-phase meter, which has a high gross profit margin, showing the highest rate of growth. It further demonstrated the leading position of the Group in the high-end product market. In addition, the State Grid also organized the first centralized procurement tender on data collection terminal in 2011, which the Group won 51,000 units of the tender, and the contract amount secured by the Group was the highest among others which further demonstrated the comprehensive leading advantage that the Group possesses in the field of smart measurement. The Southern Grid organized three tenders in 2011, involving approximately 4.77 million units in total. The aggregate contract amount won by the Wasion Group was RMB171 million, which demonstrated the Group lead its competitors with dominating superiority and the leading position and advantages in the overall power measurement market in China.

In 2011, the Group has adjusted the direction and the focus of the market operation. With the timely adjustment that we made to the sales policies as well as the sales teams, we showed a better performance in grasping the market opportunities. We strived for a leading position in the market share of the centralized procurement from the State Grid, the Southern Grid as well as other procurement tender launched by other provincial power companies, and on this basis, we have focused on promoting the business of power retail and achieved brilliant result. In 2011, the power retail segment accounted for about half of the market share of the domestic power market. These will bring constructive and profound effects on the Group in terms of the improvement of business structure, the increase in consolidated gross profit margin, as well as mitigation of risk relating to the excessive concentration resulted from centralized procurement.

We won new and big customers from the industrial and mining sectors in 2011, such as Xinjian Petroleum, Kunming Iron & Steel. We were also engaged by large scale urban gas groups such as the Petrochina Kunlun Gas and the China City Natural Gas. Our gas products has passed inspection in Guangzhou and we have finished part of the works on venturing into the gas market of China. For the heat measurement products, the large-diameter and small-diameter ultrasound heat meter of the Group were introduced to five provinces in 2011, which increased from 7 provinces in 2010 to 12 provinces currently.

The Group's subsidiary, Changsha Weisheng Energy Industrial Technology Company Limited ("Weisheng Energy"), was rated as the "Excellent Model of Energy Saving Unit in China" by China Energy Conservation Association and obtained the qualification of energy saving services company from the Ministry of Industry and Information Technology of China. In 2011, the Group established the first engineering research center for energy saving and environmental protection approved by the National Development and Reform Commission. The Group gained the national supports in terms of policies and funding due to such centre, which will fully guarantee that the Group possesses the required financial resources and personnel for the research and development and the application of the energy efficiency technology. During the year under review, the Group has established a strategic relationship with the Southern Grid Energy Saving Services Company (南方電網節能服務公司) and implemented the first batch of energy efficiency projects in Guangdong Province.

As compared to 2010, the domestic sales of the Group have achieved a comprehensive and sustainable growth in 2011. The brilliant record achieved is definitely a new milestone for the development of the Wasion Group.

Electronic Power Meters

During the year under review, the sales of electronic power meters remained as the major source of revenue of the Group. Turnovers from the sales of three-phase electronic power meters and single-phase electronic power meters for the year ended 31 December 2011 amounted to RMB795.16 million and RMB762.14 million respectively, representing an increase of 63% and 62% respectively as compared with previous year and contributed to 40% and 39% of the Group's total turnover respectively (2010: 36% and 35% respectively).

Data Collection Terminals

In 2011, revenue from sales of data collection terminals amounted to RMB337.95 million, representing an increase of 30% as compared to the previous year and accounted for 17% (2010: 20%) of the Group's total turnover.

Fluid Measurement Business

In 2011, the sales revenue from the fluid measurement business, including the sales of water, gas, and heat meter, amounted to RMB33.28 million, decreased by 56% as compared to the previous year and contributed to 2% of the total Group's revenue (2010: 6%).

System and Energy Efficiency Business

The revenue from the system and energy efficiency business in 2011 was RMB40.15 million (2010: RMB37.95 million), increased by 6% as compared to the previous year and accounted for 2% of the total income of the Group (2010: 3%).

International Market

In 2011, the international market has regained its growth momentum and realized income of RMB 91.65 million, representing a growth of 112% as compared to 2010, accounting for 5% (2010: 3%) of the total income of the Group. For the existing market of the Group, sales remained steady and significant breakthroughs were achieved with respect to market exploration and product development. The Group obtained significant results in foreign markets such as Africa, Middle East, Southeast Asia and South American regions. Among others, the Group won the tender of the Loan Projects in 2011 issued by the World Bank in Tanzania and we received bulk orders for the smart meters in Dominican Republic, which further strengthened the brand image of the Group in African and South American markets.

During the year under review, a “Metering Hardware Supply Agreement” has been duly signed between the Group and Siemens and according to the agreement, the Group will launch power meter products through the global sales network of Siemens to regions apart from China. It will definitely bring a positive boost to the foreign operation business of the Group.

Research and Development

Leveraging on the core corporate value of “continuous innovation and centurial prestige”, the Group focused on the research and development of new products and new measurement technology. The research expenses for 2011 (including the capitalization part) was RMB128.22 million, representing 6.5% of the total turnover of the Group (2010: 6.6%).

For the power measurement business, the Group has achieved bulk sales of the four high-end products, including the digital power meter, the calibration device for digital meter, the 0.1S grid meters and the impact load power meter in 2011. The research and development of new products used in the field of automation of the distribution network, including the fault indicator, the DTU, the STU and the high voltage meter, were completed and these products could be launched to the market.

The Group has completed the research and development of new products for fluid measurement business segment included wireless remote transmission large diameter water meter, ultra-sound large diameter heat meter and wireless grid technology based smart gas meter, which significantly expanded the product portfolio of the Group’s fluid measurements series.

PROSPECT

In 2012, we believe that the State Grid and the Southern Grid will maintain the procurement scale of the smart meter. Stimulated by the demand on the data collection terminal as an ancillary product, we will sustain a strong growth as well. Moreover, the grid companies will focus more on the quality of the products as well as the service capabilities. With our comprehensive strengths, we will be benefited from the changes. In short, The Group will increase its market share, while also put more emphasis on improving product structure and product quality and increasing profitability.

The new business, which comprised of energy efficiency management, fluid measurement and the overseas operations, is a vital component for the future development of the Group’s strategy, and a growth point of earnings for the future operations of the Group with enormous room of development. Under the continuous reformation for the charging policies and the emerging policies on the tariff rate of gas, water, and heat sectors, the market for the smart fluid measurement products is growing rapidly, which brings a huge opportunities to the development of the fluid measurement products of the Group. Reduction on energy consumption and emission has become the foremost task of the Government, for every department and level. Enhancing the energy efficiency and the proportion of the usage of clean energy are the major solutions for the issue. In addition, it brings energy efficiency business of the Group with an unlimited space to develop. The demand from overseas market for the smart measurement is growing rapidly, the Group has established its own sales channels, and with the help from the sales channel of Siemens, a rapid growth will be fostered. The internal capability of the fluid measurement and the energy efficiency business will have a significant improvement, and the focus will be put on the major markets expansion and the establishment of the sample market.

In 2012, the corporate culture will be fully implemented, and a system for continuous improvement will be established. Through the reinforcement in management of different operational levels. The level of the Group management will be ameliorated on a continuous basis, at the same time, the second-phase construction has been started, which provides a strong hardware support for the overseas operation and the energy efficiency business of the Group.

2012 is a critical year when the Group will speed up the pace of implementing the third five-year development plan set by itself and this is also a year full of new opportunities and challenges which offer wonder and hope. We will consolidate and pursue better development of the matured businesses of power metering and data collection terminal, while also accelerate the development of businesses of fluid measurement and energy efficiency and overseas operation, with a view to realizing the "three pillars" strategy covering the power market, the non-power market and the international market. We will uphold a high sense of social responsibility and are dedicated to make practical and consistent contributions to mankind for achieving the goal of energy saving and the more effective use of energy through technically advanced products and ever-improving services. We will leverage on the Group's continuous and steady profit returns and our brand reputation, and create values for our shareholders.


威胜

CORPORATE VISION:

Continual Innovation Contributing to Wasion's Centennial History

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ji Wei (吉為), aged 56, 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 27 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 and he was awarded with several honourary titles such as "Most Socially Responsible Entrepreneur", "Most Caring Entrepreneur on Staff Development" and "Excellent Entrepreneur of Changsha Hi Tech Zone".

Ms. Cao Zhao Hui (曹朝輝), aged 44, 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 and she was awarded with several honourary titles such as "Woman Pioneer" and "Excellent Entrepreneur of Changsha Hi Tech Zone".

Mr. Zeng Xin (曾辛), aged 42, is an executive Director and the vice president. Mr. Zeng graduated from the National University of Defense Technology 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 49, 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. Ms. Zheng was also awarded with various honourary titles such as "Individual with Advanced Technology Creation in Hunan", "Excellent Entrepreneur of Changsha Hi Tech Zone", "Excellent Management of Quality Control in Machinery (Automobile) Industry of Hubei Province" and "The Seventh Group of Outstanding Experts in Changsha". Ms. Zheng is the spouse of Mr. Wang Xue Xin.

Mr. Wang Xue Xin (王學信), aged 50, 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 50, 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 49, 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 79, 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 64, 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. Choi Wai Lung Edward (蔡偉龍), aged 43, is the chief financial officer 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 21 years of experience in accounting, auditing and finance.

Directors' Report

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2011.

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 2011 are set out in the consolidated statement of comprehensive income on page 51 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$0.15 (equivalent to RMB0.122) per share to the shareholders on the register of members on 23 May 2012 and a resolution to this effect will be proposed and subject to the shareholders' approval in the forthcoming annual general meeting. The final dividend is expected to be paid on or before 28 May 2012.

FIXED ASSETS

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company 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 2011 comprised the merger reserve and retained profits of RMB328,666,000 (2010: 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. Mr. Wang Xue Xin and Mr. Liao Xue Dong, the executive directors and Mr. Hui Wing Kuen, 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' 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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2011, 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)	482,888,888	51.97%
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	500,000	0.05%
Pan Yuan	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	100,000	Beneficial owner	100,000	0.01%
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 2011.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, 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 of controlled corporation	482,888,888	51.97%
Star Treasure	Beneficial owner	482,888,888	51.97%

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 2011.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OBLIGATIONS ON THE CONTROLLING SHAREHOLDER

The Company entered into a facility agreement (the "Facility Agreement") with two banks as the lead arranger pursuant to which a term loan facility in the total amount of US$30,000,000 for a tenure of three years has been granted to the Company that include conditions specifying that it will be an event of default if Mr. Ji Wei, the chairman, executive director and a controlling shareholder of the Company (i) does not or ceases to legally and beneficially own, directly or indirectly, at least 40% of the entire issued share capital of and equity interests of the Company; (ii) does not or ceases to either directly or indirectly remain as the single largest shareholder of the Company; and (iii) does not or ceases to exercise control over the management and affairs of the Group and/or the composition of the board of directors of the Company. At 31 December 2011, the balance utilised under the above facility amounted to US$30,000,000 (equivalent to RMB189,220,000).

Save as disclosed above, there are no other events which are required to be disclosed by the Company under Rule 13.18 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

RELATED PARTY TRANSACTIONS

Related party transactions entered into for the year are set out in note 31 to the consolidated financial statements.

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 2011	Exercised during the year	As at 31 December 2011	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	200,000	(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
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 Jin 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	8,200,000	(100,000)	8,100,000					
Other employees	4,873,000	(250,000)	4,623,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Other employees	3,035,000	–	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	6,875,000	–	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	14,783,000	(250,000)	14,533,000					
Total	22,983,000	(350,000)	22,633,000					

* 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.

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 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 37 to 48 of the annual report.

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

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

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 2011.

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 116 of the annual report.

AUDIT COMMITTEE

The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2011.

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 2012

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 of Directors (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 26 to 28 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 2012 annual general meeting
Wu Jin Ming	:	up to the 2012 annual general meeting
Pan Yuan	:	up to the 2012 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 2011, the Company has held eight 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)*	8/8
Cao Zhao Hui	8/8
Zeng Xin	6/8
Zheng Xiao Ping	6/8
Wang Xue Xin	6/8
Liao Xue Dong	5/8
Independent Non-Executive Directors:	
Hui Wing Kuen	5/8
Wu Jin Ming	3/8
Pan Yuan	3/8

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 page 38.

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 duties of the Nomination Committee include the following:

(a) To review the structure, size and composition of the Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive;

(d) To assess the independence of independent non-executive Directors; and

(e) Where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, the Committee should set out in the circular to shareholders and explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider the individual to be independent.

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.

Four 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)*	4/4
Hui Wing Kuen	4/4
Wu Jin Ming	1/4

In accordance with the Articles, Mr. Wang Xue Xin, Mr. Liao Xue Dong and Mr. Hui Wing Kuen 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 duties of the Remuneration Committee include the following:

(a) To make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) To review and approve the management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time;

(c) To make recommendations to the Board on the remuneration packages of individual executive Directors, independent non-executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Committee should consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the group. A significant proportion of executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance;

(d) To review and approve compensation payable to the Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(e) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(f) To ensure that no Director or any of his associate is involved in deciding his own remuneration; and

(g) The Committee shall advise shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under Rule 13.68 of the Listing Rules.

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.

Four 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)*	4/4
Ji Wei	4/4
Wu Jin Ming	2/4

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 duties of the Audit Committee include the following:

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(c) to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure co-ordination where more than one audit firm is involved;

(d) to develop and implement policy on engaging an external auditor to supply non-audit services. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(e) to monitor the integrity of financial statements of the Company and the annual report and accounts, half-year report and, if prepared for publication, quarterly reports and to review significant financial judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

    (i) any changes in accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from the audit;

    (iv) the going concern assumption;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting.

(f) to liaise with the Board, senior management and the chief financial officer of the Company and to meet, at least twice a year, with the Company's auditors and to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's chief financial officer, compliance officer or auditors;

(g) to review the Company's financial controls, internal control and risk management systems;

(h) to discuss the internal control system with management to ensure that the management has performed its duty to have an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function of the Company;

(i) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management response; findings of internal investigations and management's response to these findings;

(j) (where an internal audit function exists) to ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(k) to review the Group's financial and accounting policies and practices;

(l) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(n) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(o) to act as the key representative body for overseeing the Company's relations with the external auditor;

(p) to report to the Board on the matters set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules;

(q) to establish a whistle blowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company; and

(r) to consider other topics, as defined by the Board.

The Audit Committee held four 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)*	4/4
Wu Jin Ming	1/4
Pan Yuan	2/4

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 2011 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 2011.

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 2011.

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 pages 49 to 50 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 2011 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 2011 and RMB0.5 million for the review of the Group's interim report for the six months ended 30 June 2011.

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.
德勤

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 51 to 115, which comprise the consolidated balance sheet as at 31 December 2011 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with 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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of its 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 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Turnover	5	**1,968,676**	1,330,781
Cost of sales		**(1,372,843)**	(903,052)
Gross profit		**595,833**	427,729
Other revenue and gains	6	**85,625**	54,599
Administrative expenses		**(146,249)**	(112,411)
Selling expenses		**(145,109)**	(92,920)
Research and development expenses		**(65,691)**	(40,485)
Finance costs	7	**(53,830)**	(27,916)
Profit before taxation	8	**270,579**	208,596
Income tax expense	9	**(23,093)**	(17,363)
Profit for the year, attributable to owners of the Company		**247,486**	191,233
Other comprehensive (expense) income			
Exchange difference arising on translation		**(6,743)**	(6,888)
Fair value (loss) gain on available-for-sale investments		**(5,448)**	3,573
Other comprehensive expense for the year, attributable to owners of the Company		**(12,191)**	(3,315)
Total comprehensive income for the year, attributable to owners of the Company		**235,295**	187,918
Earnings per share	12		
Basic		**RMB27 cents**	RMB21 cents
Diluted		**RMB26 cents**	RMB20 cents

Consolidated Balance Sheet

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	775,882	665,766
Prepaid lease payments	13	72,329	73,984
Investment properties	14	35,691	8,997
Goodwill	15	110,326	110,326
Intangible assets	16	209,992	214,336
Available-for-sale investments	17	26,169	56,604
Life insurance product	18	21,577	—
Long-term receivable	19	—	178,200
		1,251,966	1,308,213
CURRENT ASSETS			
Inventories	20	441,849	443,085
Trade and other receivables	19	1,527,969	1,144,766
Amounts due from related parties	31	20,970	21,338
Prepaid lease payments	13	1,655	1,655
Pledged bank deposits	21	213,711	142,378
Bank balances and cash	21	986,908	553,530
		3,193,062	2,306,752
CURRENT LIABILITIES			
Trade and other payables	22	927,861	832,934
Tax liabilities		28,573	28,294
Borrowings — due within one year	23	700,035	391,332
		1,656,469	1,252,560
NET CURRENT ASSETS		1,536,593	1,054,192
		2,788,559	2,362,405

Consolidated Balance Sheet (Continued)

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CAPITAL AND RESERVES			
Share capital	24	9,409	9,406
Reserves		2,375,268	2,225,291
Equity attributable to owners of the Company		2,384,677	2,234,697
Non-controlling interest		400	—
		2,385,077	2,234,697
NON-CURRENT LIABILITIES			
Borrowings — due after one year	23	388,918	110,000
Deferred tax liability	25	14,564	17,708
		403,482	127,708
		2,788,559	2,362,405

The consolidated financial statements on pages 51 to 115 were approved and authorised for issue by the Board of Directors on 28 March 2012 and are signed on its behalf by:

Ji Wei
DIRECTOR

Cao Zhao Hui
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company											
	Share capital RMB'000 (note 24)	**Share premium** RMB'000	**Merger reserve** RMB'000 (Note i)	**Exchange reserve** RMB'000	**PRC statutory reserves** RMB'000 (Note ii)	**Share option reserve** RMB'000	**Investment revaluation reserve** RMB'000	**Other reserve** RMB'000 (Note iii)	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interest** RMB'000	**Total** RMB'000
At 1 January 2010	9,427	1,240,898	49,990	(57,053)	107,684	19,827	–	33,164	743,938	2,147,875	–	2,147,875
Profit for the year	–	–	–	–	–	–	–	–	191,233	191,233	–	191,233
Other comprehensive (expense) income for the year	–	–	–	(6,888)	–	–	3,573	–	–	(3,315)	–	(3,315)
Total comprehensive (expense) income for the year	–	–	–	(6,888)	–	–	3,573	–	191,233	187,918	–	187,918
Issue of shares upon exercise of share options	3	1,209	–	–	–	(307)	–	–	–	905	–	905
Repurchase of own shares	(24)	(11,953)	–	–	–	–	–	–	–	(11,977)	–	(11,977)
Transfer to PRC statutory reserves	–	–	–	–	20,137	–	–	–	(20,137)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	172	–	–	–	172	–	172
Dividend recognised as distribution (note 11)	–	–	–	–	–	–	–	–	(90,196)	(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	–	2,234,697
Profit for the year	–	–	–	–	–	–	–	–	247,486	247,486	–	247,486
Other comprehensive expense for the year	–	–	–	(6,743)	–	–	(5,448)	–	–	(12,191)	–	(12,191)
Total comprehensive (expense) income for the year	–	–	–	(6,743)	–	–	(5,448)	–	247,486	235,295	–	235,295
Issue of shares upon exercise of share options	3	861	–	–	–	(215)	–	–	–	649	–	649
Transfer to PRC statutory reserves	–	–	–	–	14,827	–	–	–	(14,827)	–	–	–
Dividend recognised as distribution (note 11)	–	–	–	–	–	–	–	–	(85,964)	(85,964)	–	(85,964)
Capital contribution for a non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	400	400
At 31 December 2011	9,409	1,231,015	49,990	(70,684)	142,648	19,477	(1,875)	33,164	971,533	2,384,677	400	2,385,077

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 Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	270,579	208,596
Adjustments for:		
Finance costs	53,830	27,916
Bank interest income	(7,093)	(3,899)
Interest income from entrusted loan contracts	(26,679)	—
Interest income from consideration receivable for disposal of assets	(10,037)	—
Dividend income from available-for-sale investments	(5,549)	(2,947)
Loss (gain) on disposal of property, plant and equipment	133	(33,523)
Depreciation of property, plant and equipment	35,096	31,844
Depreciation of investment properties	705	183
Release of prepaid lease payments	1,655	2,560
Amortisation of intangible assets	69,443	59,146
Net foreign exchange gain	(9,071)	(6,978)
Share-based payment expenses	—	172
Impairment of other receivables	—	1,876
Write-down of inventories	—	1,999
Operating cash flows before movements in working capital	373,012	286,945
Decrease (increase) in inventories	1,236	(117,661)
Increase in trade and other receivables	(165,889)	(202,932)
Increase in trade and other payables	99,808	264,410
Cash generated from operations	308,167	230,762
Income tax paid	(25,958)	(10,793)
NET CASH FROM OPERATING ACTIVITIES	282,209	219,969
INVESTING ACTIVITIES		
Placement of pledged bank deposits	(1,016,719)	(935,255)
Advances of short-term loans receivables under entrusted loan contracts	(330,000)	—
Purchase of property, plant and equipment	(170,467)	(138,126)
Expenditure on development projects	(65,099)	(53,785)
Payment for a life insurance product	(21,762)	—
Purchase of available-for-sale investments	(14,275)	(48,070)
Repayment from (advances to) related parties	368	(105)
Dividends received from available-for-sale investments	5,549	2,947
Interest received	43,809	3,899
Repayment of advances of short-term loans receivables under entrusted loan contracts	330,000	—
Withdrawal of pledged bank deposits	945,386	906,623
Prepaid lease payment paid	—	(10,819)
Net proceeds on disposals of property, plant and equipment (net of transaction costs of RMB11,539,000 for the year ended 31 December 2010)	—	10,078
NET CASH USED IN INVESTING ACTIVITIES	(293,210)	(262,613)

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
FINANCING ACTIVITIES		
New borrowings raised	1,273,088	687,441
Proceeds on issue of shares upon exercise of share options	649	905
Interest paid on borrowings	(56,319)	(28,291)
Dividends paid	(85,964)	(90,196)
Repayment of borrowings	(685,974)	(604,752)
Shares repurchased	—	(11,977)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	445,480	(46,870)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	434,479	(89,514)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	553,530	644,668
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,101)	(1,624)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	986,908	553,530

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 principal 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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised standards, amendments and interpretation that have been issued but are not yet effective:

Amendment to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

The directors anticipate that the adoption of HKFRS 9 in the future might have impact on amounts reported in respect of the Group's available-for-sale investments but it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed while the adoption of HKFRS 9 will have no impact on the Group's financial liabilities.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 13 Fair Value Measurement

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

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

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

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

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

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

A CGU 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 CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill 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, at which time 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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 income can be measured reliably. Interest income 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 in the consolidated balance sheet 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 the 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 as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

An item of property, plant and equipment is transferred to investment property when there is a change of use, as evidenced by end of owner-occupation. The carrying amount of that item at the date of transfer is recognised as the cost of the investment property.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual values, 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 property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in 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 lessor

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

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.

Leasehold land and building

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

To the extent the allocation of the lease 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 cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are review at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis (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 activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

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 cost 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including the deposit component of the life insurance product, 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 of 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.

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 of 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 are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

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

For loans and receivables, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

The carrying amount of the financial 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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, 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 through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Derecognition

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

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

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. 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)

Equity-settled share-based payment transactions

Share options granted to employees

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

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

When 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.

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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 (i.e. RMB) using exchange rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Government grants

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

Government grants 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 in the consolidated statement of comprehensive income 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 recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) 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.

(i) 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 flows 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. As at 31 December 2011, the carrying amount of intangible assets was approximately RMB210.0 million (2010: RMB214.3 million).

(ii) Estimated carrying amounts of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the 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 (2010: RMB110.3 million) as at 31 December 2011 was allocated to the electronic meters segment. Details of the recoverable amount calculation are disclosed in note 15.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(iii) Estimated impairment of long-term receivable, trade and bills 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 2011, (i) the carrying amount of trade and bills receivables is approximately RMB906.1 million (2010: RMB819.3 million), net of allowance for doubtful debts of approximately RMB16.6 million (2010: RMB16.6 million), (ii) the carrying amount of long-term receivable, reclassified as current as at 31 December 2011, is approximately RMB178.2 million (2010: RMB178.2 million) and (iii) amount due from related parties is approximately RMB21.0 million (2010: RMB21.3 million).

5. TURNOVER AND SEGMENT INFORMATION

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

	2011 RMB'000	2010 RMB'000
Sales of goods	1,928,527	1,292,828
Service income for energy efficiency solutions	40,149	37,953
	1,968,676	1,330,781

Information reported to the Group's Chief Executive Officer, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable and operating segments under HKFRS 8 are 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.

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment turnover and results

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

For the year ended 31 December 2011

	Electronic meters RMB'000	Data collection terminals RMB'000	Energy efficiency solution RMB'000	Consolidated RMB'000
TURNOVER				
External sales	1,590,579	337,948	40,149	1,968,676
Inter-segment sales	10,118	41,966	1,802	53,886
Segment turnover	1,600,697	379,914	41,951	2,022,562
Elimination				(53,886)
Group turnover				1,968,676
Segment profit	183,741	102,509	8,568	294,818
Unallocated income and gains				52,170
Central administration costs				(22,579)
Finance costs				(53,830)
Profit before taxation				270,579

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment turnover and results (Continued)

For the year ended 31 December 2010

	Electronic meters RMB'000	Data collection terminals RMB'000	Energy efficiency solution 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
Segment turnover	1,044,780	275,295	39,568	1,359,643
Elimination				(28,862)
Group turnover				1,330,781
Segment profit	115,972	92,345	11,907	220,224
Unallocated income and gains				10,033
Gain on disposal of property, plant and equipment				33,523
Central administration costs				(27,268)
Finance costs				(27,916)
Profit before taxation				208,596

The accounting policies of the operating 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, being its chief operating decision maker, for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2011 RMB'000	2010 RMB'000
SEGMENT ASSETS		
Electronic meters	2,158,920	1,908,013
Data collection terminals	598,029	566,767
Energy efficiency solution	79,717	76,754
Total segment assets	2,836,666	2,551,534
Unallocated assets	1,608,362	1,063,431
Consolidated assets	4,445,028	3,614,965
SEGMENT LIABILITIES		
Electronic meters	723,591	626,569
Data collection terminals	122,183	144,351
Energy efficiency solution	14,840	16,221
Total segment liabilities	860,614	787,141
Unallocated liabilities	1,199,337	593,127
Consolidated liabilities	2,059,951	1,380,268

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

- all assets are allocated to operating segments other than certain property, plant and equipment, investment properties, prepaid lease payments, available-for-sale investments, life insurance product, long-term receivable, other receivables, amounts due from related parties, pledged bank deposits and bank balances and cash; and

- all liabilities are allocated to operating segments other than certain other payables, amount due to a related party, tax liabilities, borrowings and deferred tax liability.

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2011

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

	Electronic meters RMB'000	Data collection terminals RMB'000	Energy efficiency solution RMB'000	Segment total RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to non-current assets (note)	81,455	30,345	4,327	116,127	121,928	238,055
Depreciation and amortisation of property, plant and equipment and intangible assets	79,109	20,920	3,296	103,325	1,214	104,539
Release of prepaid lease payments	554	1,001	60	1,615	40	1,655
Loss on disposal of property, plant and equipment	133	—	—	133	—	133

For the year ended 31 December 2010

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

	Electronic meters RMB'000	Data collection terminals RMB'000	Energy efficiency solution RMB'000	Segment total RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to non-current assets (note)	133,715	64,136	6,531	204,382	1,261	205,643
Depreciation and amortisation of property, plant and equipment and intangible assets	70,154	17,455	2,232	89,841	1,149	90,990
Release of prepaid lease payments	1,384	414	36	1,834	726	2,560
Gain on disposal of property, plant and equipment	216	4	3	223	33,300	33,523
Write-down of inventories	1,993	4	2	1,999	—	1,999

Note: Non-current assets exclude financial instruments.

Revenue from major customers

The directors are not aware of any customer that individually contributing over 10% of the consolidated turnover from external customers in any of the two years ended 31 December 2011.

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)	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
PRC	1,877,029	1,287,608	1,200,337	1,069,102
Overseas	91,647	43,173	3,883	4,307
	1,968,676	1,330,781	1,204,220	1,073,409

Note: Non-current assets exclude financial instruments.

6. OTHER REVENUE AND GAINS

	2011 RMB'000	2010 RMB'000
Interest income from entrusted loan contracts (Note i)	26,679	—
Interest income from consideration receivable for disposal of assets	10,037	—
Refund of value-added tax ("VAT") (Note ii)	11,579	3,380
Government grants (Note iii)	10,429	627
Net foreign exchange gain	9,988	6,978
Bank interest income	7,093	3,899
Dividend income from an unlisted equity securities classified as available-for-sale investments	5,549	2,947
Rental income from investment properties	2,704	903
Gain on disposal of property, plant and equipment	—	33,523
Others	1,567	2,342
	85,625	54,599

6. OTHER REVENUE AND GAINS (Continued)

Notes:

(i) The amount represented the interest income from short-term loans advanced by the Group to third parties under entrusted loan contracts. During the year ended 31 December 2011, the Group entered into entrusted loan contracts with several independent third parties pursuant to which short-term entrusted loans in aggregate amount of RMB330,000,000 were advanced to them during the year through certain banks in the PRC. These entrusted loans were unsecured, carried interests at 12% per annum and have been repaid to the Group before the end of the reporting period.

(ii) 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 specified 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.

(iii) Government grants mainly comprise financial subsidies from the PRC governments for the continuous technological advancements of the Group in its products with no future related costs or obligations.

7. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interest on borrowings wholly repayable within five years	56,202	28,291
Interest on borrowings not wholly repayable within five years	117	—
	56,319	28,291
Less: amounts capitalised in property, plant and equipment	(2,489)	(375)
	53,830	27,916

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.86% (2010: 4.58%) per annum to expenditures on qualifying assets.

8. PROFIT BEFORE TAXATION

	2011 RMB'000	2010 RMB'000
Profit before taxation has been arrived at after charging:		
Staff costs including directors' emoluments:		
Salaries and benefits	138,551	111,508
Retirement benefit scheme contributions	6,704	5,229
Share-based payment expenses	—	172
	145,255	116,909
Auditor's remuneration	2,061	2,147
Depreciation of property, plant and equipment	35,096	31,844
Depreciation of investment properties	705	183
Release of prepaid lease payments	1,655	2,560
Amortisation of intangible assets (included in cost of sales, administrative expenses, selling expenses and research and development expenses)	69,443	59,146
Loss on disposal of property, plant and equipment	133	—
Cost of inventories recognised as expense (including write-down of inventories of RMB1,999,000 for the year ended 31 December 2010 (2011: nil))	1,372,843	903,052
Write-down of inventories	—	1,999
Impairment of other receivables	—	1,876

9. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
The charge (credit) comprises:		
PRC Enterprise Income Tax ("EIT")		
— Current year	25,451	25,259
— Underprovision in prior years	786	2,418
	26,237	27,677
Deferred taxation (note 25)		
— Current year	(3,144)	(10,314)
	23,093	17,363

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 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 enjoy the preferential tax 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.

(iii) Other jurisdictions

Taxation arising in other jurisdictions was 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 as long as the 58/99/M Company does not sell its products to a Macao resident company.

9. INCOME TAX EXPENSE (Continued)

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

	2011 RMB'000	2010 RMB'000
Profit before taxation	270,579	208,596
Tax at the income tax rate of 25% (2010: 25%)	67,645	52,149
Tax effect of expenses not deductible for tax purpose	4,237	4,092
Tax effect of income not taxable for tax purpose	(201)	(447)
Tax effect of tax losses not recognised	7,522	2,417
Utilisation of tax loss previously not recognised	—	(16)
Effect of tax concessions/exemption granted to PRC and Macao subsidiaries	(56,896)	(43,250)
Underprovision in prior years	786	2,418
Tax charge for the year	23,093	17,363

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of emoluments paid or payable to each of the nine (2010: nine) directors are set out as follows:

For the year ended 31 December 2011

	Directors' fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonuses RMB'000 (note)	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:					
Ji Wei ("Mr. Ji")	—	498	—	10	508
Cao Zhao Hui	—	549	50	17	616
Wang Xue Xin	—	549	—	17	566
Zheng Xiao Ping	—	399	30	17	446
Liao Xue Dong	—	369	—	17	386
Zeng Xin	—	469	35	17	521
Independent non-executive directors:					
Wu Jin Ming	125	—	—	—	125
Pan Yuan	125	—	—	—	125
Hui Wing Kuen	316	—	—	—	316
	566	2,833	115	95	3,609

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 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
Executive directors:					
Ji Wei	—	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
Independent non-executive directors:					
Wu Jin Ming	130	—	—	—	130
Pan Yuan	130	—	—	—	130
Hui Wing Kuen	329	—	—	—	329
	589	3,429	355	56	4,429

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 2011 included four (2010: four) directors of the Company, details of whose emoluments are included above. The emoluments of the remaining one (2010: one) individual for the year are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other benefits	1,149	980
Retirement benefit scheme contributions	10	10
	1,159	990

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

	2011 RMB'000	2010 RMB'000
Dividends recognised as distribution during the year:		
2010 final dividend — HK$0.11, equivalent to RMB0.093, per share (2010: 2009 final dividend HK$0.11, equivalent to RMB0.097, per share)	85,964	90,196
Dividends proposed after the end of the reporting period:		
2011 final dividend — HK$0.15, equivalent to RMB0.122, per share (2010: 2010 final dividend of HK$0.11, equivalent to RMB0.093, per share)	113,365	85,964

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:

	2011 RMB'000	2010 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	247,486	191,233

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	929,067,442	929,339,031
Effect of dilutive potential ordinary shares in respect of share options	5,294,669	12,133,483
Weighted average number of ordinary shares for the purpose of diluted earnings per share	934,362,111	941,472,514

13. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS

(a) Property, plant and equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2010	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 properties	(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
Additions	16,116	1	28,992	2,764	372	124,711	172,956
Transfer	1,025	—	—	—	—	(1,025)	—
Transfer to investment properties	(29,644)	—	—	—	—	—	(29,644)
Disposals	—	(112)	(15)	(14)	—	—	(141)
Exchange realignment	(129)	(89)	—	(34)	(50)	—	(302)
At 31 December 2011	568,855	6,383	155,757	29,069	22,969	127,804	910,837
DEPRECIATION							
At 1 January 2010	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 properties	(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
Provided for the year	10,214	573	16,767	5,292	2,250	—	35,096
Transfer to investment properties	(2,245)	—	—	—	—	—	(2,245)
Eliminated on disposals	—	—	(2)	(6)	—	—	(8)
Exchange realignment	(2)	(40)	—	(21)	(27)	—	(90)
At 31 December 2011	25,625	4,491	79,321	14,588	10,930	—	134,955
CARRYING VALUES							
At 31 December 2011	543,230	1,892	76,436	14,481	12,039	127,804	775,882
At 31 December 2010	563,829	2,625	64,224	17,030	13,940	4,118	665,766

13. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS (Continued)

(a) Property, plant and equipment (Continued)

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

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	5 to 10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	10 years

All of the buildings are erected on land with medium-term land use rights outside Hong Kong.

As at 31 December 2011, the formal titles of certain buildings with an aggregate carrying value of RMB22,078,000 (2010: RMB212,387,000) have not been granted to the Group.

(b) Prepaid lease payments

The Group's prepaid lease payments comprise leasehold land outside Hong Kong held under medium-term leases and analysed for reporting purposes as:

	2011 RMB'000	2010 RMB'000
Non-current assets	72,329	73,984
Current assets	1,655	1,655
	73,984	75,639

(c) Pledge of assets

The carrying amounts of leasehold land and buildings pledged to banks to secure banking facilities granted to the Group are set out as below:

	2011 RMB'000	2010 RMB'000
Buildings	181,966	140,518
Leasehold land	25,196	25,756
	207,162	166,274

14. INVESTMENT PROPERTIES

	RMB'000
COST	
Transfer from property, plant and equipment during the year ended 31 December 2010 and at 31 December 2010	9,180
Transfer from property, plant and equipment	27,399
At 31 December 2011	**36,579**
DEPRECIATION	
Provided for the year ended 31 December 2010 and at 31 December 2010	183
Provided for the year	705
At 31 December 2011	**888**
CARRYING VALUE	
At 31 December 2011	**35,691**
At 31 December 2010	8,997

The above investment properties are depreciated on a straight-line basis over 50 years, and erected on land under medium-term land use rights outside Hong Kong.

The fair value of the Group's investment properties at 31 December 2011, together with the relevant land on which the buildings are erected with carrying amount of RMB5,394,000 (2010: RMB1,579,000), was RMB41,713,000 (2010: 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.

15. GOODWILL

	RMB'000
CARRYING AMOUNT	
At 1 January 2010, 31 December 2010 and 2011	110,326

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

During each of the year ended 31 December 2010 and 2011, management of the Group determines that there is no impairment of the 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% (2010: 7%). The cash flows beyond the 5-year period are extrapolated using a steady growth rate of 5% (2010: 5%). 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.

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 2010	152,090	55,821	81,309	37,917	80,644	407,781
Additions	47,891	5,894	—	—	—	53,785
Disposals	—	—	—	—	(33,931)	(33,931)
At 31 December 2010	199,981	61,715	81,309	37,917	46,713	427,635
Additions	62,534	2,565	—	—	—	65,099
At 31 December 2011	**262,515**	**64,280**	**81,309**	**37,917**	**46,713**	**492,734**
AMORTISATION						
At 1 January 2010	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 disposals	—	—	—	—	(1,716)	(1,716)
At 31 December 2010	82,335	47,457	52,764	27,351	3,392	213,299
Provided for the year	37,638	7,025	16,262	7,584	934	69,443
At 31 December 2011	**119,973**	**54,482**	**69,026**	**34,935**	**4,326**	**282,742**
CARRYING VALUES						
At 31 December 2011	**142,542**	**9,798**	**12,283**	**2,982**	**42,387**	**209,992**
At 31 December 2010	117,646	14,258	28,545	10,566	43,321	214,336

Development costs represent expenses capitalised during development phase of internal projects for development of new technology and new products.

The entire balance of acquired technology, customer relationship and contracts and premium on land, and certain amounts of development costs and patents, copyrights and trademarks were acquired as part of business combinations in prior years.

16. INTANGIBLE ASSETS (Continued)

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

	2011 RMB'000	2010 RMB'000
Available-for-sale investments comprise:		
Equity securities listed in Hong Kong, at fair value (note i)	13,134	43,569
Unlisted equity securities, at cost less impairment (note ii)	13,035	13,035
	26,169	56,604

Notes:

(i) The entire balance are denominated in Hong Kong dollars ("HKD"), being a currency other than the functional currency of the relevant group entity.

(ii) Amount represents unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

18. LIFE INSURANCE PRODUCT

In June 2011, the Company entered into a life insurance policy with an insurance company to insure an executive director. Under the policy, the beneficiary and policy holder is the Company, and the total insured sum is approximately US$7,557,000 (equivalent to RMB49,005,000). The Company is required to pay an upfront payment of US$3,421,000 (equivalent to RMB21,762,000). The Company may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value"). If such withdrawal is made at any time during the first to the fifteen policy year, a pre-determined specified surrender charge would be imposed on the Company.

At the inception date, the upfront payment is separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The insurance company will pay the Company a guaranteed interest rate of 4.25% per annum for the first year, followed by a minimum guaranteed interest rate of 3% per annum for the next 20 years. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the insurance policy of 20 years, excluding the financial effect of surrender charge.

The carrying amount of the life insurance product as at 31 December 2011 approximates the Cash Value of the insurance policy and the expected life of the policy remained unchanged from the initial recognition. The entire balance of the life insurance policy is denominated in United States Dollar ("USD"), being a currency other than the functional currency of the relevant group entity.

19. LONG-TERM RECEIVABLE/TRADE AND OTHER RECEIVABLES

(a) Long-term receivable

Long-term receivable represents the remaining consideration receivable for the disposal of certain assets to an independent third party during the year ended 31 December 2010. The total consideration is amounted to RMB198,000,000, of which RMB19,800,000 has been settled during the year ended 31 December 2010 and the remaining balance of RMB178,200,000 is repayable within two years from the date of the agreement and is therefore included in long-term receivable as at 31 December 2010 and reclassified as current asset as at 31 December 2011.

The assets disposed included a parcel of land in the PRC together with the buildings erected thereon. The then carrying amounts of the relevant assets upon disposal included buildings (included in property, plant and equipment) of RMB60,718,000, prepaid lease payments of RMB60,228,000 and premium on land (included in intangible assets) of RMB32,215,000.

The amount carries interest at six months benchmark lending rate offered by the People's Bank of China. The assets disposed have been pledged in favour of the Group to secure the consideration receivable. Such pledge will be released upon settlement of the balance of the consideration.

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

(b) Trade and other receivables

	2011 RMB'000	2010 RMB'000
Trade and bills receivables	**922,782**	835,944
Less: Allowance for doubtful debts	**(16,623)**	(16,623)
	906,159	819,321
Retentions held by trade customers	**87,385**	83,109
Consideration receivable for disposal of assets (see note (a) above)	**178,200**	—
Deposits, prepayments and other receivables	**356,225**	242,336
	1,527,969	1,144,766

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:

	2011 RMB'000	2010 RMB'000
0–90 days	**594,764**	411,677
91–180 days	**195,513**	187,073
181–365 days	**100,025**	209,707
Over 1 year	**15,857**	10,864
	906,159	819,321

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

(b) Trade and other receivables (Continued)

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% (2010: 98%) of the trade receivables that are neither past due nor impaired have good credit rating.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB16,310,000 (2010: RMB15,076,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The directors consider no deterioration in credit qualities of these debtors and the settlements after the end of the reporting period from those debtors are satisfactory, the directors conclude that no provision for impairment loss is required. The Group does not hold any collateral over these balances. The average age of these receivables is approximately 461 days (2010: 365 days).

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

	2011 RMB'000	2010 RMB'000
181–365 days	453	3,363
Over 1 year	15,857	11,713
	16,310	15,076

The Group would provide fully for all receivables over two years with whom the Group has ceased trading business with because historical experience is such that receivables that are past due beyond two years are generally not recoverable.

The entire balance of the allowance for doubtful debts with an aggregate balance of RMB16,623,000 at 1 January 2010, 31 December 2010 and 2011 are individually impaired trade receivables which are in severe financial difficulties.

At 31 December 2011, trade receivables of the Group amounting to RMB35,940,000 (2010: RMB9,689,000) were denominated in USD, being a currency other than the functional currency of the relevant group entities.

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

20. INVENTORIES

	2011 RMB'000	2010 RMB'000
Raw materials	157,887	216,699
Work in progress	134,144	154,598
Finished goods	149,818	71,788
	441,849	443,085

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

(a) 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 settlement of the relevant borrowings.

The deposits carry fixed interest rate ranging from 0.50% to 3.30% (2010: 0.36% to 2.20%) per annum.

(b) 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 3.60% (2010: 0.01% to 3.60%) 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:

	2011 RMB'000	2010 RMB'000
HKD	5,160	5,604
USD	19,214	15,540
	24,374	21,144

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:

	2011 RMB'000	2010 RMB'000
Trade and bills payables		
0–90 days	487,484	425,745
91–180 days	263,255	220,305
181–365 days	12,399	13,105
Over 1 year	5,644	9,723
	768,782	668,878
Other payables	159,079	164,056
	927,861	832,934

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

	2011 RMB'000	2010 RMB'000
HKD	3,041	—
USD	2,000	—
	5,041	—

23. BORROWINGS

	2011 RMB'000	2010 RMB'000
Bank loans and trust receipt loans	1,088,953	501,332
Analysed as:		
Secured	205,700	135,000
Unsecured	883,253	366,332
	1,088,953	501,332

The Group's borrowings are repayable based on repayment schedules are as follows:

	2011			2010		
	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	111,345	588,690	700,035	201,332	190,000	391,332
More than one year, but not exceeding two years	—	331,391	331,391	—	—	—
More than two years, but not exceeding five years	—	54,119	54,119	—	110,000	110,000
More than five years	—	3,408	3,408	—	—	—
	111,345	977,608	1,088,953	201,332	300,000	501,332
Less: Amounts due within one year shown under current liabilities	(111,345)	(588,690)	(700,035)	(201,332)	(190,000)	(391,332)
Amounts due after one year	—	388,918	388,918	—	110,000	110,000

23. BORROWINGS (Continued)

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

	2011	2010
Effective interest rate:		
Fixed-rate borrowings	4.42% to 7.35% per annum	2.28% to 5.31% per annum
Variable-rate borrowings	1.50% to 7.22% per annum	4.86% to 5.85% per annum

At 31 December 2011, borrowings of the Group amounting RMB266,252,000 (2010: RMB73,332,000) were denominated in USD, being a currency other than the functional currency of the relevant group entities.

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

	2011 RMB'000	2010 RMB'000
Expiring within one year	416,212	150,845
Expiring over one year	119,744	—
	535,956	150,845

24. SHARE CAPITAL OF THE COMPANY

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each:		
Authorised		
At 1 January 2010, 31 December 2010 and 31 December 2011	100,000,000,000	1,000,000

24. SHARE CAPITAL OF THE COMPANY (Continued)

	Number of shares	Nominal value
		RMB'000
Issued and fully paid		
At 1 January 2010	931,256,675	9,427
Issue of shares upon exercise of share options (note i)	400,000	3
Shares repurchased (note ii)	(2,788,000)	(24)
At 31 December 2010	928,868,675	9,406
Issue of shares upon exercise of share options (note i)	350,000	3
At 31 December 2011	929,218,675	9,409

Notes:

(i) During the year, 350,000 (2010: 400,000) ordinary shares of HK$0.01 each in the Company were issued upon the exercise of share options under the share option scheme of the Company as set out in note 26 with proceeds of approximately HK$779,000 (equivalent to approximately RMB649,000) (2010: HK$1,036,000 (equivalent to approximately RMB905,000)).

(ii) 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$0.01 each repurchased	Price per share Highest price paid	Lowest price paid	Aggregate consideration paid
		HK$	HK$	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 was equivalent to approximately RMB11,977,000.

During the year ended 31 December 2011, 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 2010	28,022
Credit to profit or loss	
— release upon amortisation of intangible assets and depreciation of land and buildings	(3,208)
— release upon disposal of land and buildings	(7,106)
	(10,314)
At 31 December 2010	17,708
Credit to profit or loss	
— release upon amortisation of intangible assets and depreciation of land and buildings	(3,144)
At 31 December 2011	14,564

As at 31 December 2011, the Group had unused tax losses of approximately RMB45,914,000 (2010: RMB17,133,000). No deferred tax asset has been recognised in respect of any of 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 the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB787 million (2010: RMB616 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 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 22,633,000 (2010: 22,983,000), representing approximately 2.4% (2010: 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 1.1.2010	Exercised during the year	Outstanding at 31.12.2010	Exercised during the year	Outstanding at 31.12.2011
Directors	23.2.2006	23.2.2008 to 22.2.2016	2.225	8,300,000	(100,000)	8,200,000	(100,000)	8,100,000
Employees	23.2.2006	23.2.2008 to 22.2.2016	2.225	5,023,000	(150,000)	4,873,000	(250,000)	4,623,000
	7.2.2007	7.2.2009 to 6.2.2017	3.200	3,060,000	(25,000)	3,035,000	—	3,035,000
	7.2.2007	7.2.2010 to 6.2.2017	3.200	7,000,000	(125,000)	6,875,000	—	6,875,000
				15,083,000	(300,000)	14,783,000	(250,000)	14,533,000
Total				23,383,000	(400,000)	22,983,000	(350,000)	22,633,000
Exercisable at year end						22,983,000		22,633,000
Weighted average exercise price (HK$)				2.644	2.591	2.645	2.225	2.652

For the year ended 31 December 2011, the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$3.85 (2010: HK$5.19).

The Group recognised the share-based payment expense of RMB172,000 for the year ended 31 December 2010 in relation to share options granted by the Company. No share-based payment expense has been recognised in profit or loss for the year ended 31 December 2011.

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, various reserves and retained profits 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. Based on the recommendations of the directors, 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

	2011 RMB'000	2010 RMB'000
Financial assets		
Loan and receivables:		
Long-term receivable	—	178,200
Life insurance product	20,284	—
Trade and other receivables	1,241,091	931,137
Amounts due from related parties	20,970	21,338
Pledged bank deposits	213,711	142,378
Bank balances and cash	986,908	553,530
	2,482,964	1,826,583
Available-for-sale financial assets:		
Available-for-sale investments	26,169	56,604
	2,509,133	1,883,187
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	784,140	685,125
Borrowings	1,088,953	501,332
	1,873,093	1,186,457

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, the deposit component of the life insurance product, 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 risk (currency risk, interest rate risk and equity 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, life insurance product, bank balances and cash and borrowings which expose the Group to foreign currency risk.

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	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
HKD	5,160	5,604	3,041	—
USD	75,438	25,229	268,252	73,332
	80,598	30,833	271,293	73,332

28. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) *Currency risk (Continued)*

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 end of the reporting period 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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Profit for the year	(106)	(280)	9,641	2,405

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.

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate life insurance product (see note 18), long-term receivable (see note 19(a)), 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 pledged bank deposits (see note 21) and 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.

28. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) *Interest rate risk (Continued)*

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 10 basis point increase or decrease for pledged bank deposits and bank balances and 50 basis points for long-term receivable, life insurance product, and borrowings are used and represents management's assessment of the reasonably possible change in interest rates for each of the two years ended 31 December 2011.

If interest rates had been 10 or 50 basis points higher/lower, as appropriate, and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would decrease/increase by RMB3,027,000 (2010: RMB57,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(iii) *Equity price risk*

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate applied is 5% in each of the two years ended 31 December 2011.

If the prices of the respective equity instruments had been 5% higher/lower, investment valuation reserve would increase/decrease by RMB657,000 (2010: RMB2,178,000) for the Group as a result of the changes in fair value of the listed equity securities classified as available-for-sale investments.

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to 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 the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

28. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

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 risk 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 19 is concentrated on a single independent third party, and the directors consider the credit risk is significantly 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.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 96% (2010: 99%) of the total trade receivable at the end of the reporting period.

Liquidity risk

The Group has net current assets amounting to RMB1,536,593,000 at 31 December 2011 (2010: RMB1,054,192,000). 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

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	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2011 RMB'000
2011									
Non-derivative financial liabilities									
Trade and other payables	–	483,633	192,867	82,930	24,710	–	–	784,140	784,140
Borrowings	4.56%	317,121	231,054	170,455	348,348	56,925	3,630	1,127,533	1,088,953
		800,754	423,921	253,385	373,058	56,925	3,630	1,911,673	1,873,093

	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	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

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

(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 in the current and prior year).

28. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

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.

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. CAPITAL COMMITMENTS

	2011 RMB'000	2010 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**140,929**	14,044

30. OPERATING LEASE

The Group as lessee

	2011 RMB'000	2010 RMB'000
Minimum lease payments paid under operating leases during the year in respect of rented premises	**5,600**	4,646

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:

	2011 RMB'000	2010 RMB'000
Within one year	**3,281**	1,643
In the second to fifth year inclusive	**1,827**	102
	5,108	1,745

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 RMB2,704,000 (2010: RMB903,000). The property is expected to generate rental yields of 7.6% (2010: 9.1%) on an ongoing basis. All of the properties held have committed tenants for the next three (2010: four) years.

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

	2011 RMB'000	2010 RMB'000
Within one year	1,931	843
In the second to fifth year inclusive	5,302	2,355
	7,233	3,198

31. RELATED PARTY DISCLOSURES

(a) Transaction

Company	Transaction	2011 RMB'000	2010 RMB'000
Hunan Widefar Information Technology Co., Ltd (note)	Rental income received	391	—

Note: The entity is controlled by certain directors of the Company.

(b) Balances

Particulars of amounts due from related parties

			Maximum amounts outstanding for the year ended 31 December	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Companies controlled by certain directors of the Company	20,970	21,338	21,338	21,338

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

31. RELATED PARTY DISCLOSURES (Continued)

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

	2011 RMB'000	2010 RMB'000
Short-term benefits	4,663	5,353
Retirement benefit scheme contributions	105	66
	4,768	5,419

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

(d) Guarantees

The Company is a party to certain bank facilities that include conditions specifying, among other things, the minimum equity interest of the Company to be held, directly or indirectly, by Mr. Ji and any breach of such obligation will cause a default in respect of the loans. At 31 December 2011, bank borrowings under such facilities amounted to RMB189,220,000 has been drawn.

32. RETIREMENT BENEFIT PLANS

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group also operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all its qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules.

The total cost of RMB6,704,000 (2010: RMB5,229,000) charged to profit or loss represents contribution paid or payable to the above retirement benefit plans by the Group for the year.

At the end of the reporting periods, the Group had no significant obligation apart from the contribution as stated above.

33. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2011 and 2010 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				Principal activities
			Directly		Indirectly		
			2011	2010	2011	2010	
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	RMB270,000,000	–	–	100%	100%	Development, manufacture and sale of power meters, data collection terminals and related services

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		
			2011	2010	2011	2010	
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$100,000,000	–	–	100%	100%	Development, manufacture and sale of power meters
Hunan Weiming Energy 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	RMB600,000,000	–	–	100%	100%	Development, manufacture and sale of power meters
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 and Wasion Shenzhen are limited liability companies established in the PRC.

(ii) Weisheng Energy, Weisheng Information, Hunan Weike and Hunan 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. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information of the statement of financial position of the Company as at 31 December 2011 and 2010:

	2011 RMB'000	2010 RMB'000
Investments in subsidiaries	200,347	200,347
Amounts due from subsidiaries	1,332,619	1,026,985
Other assets	78,954	8,221
	1,611,920	1,235,553
Total liabilities	(207,954)	(4,508)
	1,403,966	1,231,045
Share capital	9,409	9,406
Reserves	1,394,557	1,221,639
	1,403,966	1,231,045

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011 RMB'000**
Profit for the year, attributable to owners of the Company	212,896	261,530	262,041	191,233	**247,486**

ASSETS AND LIABILITIES

	As at 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011 RMB'000**
Total assets	1,915,555	2,543,842	3,176,027	3,614,965	**4,445,028**
Total liabilities	(692,277)	(1,158,739)	(1,028,152)	(1,380,268)	**(2,059,951)**
	1,223,278	1,385,103	2,147,875	2,234,697	**2,385,077**
Equity attributable to:					
Owners of the Company	1,223,278	1,385,103	2,147,875	2,234,697	**2,384,677**
Non-controlling interest	—	—	—	—	**400**
	1,223,278	1,385,103	2,147,875	2,234,697	**2,385,077**