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)


威胜


2010年威胜集团十一

CONTENTS

Wasion Group Holdings Limited

02	Corporate Information
03	Corporate Profile
04	Qualifications and Awards
08	Chairman's Statement
14	Management Discussion and Analysis
26	Biographical Details of Directors and Senior Management
29	Directors' Report
37	Corporate Governance Report
52	Independent Auditor's Report
54	Consolidated Statement of Profit or Loss and Other Comprehensive Income
55	Consolidated Statement of Financial Position
57	Consolidated Statement of Changes in Equity
58	Consolidated Statement of Cash Flows
60	Notes to the Consolidated Financial Statements
131	Information of the Statement of Financial Position of the Company
132	Financial Summary

EXECUTIVE DIRECTORS

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

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:

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

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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
31/F, 148 Electric Road
North Point
Hong Kong

COMPANY WEBSITE

www.wasion.com

STOCK CODE

3393

LEADING ENERGY MEASUREMENT EQUIPMENT AND TOTAL SOLUTION PROVIDER

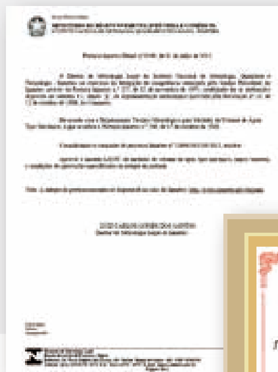
Wasion Group Holdings Limited ("Wasion Group") is the leading provider of energy measurement equipment, systems, and services in China. Wasion Group was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2005, which was the first professional syndicate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

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.

2013.6

2013.10



2013.7

JANUARY 2013

Wasion Group Limited ("Wasion Group") obtained U.S. INTERTEK's UL certification for its ANSI single-phase multi-functional meter

JUNE 2013

Wasion Group and its subsidiaries, totally six enterprises, were awarded the "AAA Quality Credit Grade of Hunan Enterprise"

JUNE 2013

Wasion Group participated in METERINGChina and was awarded the "Best Brand Award"

JULY 2013

Wasion Group's wireless remote meter officially was awarded Brazil's INMETRO certification

JULY 2013

Wasion Group was awarded the "Third Prize of Scientific Technology Award" for a wide-range electric energy metering device for fluctuating load by Guangdong Power Grid

OCTOBER 2013

Changsha Weisheng Information Technology Company Limited ("Weisheng Information") was awarded CMMI Level 3 Quality certification

2013.11

2013.11

2013.12

2013.12

OCTOBER 2013

The patent of Wasion Group's "Nonlinear Load Power Measurement" was awarded Hunan Patents Prize

NOVEMBER 2013

State President Xi Jinping visited Wasion Group and encouraged us to strengthen the research and development and innovation

NOVEMBER 2013

Wasion Group and Weisheng Information were awarded the "Certificate of 2013 National Torch Plan Project — Key Hi Tech Enterprise"

DECEMBER 2013

Wasion Group was recognized as one of the first batch of the Academician Specialists Workstations in Changsha City with a license officially granted by the Municipal Government

DECEMBER 2013

Weisheng Information was awarded the "Third Prize of Scientific Technology Improvement" by China Southern Power Grid Corporation for Technology Research and Application of the Reliability of Smart Power Meter and Smart Metering Terminals

DECEMBER 2013

Wasion Group was awarded the "Certificate of Level 5 for Power Facilities Installing (Repairing and Testing)"


威胜
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集团
威胜
物流中心
集团

MOTTOS OF OPERATION:

Perfect Work with Passion and Success Achieved with Integrity

To All Shareholders,

On behalf of the board of directors (the "Board") of Wasion Group Holdings Limited (the "Group" or the "Company"), I am pleased to present the operating results of the Group for the financial year ended 31 December 2013.

Ji Wei
Chairman

For the year ended 31 December 2013, the Group achieved sales revenue of RMB2,412.34 million. Net profit amounted to RMB401.13 million, representing an increase of 24% over 2012. The Group's consolidated gross profit margin was 35%, representing an increase of 2 percentage point compared to that for the previous year. The Board has recommended to distribute a final dividend of HK$0.21 per share (equivalent to RMB0.166) for the year ended 31 December 2013.

The impacts arising from the large-scale use of fossil fuels become profound, especially in China where its total energy consumption and carbon emission is the highest in the world. Nowadays, the global rise of the third industrial revolution, which is characterized by distributed and renewable energy and energy internet, promoted a significant change in the fossil-fuel (including power, water, gas and heat energy) -based production and consumption sectors in China and aroused the public awareness of the development and use of renewable energy. It will not only be a huge challenge, but also a valuable opportunity for the Group which engaged in energy measurement and management business. On 4 November 2013, Xi Jinping, General Secretary of the Communist Party of China, visited Wasion and encouraged us to strengthen the research and development and innovation, marking a historic moment of the Group. In view of this, we promoted the innovation of technologies and products, marketing and sales, operation and services and management and mechanism in a systematic way on the basis of fully upholding the motto, "Success achieved with Integrity" and comprehensively enhancing the responsibility and accountability of the management team in order to effectively address and overcome the challenges and obstacles we are currently facing and leading the way to innovation and development.

As the Eighteenth National Congress of China initially proposed the strategic approach of "Revolution of Energy Supply and Revolution of Energy Consumption (能源供應方式革命和能源消費方式革命)" and the "Opinions on Strengthening Urban Infrastructure Construction (關於加强城市基礎設施建設的意見)" released by the State Council in September 2013, which specified that the development of power grids would be included in the overall planning of urban and rural areas, it helps further promote the construction of urban power distribution grids and the intelligent management of the urban power grids. Smart distribution and utilization in smart power grid is an advanced form and an important part of smart power distribution and utilization. Based on the innovation of the technologies, products and market as well as the integration of the power grid customer resources, the Group seized the development opportunities brought by the smart power grid, remained very positive about its outlook and enhanced the development of smart power distribution and utilization business.

In 2014, we will continue to uphold the direction of "Seek improvement and foster innovation whilst maintaining stability" in order to overcome the challenges, ensure the profitability growth of the Group, reform the management mode, optimize the business structure, continuously strengthen the capabilities of market competiveness and business expansion as well as establish a delivery platform in response to the market demand in a rapid and comprehensive way. We aim at developing by focusing on the profitability growth and operating quality in a harmonious way, laying a solid foundation for the Group's middle and long-term development.

We strongly believe that constant innovation can only help Wasion become an impressive, practical and successful company and an excellent and long-lasting enterprise to enjoy the mutual benefits with the worldwide clients, staff and shareholders as a whole, society and environment as well as to accomplish our goal of becoming an energy metering and energy saving expert.

Yours faithfully,
Ji Wei
Chairman

Hong Kong, 21 March 2014


CORPORATE SPIRIT:
Be Cohesive, Ambitious, Down-To-Earth and Creative

FINANCIAL REVIEW

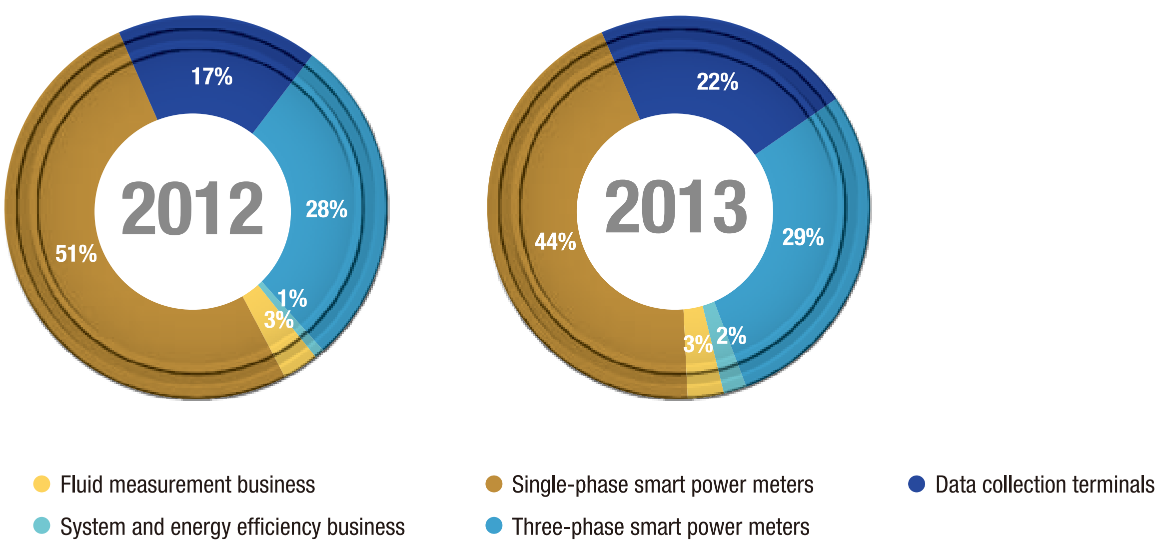
Financial Highlights

	2013 RMB'000	2012 RMB'000
Turnover	**2,412,343**	2,452,297
Gross profit	**846,825**	804,502
Net profit	**401,125**	323,149
Total assets	**4,741,215**	4,265,893
Shareholders' equity attributable to owners of the Company	**2,872,800**	2,596,277
Basic earnings per share (RMB)	**0.43**	0.35
Diluted earnings per share (RMB)	**0.43**	0.35

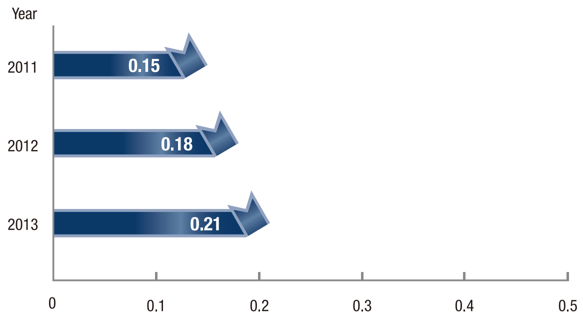
Key Financial Figures

	2013	2012
Gross profit margin	**35%**	33%
Operating profit margin	**20%**	17%
Net profit margin	**17%**	13%
Return on equity of the shareholders	**14%**	12%
Current ratio	**1.86**	1.75
Quick ratio	**1.67**	1.55
Inventory turnover period (Days)	**73**	85
Trade receivable turnover period (Days)	**192**	159
Trade payable turnover period (Days)	**197**	174
Gearing ratio (Total borrowings divided by total assets)	**13%**	14%
Interest coverage (Profit from operations divided by finance costs)	**14.66**	7.54

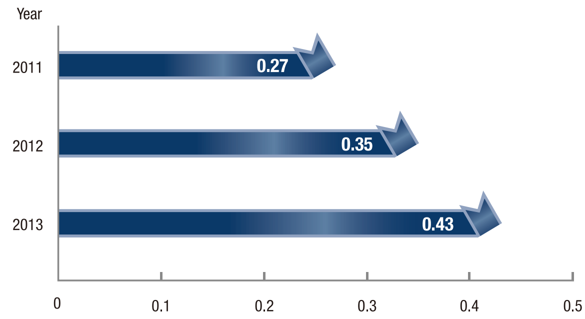
Turnover Breakdown by Business Segments



Dividend (HKD)

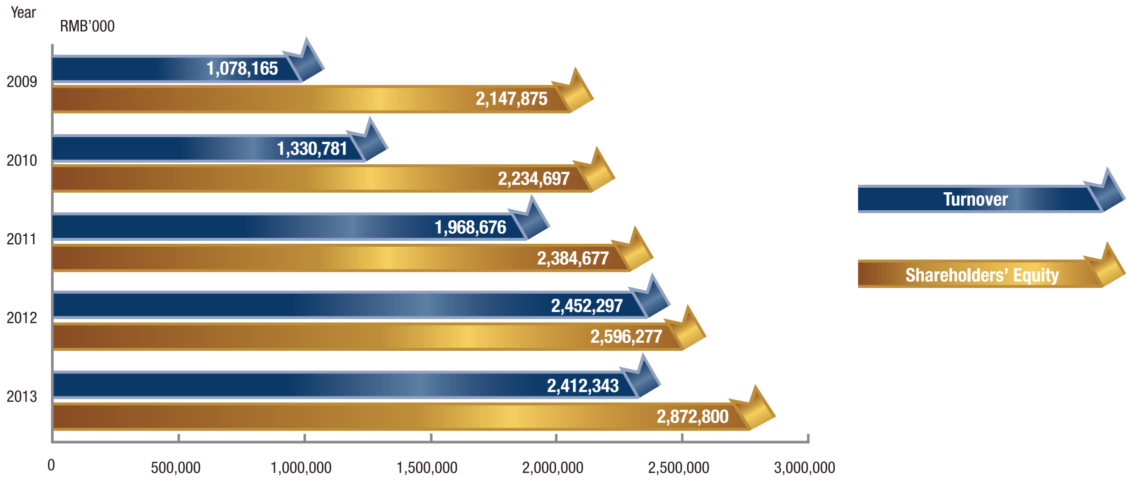


EPS (RMB)



Five Years' Financial Summary

Five Years' Financial Information



	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	**2,412,343**	2,452,297	1,968,676	1,330,781	1,078,165
Profit for the year attributable to equity shareholders of the Company	**401,125**	323,149	247,486	191,233	262,041
Total assets	**4,741,215**	4,265,893	4,445,028	3,614,965	3,176,027
Total liabilities	**1,868,015**	1,669,216	2,059,951	1,380,268	1,028,152
Shareholders' equity attributable to owners of the Company	**2,872,800**	2,596,277	2,384,677	2,234,697	2,147,875

FINANCIAL REVIEW

Turnover

During the year under review, turnover decreased by 2% to RMB2,412.34 million (2012: RMB2,452.30 million).

Gross Profit

The Group's gross profit increased by 5% to RMB846.83 million for the year ended 31 December 2013 (2012: RMB804.50 million). The overall gross profit margin has increased from 33% in 2012 to 35% in 2013.

Other Income

The other income of the Group amounted to RMB88.33 million (2012: RMB77.23 million) which was mainly comprised of interest income, dividend income, rental income, government grants and refund of value-added tax.

Operating Expenses

In 2013, the Group's operating expenses amounted to RMB490.10 million (2012: RMB473.29 million). The increase in operating expenses was mainly due to the increase in expenditure on research and development. Operating expenses accounted for 20% (2012: 19%) of the Group's turnover in 2013.

Operating Profit

Earnings before finance costs and tax for the year ended 31 December 2013 amounted to RMB472.60 million (2012: RMB409.67 million), representing an increase of 15% as compared with 2012.

Finance Costs

For the year ended 31 December 2013, the Group's finance costs amounted to RMB32.74 million (2012: RMB54.34 million), representing a decrease of 40% as compared with 2012. The decrease was attributable to the adjustment of the mix of bank borrowings and the reduction of interest rate of variable-rate borrowings.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the year ended 31 December 2013 increased by 24% to RMB401.13 million (2012: RMB323.15 million) as compared with 2012.

Capital Structure

For the year ended 31 December 2013, two directors and two employees have exercised 2,050,000 share options at an exercise price of HK$2.225 and 350,000 share options at an exercise price of HK$3.200 under which the issued and fully paid share capital of the Company has been increased by HK$24,000.

Liquidity and Financial Resources

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

As at 31 December 2013, the Group's current assets amounted to approximately RMB3,121.66 million (2012: RMB2,802.88 million), with cash and cash equivalents totaling approximately RMB552.93 million (2012: RMB585.99 million).

As at 31 December 2013, the Group's total bank loans amounted to approximately RMB626.51 million (2012: RMB605.56 million), of which RMB453.20 million (2012: RMB548.25 million) will be due to repay within one year and the remaining RMB173.31 million (2012: RMB57.31 million) will be due after one year. Net book value of the Group's pledged assets for the bank loans was approximately RMB160.83 million (2012: RMB160.85 million). In 2013, the interest rate for the Group's bank borrowings ranged from 0.25% to 6.00% per annum (2012: 1.50% to 7.45% per annum).

The gearing ratio (total borrowings divided by total assets) decreased from 14% in 2012 to 13% in 2013.

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 2013, the Group had 3,867 (2012: 3,444) staff members. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB224.50 million (2012: RMB200.31 million) in 2013. Employee remuneration is determined on performance, experience and prevailing market conditions of the employees, with compensation policies being reviewed on a regular basis. The aggregate amount of the emoluments of the Company's directors was RMB3.75 million (2012: RMB3.75 million) in 2013.

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.

Acquisitions and Disposals

On 16 May 2013, the Group acquired the entire equity in Sparkle Light Investments Limited ("Sparkle Light") at a total consideration which in any event will not exceed RMB150 million. The whole asset of Sparkle Light is its 100% equity interest in Changsha Vitae Plastic Technology Co., Ltd. ("Vitae"), which principally engaged in the development, manufacture and sale of plastic and metal moulds, electric products, transformers and sensors. The purpose of the acquisition is to enhance the Group's market position, improve the vertical development of supply chain and enjoy synergy effect with Vitae.

On 24 June 2013, the Group completed the disposal of 99% of the equity interest of a wholly-owned subsidiary, Changsha Wasion Industrial Investment Company Limited, to an independent third party at a consideration of RMB70 million. On 20 November 2013, the Group completed the disposal of the remaining 1% equity interest to the same party for a consideration of RMB1 million.

Charge on Assets

As at 31 December 2013, the pledge deposits were denominated in Renminbi and US dollars and pledged to banks as security for bills facilities granted to the Group. In addition, certain of the Group's land and buildings were pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 31 December 2013, the capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements amounted to RMB14.48 million (2012: RMB12.85 million).

Contingent Liabilities

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

MARKET AND BUSINESS REVIEW

Smart Power Meters and Data Collection Terminals

In 2013, five tenders were invited by State Grid Corporation of China (hereinafter referred to as "State Grid") with the aggregate volume of the tenders of approximately 76 million units. With our superior comprehensive strengths in different aspects such as brand name, technology, market share, quality, business scale and management, Wasion Group performed a stable and strong stance in such tenders. The aggregate value of the tender contracts that we won reached RMB614 million and RMB191 million for smart power meters and terminals respectively. Two tenders were invited by China Southern Power Grid Corporation (hereinafter referred to as "Southern Grid") in 2013, and the aggregate value of the tender contracts that Wasion Group won reached RMB150 million, up 18% over 2012, leading its competitors with relative superiority.

In 2013, on the basis of ensuring that a dominating market share in the centralized procurement organized by State Grid and the procurement tender of provincial power companies, Wasion Group focused on consolidating and promoting the continuous development of the power retail business. The Group's non-electric business also made significant progress, and its business which oriented to huge public construction, rail transportation, communications industry and large enterprises was greatly improved. The success of these projects has not only laid a solid foundation for completion of performance in 2013, but also provided models for market promotion in 2014, not only expanded the brand influence, but also accumulated valuable experience in customer service for marketers.

Revenue from sales of single-phase smart power meters and three-phase smart power meters for the year ended 31 December 2013 amounted to RMB1,067.18 million and RMB705.80 million respectively and contributed to 44% and 29% of the Group's total sales revenue respectively (2012: 51% and 28% respectively). Revenue from sales of data collection terminals increased by 27% to RMB518.22 million, and contributed to 22% (2012: 17%) of the Group's total sales revenue.

Fluid Measurement Business

In smart water metering business, the Group actively expanded water company customers in 2013, and the Group's water company customer business developed rapidly, with number of customers increased significantly year on year. As expansion into water companies made a breakthrough from Guangdong in the south to Inner Mongolia in the north, the Group achieved bulk supply in the centralized meter reading construction projects of key water companies in Changsha, Enshi and Jiangmen. With business expansion, the Group launched a series of new products such as wireless remote water meter, electronic water meter, split-typed STS prepaid water meter and ancillary data collection equipment to meet domestic and international market demand. Furthermore, the Group achieved bulk delivery of large-diameter smart water meters to Kyrgyzstan, thereby opening up a channel for the Group's smart water metering products into the overseas market.

In smart gas metering business, the Group developed Jiangsu Kunshan Litong Natural Gas, Yiyang City Gas and other customers in 2013, and completed market access annual audit of Kunlun Gas Co., Ltd., China City Natural Gas Investment Group Co., Ltd. and other large city gas groups. The Group began supply as planned to the projects in Zhuzhou and Linwu for which the tenders were won in 2012, and achieved a major breakthrough in the projects in Shaoyang and Liling before the end of 2013. In 2013, the Group realized export of wireless remote gas metering products to Mexico, thereby establishing a channel for expanding gas metering products into the overseas market.

The second year of the "Twelfth Five-Year Plan" is coming to an end. As China's focus of heat supply is moving southward and the reform of household heat metering is continued, the industry has maintained a good growth rate, as the newly constructed buildings are required to install metering devices, and the government-led transformation of existing buildings will be greater than before. Currently, the Group's heat metering products have covered more than 95% of the heat metering market, coupled with the continued function extension of systems and data collection product, heat metering product solutions have been able to realize the vast majority of customer needs. The Group's heat metering products have been qualified for sale in Henan, Hebei, Shandong, Shanxi, Tianjin, Liaoning, Jilin, Gansu, Shaanxi, Qinghai, Xinjiang, Inner Mongolia and other provinces and more than 20 counties and cities. Through the integration of market structure, the Group's heat metering product performance will make a new breakthrough.

In 2013, the sales revenue from the fluid measurement business, including the sales of water meters, gas meters, and heat meters, amounted to RMB78.11 million, a slight increase of 1% as compared to that of the previous year and contributed to 3% (2012: 3%) of the Group's total turnover.

System and energy efficiency business

Regarding system and energy efficiency business, the Group centered on innovating the management and control model and the business model of the energy efficiency business in 2013, integrated external resources, carried out self-ability building, with certain outcome achieved, so that the turnover continued to grow during the year. At the same time, the Group also carried out various projects in energy efficiency management and transformation of energy-saving technology including smart home and distributed energy.

The revenue from the system and energy efficiency business of the Group in 2013 was RMB43.03 million, increased by 52% over last year, and accounted for 2% (2012: 1%) of the total revenue.

International market

Affected by factors such as fluctuations in exchange rates of currencies in Asia and Africa, political unrest in the countries where some of the projects are located as well as delay of tender, the Group's export sales declined in the first half of the year. But the Group's export sales in the second half recorded more than twice as the first half, indicating that the overseas business has been significantly restored. In 2013, the Group made some achievements from electronic meters, communications modules, concentrators to system software, from market projects to brand establishment, laying a good foundation for the conduct of business in the later period. As to products, Prime, G3 communication technology and module, GPRS module, smart meters, communication terminals and front-end processor software have been equipped with comprehensive product capabilities, some of which have started to form bulk sales; as to market, the South Africa and Indonesia market projects under its cooperation with Siemens have obtained actual order opportunities; as to brand establishment, the Group has attracted European users' invitation to involve in next phase of AMI renovation.

Research and Development

Leveraging on the corporate vision of "Continual Innovation Contributing to Wasion's Centennial History", the Group has further increased investment in research and development, consolidated and expanded the Group's technology leadership in the industry, focused its work on the transformation of the established research achievements, development of new product and research of new technology, covering areas such as power metering, fluid metering, distribution network, communications and energy management. In 2013, the Group obtained a total of 45 power metering product patents, 23 terminal product patents, 27 fluid metering product patents and 3 energy efficiency service patents; the Group in 2013 also passed the CMMI Level 3 certificate, its ANSI single-phase multi-functional meter obtained U.S. INTERTEK's UL certification, and its wireless remote meter obtained Brazil's INMETRO certification. The research and development expenses for 2013 (including the capitalization portion) was RMB177.50 million, representing 7.4% (2012: 6.6%) of the total turnover of the Group.

To further enhance the Group's research and development capabilities, the Group signed a strategic cooperation agreement with Huazhong University of Science in January 2013 to set up the "Joint Laboratory for Energy Metering and Energy Efficiency Management", and carried out a number of power electronics-related technology and cooperation projects on this platform. In May 2013, the Group signed the framework agreement on establishment of "Collaborative Innovation Center for Advanced Electrical Equipment and Control" with Hunan University, jointly established the "Intelligent Electronic System and

Communications Laboratory", which can promote the great-leap-forward development of China's electrical and control subjects and meet the development needs of strategic emerging industries in the field of electrical equipment and control.

In addition, Smart Metering Solutions (Changsha) Co. Ltd., the associate co-established by the Group and Siemens, has officially commenced business in April 2013, whereby both parties will work together to complete new product design, development and production, to provide a strong support for the sustained growth of Group's domestic and overseas business.

PROSPECT

The global rise of the third industrial revolution and large-scale development of combination between renewable energy and distributed energy will change the traditional power grid which is characterized by centralized energy supply. A new generation of power grid will be characterized by combination between centralized energy supply and distributed supply of renewable energy. The era of smart power grid is coming.

In 2014, the power grid companies represented by State Grid will continue to maintain the application scale of smart power meter. The Group expects the procurement plan to reach RMB25 billion, plans to newly install and replace about 60 million units of smart power meter, and the data collection system to cover more than 252 million customers. State Grid's funding plan in 2014 is increased by RMB3 billion compared to the plan made in early 2013, and such increase is mainly due to increased investment in terminals and concentrators, which are expected to usher in the high point in 2014. Southern Grid will also continue to vigorously promote the application of smart power meters and the demands for which are expected to be not less than 2013. As for power retail business, no big change is expected in its market structure and direction in 2014, and the Group will follow the same business development pattern as 2013 and firmly seize the market opportunities in counties. Furthermore, the promotion of non-power business, new products and cooperation business will also make great progress.

In 2014, the Group's power market strategy is still to strengthen support to high margin business markets such as power retail market, local power market and large-scale enterprise customer market, consolidate and promote the continuous development of retail business and further enhance channel sales network construction while ensuring to obtain a stable market share in centralized procurement tenders invited by State Grid and Southern Grid and procurement tenders invited by provincial power companies, in order to optimize the Group's business structure and improve profits.

In 2014, the main objective of non-power business is to develop new market segments and continue to strengthen investment. As to industry, the Group will focus on developing industry customers with great demand such as universities and hospitals, rail transportation, communications, petroleum and petrochemical. As to products, the Group will accelerate the progress of research and development and provide more specialized products, technologies and services to meet user needs, and enhance the brand image in the non-power system market with good product quality and timely after-sales service.

State Grid has passed an important decision to invest RMB160 billion in the distribution network which is the highest amount in history. The tender program is currently being developed, with the aggregate volume of the tenders expected to be over 60 million units of smart power meters and data collection terminals. It is expected that the investment in domestic distribution automation improvement construction will reach RMB85 billion from 2014 to 2016, and total investment in distribution automation construction will exceed RMB150 billion from 2014 to 2020, with over RMB20 billion per annum.

Smart distribution and utilization in smart power grid is an advanced form and an important part of smart power distribution and utilization. Based on the Group's accumulated experience in smart metering and serving power grid customers, in order to achieve the mission of energy efficiency expert, the Group has seized the development opportunities for the smart power distribution and utilization business brought by the smart grid, and established Wasion Electric Group Limited in September 2013 to enhance the development of smart power distribution and utilization business.

The Group's smart power distribution and utilization business strategy is to quickly pitch in the field of primary equipment for power distribution and utilization through acquisitions, joint ventures and strategic cooperation, etc., to obtain product qualification, sales performance, industry professionals and basic production ability at a reasonable cost in the minimum time, and achieve integration and rapid growth of mid & low-voltage electric whole-set business through strong expansion in market and sales, so as to enable the Group to provide complete smart power distribution and utilization secondary automation technology and equipment through the integration of the Group's existing metering, communications and automation technologies and products; and on this basis, build a primary and secondary integration smart solution mainly oriented to industry application.

The "Guiding Opinions on Accelerating the Establishment of a Sound Tiered Prices for Household Consumption of Water" issued by National Development and Reform Commission and the Ministry of Housing and Urban Construction on 31 December 2013 requires all the cities to fully implement the tiered prices for household consumption of water before the end of 2015 and requires household meter transformation to implement intelligent management. Promoting "one meter for one household" transformation is an important basic condition for the implementation of the tiered prices, and the State implements the policy of funds support for household meter transformation, requires to finish "one meter for one household" transformation within the deadline strictly, and allows water supply enterprises to include the increased costs of transformation, operation and maintenance due to the implementation of the metering to household in the cost of water supply. Such measures are conducive to the development of the Group in terms of smart water metering. In addition, the optimization of product and customer structure can also bring growth to the Group's smart water metering business. The significantly increasing demand of a large number of developing countries such as South America, South Africa, some Asian countries, and Russia for water meters contributes to the optimistic trend for the export market of water metering equipment.

Regarding gas metering business, the Group will focus on the overseas market. As to the domestic market, the Group will intensify its efforts to develop the gas product line market; will on one hand complete the market work of gas group headquarters; and will on the other hand actively explore prefecture-level gas company customers starting from the regional market, and then expand the sales regions to the surrounding.

Regarding heat metering business, the heat meter demand will grow 10% during the period of "Twelfth Five-Year Plan", indicating huge market capacity and profitability for energy saving in heating. In 2014, the Group's main job is to provide the market with good-spread products, build the sales channel network, obtain high-end reputation for Wasion heat metering products in the market, and strive for a larger share in large-scale procurement in the last two years of the "Twelfth Five-Year Plan" and a larger market share.

Regarding system integration and energy efficiency business, the Group will focus on building the total solution capabilities on smart power distribution and utilization system and distributed PV plug-in system in 2014, and rapidly finish the docking of energy efficiency management with smart power distribution and utilization business, to build core operation ability for long-term development.

In 2014, the Group will promote export business in the direction of technological innovation and development and market project breakthrough, actively develop the cooperation projects with the key partners, including the use of Siemens platform and channel to constantly develop and improve GPRS, G3-PLC, Prime, RF Mesh, IHD and other technology applications and jointly complete the smart meter projects in Nigeria, South Africa and Malaysia, the prepaid system and meter transformation project in Africa's Nigeria, the G3-PLC meter AMR system and ANSI meter project in South America's Ecuador and the keyboard meter project in Cuba; the cooperation with Huawei in Portugal lighting system renovation project and Columbia water-electricity-gas reconstruction project; the cooperation with ZTE in South Africa TUMS G3 smart meter project; and the cooperation with CNTIC in Uzbekistan smart meter project. It has also made a major breakthrough in the pan-Russian market including Russia, Kazakhstan, Armenia, Moldova, Kyrgyzstan, Tajikistan and Afghanistan.

Looking ahead to the future, both the domestic or international markets have an urgent and enormous demand for advanced energy metering and energy efficiency management products, solutions and services. Wasion will uphold the mottos of operation which is "Perfect Work with Passion, and Success achieved with Integrity", establish a safe and reliable, leading product, green and energy-saving brand image, and strive forward towards the mission of energy metering and energy saving expert.

CORPORATE VISION:

Continual Innovation Contributing to Wasion's Centennial History


届春　运动会
海外事业部

DIRECTORS

Executive Directors

Mr. Ji Wei (吉為), aged 58, is an executive Director, the chairman of the Company and the founder of the Group. Mr. Ji is responsible for the Group's overall strategic planning and the formulation of corporate policies and has over 28 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"). 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 from 2007 to 2012 and he was re-elected in 2013. He was awarded with several honourary titles such as "Most Socially Responsible Entrepreneur", "Most Caring Entrepreneur on Staff Development", "Excellent Entrepreneur of Changsha Hi Tech Zone", "The Sixth Top Ten Educational Entrepreneur Award in China" and "Special Recognition Award for Occupational Technology Creation in Hunan Province".

Ms. Cao Zhao Hui (曹朝輝), aged 46, is an executive Director and the chief executive officer. Ms. Cao graduated from Hunan Commerce College in financial accounting and graduated from the Hunan Financial and Economic College with a degree in Economics. She also obtained a degree in executive master of business administration (EMBA) from the University of Hunan (湖南大學). 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, Changsha Weihua Property Development Co., Ltd. (長沙威華置業有限公司) ("Weihua Property"), Changsha Weizhong Chemical Machinery Co., Ltd. (長沙威重化工機械有限公司) ("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 and the Vice President of the Women Entrepreneurs Organization of Changsha (長沙市女企業家協會) in 2007, and she was awarded with "Woman Pioneer" and "Excellent Entrepreneur of Changsha Hi Tech Zone" in 2010 and 2012 respectively.

Mr. Zeng Xin (曾辛), aged 44, is an executive Director and General Manager of Changsha Weisheng Energy Industrial Technology Company Limited. 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 51, is an executive Director, an EMT member and the director of quality control. Ms. Zheng graduated from the Taiyuan University of Technology with a degree in industrial automation in 1984. She obtained a master degree of engineering in automation from the North China Institute of Technology in 1987 and holds the qualification of Senior Engineer. Between 1987 and 1988, Ms. Zheng was a teaching assistant at the North China Institute 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 Group. 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 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", "The Seventh Group of Outstanding Experts in Changsha", "Top Ten Women Entrepreneurs with Outstanding Achievement in Changsha City", "Awarded Women with Contribution and Improvement in Changsha Hi Tech Zone" and "National Labour Day Medal". Ms. Zheng is the spouse of Mr. Wang Xue Xin.

Mr. Wang Xue Xin (王學信), aged 52, is an executive Director, an EMT member and the director of technology. Mr. Wang graduated from the Taiyuan University of Technology with a degree in automation in 1984, and obtained a master degree in automation from the Harbin Industrial University in 1987 and holds the qualification of 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 chief engineer and the general 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 and was served as a general manager of foreign business. 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.

Ms. Li Hong (李鴻), aged 39, is an Executive Director and an EMT director. Ms. Li graduated from the Hunan University, majoring in law, and obtained an EMBA degree from the Renmin University of China. Ms. Li is currently studying for a doctoral degree in business administration at the University of Management and Technology of the United States of America. Ms. Li joined the Group in 2000 and held various management positions within the Group, including the director of personnel, and served as executive vice president and vice president from 2000 to 2011. She is also a director of Hunan Weike Power Meters Company Limited, Hunan Weiming Energy Technology Company Limited, Changsha Weisheng Energy Industrial Technology Company Limited, Changsha Wasion Industrial Investment Company Limited, Changsha Ruisheng Electronic Company Limited and Beijing Weisheng Technology Company Limited, all being subsidiaries of the Group. Ms. Li was awarded the "Excellent HR Manager in China" award by China Human Resources (中國人力資源) in 2007. Moreover, she was awarded with various honourary titles such as "Outstanding Person" in promotion of ideology in Changsha, "Representative of the New Social Class in Changsha" and "Outstanding Managing Officer with a Doctoral Degree". Ms. Li was appointed as an executive Director with effect from September 2012.

Independent Non-Executive Directors

Mr. Wu Jin Ming (吳金明), aged 51, 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. During 1986 to 1998, Mr. Wu was a teaching assistant, a lecturer and a vice-professor at the faculty of agricultural economics, head of the teaching and research section and the dean of the faculty of economics and business in 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 has been appointed as chairman of the economic and technological committee of the Chinese People's Political Consultative Conference of Hunan Province since 2008. Mr. Wu was appointed as an independent non-executive Director in September 2005.

Mr. Pan Yuan (潘垣), aged 81, 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 worked 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 has completed the research 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 66, 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 26 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 45, 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 23 years of experience in accounting, auditing and finance.

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and an associate are set out in notes 37 and 17 to the consolidated financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 54 of the annual report. No interim dividend was paid to the shareholders during the year.

The directors have proposed a final dividend of HK$0.21 (2012: HK$0.18) per share to shareholders of the Company whose names appear in the register of members on 23 May 2014 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 31 May 2014.

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 14 and 15, 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 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2013 comprised the merger reserve and retained profits of RMB199,342,000 (2012: RMB202,328,000) 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
Li Hong

Independent non-executive directors:

Wu Jin Ming
Pan Yuan
Hui Wing Kuen

Pursuant to Article 87 of the Articles of Association of the Company (the "Articles"), at each annual general meeting one third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. The directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring directors shall be eligible for re-election. Pursuant to Article 87 of the Articles, Mr. Zeng Xin, Mr. Hui Wing Kuen and Mr. Wu Jin Ming will retire at the Annual General Meeting. Mr. Zeng Xin and Mr. Wu Jin Ming, being eligible, have offered themselves for re-election at the Annual General Meeting. Mr. Hui Wing Kuen has informed the Board that he will not offer himself for re-election at the Annual General Meeting. Accordingly, Mr. Hui will retire upon the conclusion of the Annual General Meeting.

Mr. Wu Jin Ming has served as an independent non-executive director of the Company for more than 9 years. He meets the independence criteria set out in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and is not involved in the daily management of the Company nor in any relationships or circumstances which would interfere with the exercise of his independent judgment. In addition, he continues to demonstrate the attributes of an independent non-executive director and there is no evidence that his tenure has had any impact on his independence. The Board is of the opinion that Mr. Wu remains independent notwithstanding the length of his service and believes that his valuable knowledge and experience in the Group's business and his general business acumen continue to generate significant contribution to the Company and the shareholders as a whole.

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 2013, 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 of Hong Kong Limited (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)	487,388,888	52.31%
Wang Xue Xin	Beneficial owner (Note 2)	2,652,000	0.28%
Zheng Xiao Ping	Beneficial owner (Note 2)	2,652,000	0.28%
Cao Zhao Hui	Beneficial owner	400,000	0.04%
Zeng Xin	Beneficial owner	500,000	0.05%
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) 1,462,000 shares and 1,190,000 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	950,000	Beneficial owner	950,000	0.10%
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	800,000	Beneficial owner	800,000	0.09%
Li Hong	400,000	Beneficial owner	400,000	0.04%
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 2013.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in shares and underlying shares" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

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

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued capital of the Company
Ji Wei	Interest in controlled corporation	487,388,888	52.31%
Star Treasure	Beneficial owner	487,388,888	52.31%

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 2013.

RELATED PARTY TRANSACTIONS

Related party transactions entered into for the year are set out in note 30 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 31 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 2013	Number of share options: Exercised during the year	Number of share options: As at 31 December 2013	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	(950,000)	950,000	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	(800,000)	800,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Li Hong	400,000	–	400,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Hui Wing Kuen	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	7,300,000	(1,750,000)	5,550,000					
Other employees/ consultants	5,323,000	(300,000)	5,023,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Other employees/ consultants	3,035,000	(175,000)	2,860,000	7 February 2007	7 February 2007 to 6 February 2009	7 February 2009 to 6 February 2017	3.200	3.200
Other employees/ consultants	6,875,000	(175,000)	6,700,000	7 February 2007	7 February 2007 to 6 February 2010	7 February 2010 to 6 February 2017	3.200	3.200
Sub-total	15,233,000	(650,000)	14,583,000					
Total	22,533,000	(2,400,000)	20,133,000					

* 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 51 of the annual report.

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

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the year ended 31 December 2013.

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 2013.

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 132 of the annual report.

AUDIT COMMITTEE

The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2013.

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
21 March 2014

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 of the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

During the year ended 31 December 2013, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules ("Corporate Governance Code").

Code Provision A.6.7 of the Corporate Governance Code provides that independent non-executive directors and non-executive directors of the Company should attend general meetings of the Company. Mr. Wu Jin Ming and Mr. Pan Yuan, all independent non-executive directors of the Company, failed to attend the annual general meeting of the Company ("2013 AGM") held on 16 May 2013 due to conflicts with their schedules.

Save as disclosed, there has been no deviation from the code provisions of the Corporate Governance Code for the year ended 31 December 2013.

The Company regularly reviews its organisational structure to ensure that operations are conducted in accordance with the standards of the Corporate Governance Code.

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 of the Company (the "Directors") and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2013.

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 inside information of the Company.

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

BOARD OF DIRECTORS

Responsibilities

The overall management of the Company's business is vested with the board of Directors of the Company (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.

The Board makes 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 (the "Company Secretary"), 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.

Board 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 comprises the following Directors:

Executive Directors:

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

Ms. Cao Zhao Hui, chief executive officer
Mr. Zeng Xin
Ms. Zheng Xiao Ping
Mr. Wang Xue Xin
Ms. Li Hong

Independent Non-executive Directors:

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

Mr. Wu Jin Ming, member of the Audit Committee, the Remuneration Committee and the Nomination Committee

Mr. Pan Yuan, member of the 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 rule 3.10(1) and (2), and 3.10A 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.

The Company is of a view that Board diversity is an essential element to achieve sustainable and balanced development. Board diversity has been considered and practiced by the Company with reference to a number of factors, including but not limited to gender, age, cultural and educational background, professional experience and other qualities of directors. Upon the implementation of the new code provision in the Code on board diversity in September 2013, the Company has adopted a policy on Board diversity (the "Board Diversity Policy") setting out the approach to achieve diversity in the Board. The existing Board is considered well-balanced with a diverse mix appropriate for the business of the Company. The Nomination Committee will review the Board Diversity Policy on a regular basis to determine an appropriate composition of the Board.

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:

Mr. Hui Wing Kuen	:	up to the 2014 annual general meeting
Mr. Wu Jin Ming	:	up to the 2014 annual general meeting
Mr. Pan Yuan	:	up to the 2014 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

According to Code Provision A.6.5 of the Corporate Governance Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of the directors.

The Company encourages the Directors to attend any relevant programme to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively. There are also arrangements in place for providing continue briefing and professional development to Directors whenever necessary such as continuously update the Directors on the latest developments of the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

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.

During the year ended 31 December 2013, the training participated by each Director is set out below:

Directors	**Training received**
Executive Directors:	
Mr. Ji Wei	A,C,D
Ms. Cao Zhao Hui	A,C,D
Mr. Zeng Xin	A,C,D
Ms. Zheng Xiao Ping	A,C,D
Mr. Wang Xue Xin	A,C,D
Ms. Li Hong	A,C,D
Independent Non-Executive Directors:	
Mr. Hui Wing Kuen	A,D
Mr. Wu Jin Ming	A,B,D
Mr. Pan Yuan	A,B,D

A: attending conferences, seminars and forums
B: giving talks at conferences, seminars and forums
C: participation in in-house seminars
D: private study of materials relevant to the Company's business or director's duties and responsibilities

Board Meetings

Number of Meetings and Directors' Attendance

In 2013, the Company has held seven 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:	
Mr. Ji Wei *(Chairman)*	7/7
Ms. Cao Zhao Hui	7/7
Mr. Zeng Xin	7/7
Ms. Zheng Xiao Ping	7/7
Mr. Wang Xue Xin	7/7
Ms. Li Hong	7/7
Independent Non-Executive Directors:	
Mr. Hui Wing Kuen	5/7
Mr. Wu Jin Ming	5/7
Mr. Pan Yuan	5/7

Practices and Conduct of Board 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 of the Company and Company Secretary 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. 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 (the "Chairman") 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.

BOARD 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 have been posted on the websites of Stock Exchange and the Company.

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 "Board Composition" of this report on pages 38 to 39.

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.

(e) To review the policy on Board diversity Policy and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosure of its review results in the annual report of the Company annually.

(f) 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/or 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
Mr. Ji Wei *(Chairman)*	4/4
Mr. Hui Wing Kuen	4/4
Mr. Wu Jin Ming	4/4

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

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

REMUNERATION COMMITTEE

The 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 determine the remuneration packages of individual 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, and make recommendations to the Board on the remuneration of non-executive directors. 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 executive 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.

(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 quarterly 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
Mr. Hui Wing Kuen *(Chairman)*	4/4
Mr. Ji Wei	4/4
Mr. Wu Jin Ming	4/4

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 and discuss 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
Mr. Hui Wing Kuen *(Chairman)*	4/4
Mr. Wu Jin Ming	4/4
Mr. Pan Yuan	4/4

There is no material uncertainty 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 2013 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE FUNCTION

The Board will be responsible for performing the following corporate governance duties:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

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

(e) to review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report in the annual report of the Company.

The Board may delegate the corporate governance duties to a committee of the Board.

During the year ended 31 December 2013, the Board has reviewed the Company's corporate governance practices including the revised terms of reference for the Nomination Committee.

AUDITORS' REMUNERATION

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 52 to 53 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 2013 amounted to RMB2.2 million, which comprises RMB1.8 million for the audit of the Group's consolidated financial statements for the year ended 31 December 2013 and RMB0.4 million for the review of the Group's interim report for the six months ended 30 June 2013.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 2013.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Group's assets. The Group 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.

The Board has conducted through the Audit Committee an annual review of the effectiveness of internal control system of the Group which covers all material controls, including financial, operational and compliance controls and risk management functions. No major issue but only minor areas for improvement have been identified. The Board is of the view that the internal control system of the Group for the year ended 31 December 2013 is sufficient to safeguard the interest of shareholders and the Group's assets.

COMPANY SECRETARY

During the year ended 31 December 2013, Mr. Choi Wai Lung Edward was the Company Secretary. Mr. Choi is a full-time employee of the Company.

SHAREHOLDERS' RIGHTS

Rights and procedures for shareholders to convene an extraordinary general meeting ("EGM") (including putting forward proposals/moving a resolution at the EGM)

Pursuant to article 58 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Unit 2605, 26/F West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong, for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included the details of the business(es) proposed to be transacted in the special general meeting, signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.

If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholders of any outcome to the contracy and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the M&A, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Procedures by which enquiries may be put to the Board

Shareholders of the Company (the "Shareholders") may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Unit 2605, 26/F West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong by post or email to enquires@wasiongroup.com.hk for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary of the Company will forward:

- communications relating to matters within the Board's purview to the executive directors of the Company;
- communications relating to matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
- communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate management of the Company.

Procedures for Shareholders to propose a person for election as a director

- If a shareholder wishes to propose a person other than a director of the Company (the "Director") for election as a Director, the shareholder must deposit a written notice (the "Notice") to the principal place of business of the Company in Hong Kong at Unit 2605, 26/F West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong or the branch share registrar of the Company, Boardroom Share Registrars (HK) Ltd., at 31/F, 148 Electric Road, North Point, Hong Kong for the attention of the Company Secretary of the Company.
- The Notice must state clearly the name of the shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the Shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent signed by the person proposed to be elected on his/her willingness to be elected as a Director.
- The period for lodgment of the Notice will commence no earlier than the day after the despatch of the notice by the Company of the general meeting appointed for election of directors of the Company and end no later than seven (7) days prior to the date of such general meeting. If the Notice is received less than 15 days prior to the general meeting, the Company will need to consider the adjournment of the general meeting in order to give shareholders 14 days' notice of the proposal.
- The Notice will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Nomination Committee and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

INVESTOR RELATIONS

The Board has established a shareholders' communication policy which aims to set out the provisions with the objective of ensuring the Shareholders are provided with equal and timely access to information about the Company, in order to enable the Shareholders to exercise their rights in an informed manner and to allow them to engage actively with the Company.

The Board will maintain an on-going dialogue with the Shareholders and will review this policy regularly to ensure its effectiveness. Information will be communicated to the Shareholders through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as all the disclosures submitted to the Stock Exchange. Effective and timely dissemination of information to the Shareholders will be ensured at all times.

A dedicated Investor Relations section is available on the Company's website www.wasion.com. Information on the Company's website is updated on a regular basis. Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc. All presentation materials provided in conjunction with the Company's annual general meeting and results announcement each year will be made available on the Company's website. All press releases and Shareholders' newsletters will also be made available on the Company's website.

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Board members, in particular, the chairmen of the Board committees or their delegates, appropriate senior management and external auditors will attend annual general meetings to answer Shareholders' questions.

During the year ended 31 December 2013, the 2013 AGM was held on 16 May 2013. All the resolutions proposed at the 2013 AGM were duly passed by the Shareholders by way of poll and the results of the poll have been published on the websites of the Stock Exchange and the Company. Mr. Ji Wei, the chairman of the Board and Remuneration Committee, chaired the 2013 AGM to answer Shareholders' questions. Mr. Wu Jin Ming, an independent non-executive director and member of Nomination Committee, Remuneration Committee and Audit Committee and Mr. Pan Yuan, an independent non-executive director and member of Audit Committee, failed to attend the 2013 AGM due to conflicts with their schedules. The external auditor of the Company, Deloitte Touche Tohmatsu, attended the 2013 AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the independent auditor's report and independence of auditor.

The attendance of the Directors at the 2013 AGM is set out below:

Directors	**AGM Attended/held**
Executive Directors:	
Mr. Ji Wei *(Chairman)*	1/1
Ms. Cao Zhao Hui	0/1
Mr. Zeng Xin	0/1
Ms. Zheng Xiao Ping	0/1
Mr. Wang Xue Xin	0/1
Ms. Li Hong	0/1
Independent Non-Executive Directors:	
Mr. Hui Wing Kuen	1/1
Mr. Wu Jin Ming	0/1
Mr. Pan Yuan	0/1

The forthcoming annual general meeting of the Company will be held on 16 May 2014 ("2014 AGM"). The notice convening the 2014 AGM together with the circular will be published on the websites of the Stock Exchange and the Company and dispatched to Shareholders before 30 April 2014.

Shareholders are also encouraged to attend Shareholders' activities organized by the Company, where information about the Company, including its latest strategic plan, products and services will be communicated.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There was no significant change in the Company's constitutional documents during the year ended 31 December 2013.

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

We have audited the consolidated financial statements of Wasion Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 130, which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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 2013 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
21 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	**2013 RMB'000**	2012 RMB'000
Turnover	5	**2,412,343**	2,452,297
Cost of sales		**(1,565,518)**	(1,647,795)
Gross profit		**846,825**	804,502
Other income	6	**88,333**	77,229
Other gains and losses	7	**34,930**	1,229
Administrative expenses		**(148,650)**	(148,453)
Selling expenses		**(207,417)**	(207,275)
Research and development expenses		**(134,031)**	(117,559)
Finance costs	8	**(32,742)**	(54,340)
Share of results of an associate	17	**(7,391)**	—
Profit before taxation	9	**439,857**	355,333
Income tax expense	10	**(38,732)**	(32,184)
Profit for the year, attributable to owners of the Company		**401,125**	323,149
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation		**(1,427)**	(293)
Fair value gain on available-for-sale investments		**5,721**	3,187
Reclassification upon disposal of available-for-sale investments		**—**	(1,312)
Other comprehensive income for the year, attributable to owners of the Company		**4,294**	1,582
Total comprehensive income for the year, attributable to owners of the Company		**405,419**	324,731
Earnings per share	13		
Basic		**RMB43 cents**	RMB35 cents
Diluted		**RMB43 cents**	RMB35 cents

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14(a)	**898,753**	918,335
Prepaid lease payments	14(b)	**60,519**	70,674
Investment properties	15	**16,558**	37,125
Goodwill	16(a)	**238,379**	110,326
Other intangible assets	16(b)	**175,004**	190,591
Investment in an associate	17	**7,160**	—
Available-for-sale investments	18	**135,532**	14,811
Amounts due from related parties	30(b)	**20,926**	21,376
Other non-current assets	19	**66,723**	99,780
		1,619,554	1,463,018
CURRENT ASSETS			
Inventories	20	**307,220**	323,271
Trade and other receivables	21	**1,718,159**	1,407,915
Loan receivables	22	**408,200**	330,000
Pledged bank deposits	23(a)	**135,157**	155,703
Bank balances and cash	23(b)	**552,925**	585,986
		3,121,661	2,802,875
CURRENT LIABILITIES			
Trade and other payables	24	**1,181,853**	1,010,241
Tax liabilities		**45,830**	40,983
Borrowings — due within one year	25	**453,204**	548,251
		1,680,887	1,599,475
NET CURRENT ASSETS		**1,440,774**	1,203,400
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,060,328**	2,666,418

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CAPITAL AND RESERVES			
Share capital	26	**9,429**	9,410
Reserves		**2,863,371**	2,586,867
Equity attributable to owners of the Company		**2,872,800**	2,596,277
Non-controlling interest		**400**	400
		2,873,200	2,596,677
NON-CURRENT LIABILITIES			
Borrowings — due after one year	25	**173,308**	57,311
Deferred tax liability	27	**13,820**	12,430
		187,128	69,741
		3,060,328	2,666,418

The consolidated financial statements on pages 54 to 130 were approved and authorised for issue by the Board of Directors on 21 March 2014 and are signed on its behalf by:

Ji Wei
DIRECTOR

Cao Zhao Hui
DIRECTOR

For the year ended 31 December 2013

	Attributable to owners of the Company											
	Share capital RMB'000 (note 26)	**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 2012	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
Profit for the year	–	–	–	–	–	–	–	–	323,149	323,149	–	323,149
Other comprehensive (expense) income for the year	–	–	–	(293)	–	–	1,875	–	–	1,582	–	1,582
Total comprehensive (expense) income for the year	–	–	–	(293)	–	–	1,875	–	323,149	324,731	–	324,731
Issue of shares upon exercise of share options	1	238	–	–	–	(57)	–	–	–	182	–	182
Transfer to PRC statutory reserves	–	–	–	–	21,150	–	–	–	(21,150)	–	–	–
Dividend recognised as distribution (note 12)	–	–	–	–	–	–	–	–	(113,313)	(113,313)	–	(113,313)
At 31 December 2012	9,410	1,231,253	49,990	(70,977)	163,798	19,420	–	33,164	1,160,219	2,596,277	400	2,596,677
Profit for the year	–	–	–	–	–	–	–	–	401,125	401,125	–	401,125
Other comprehensive (expense) income for the year	–	–	–	(1,427)	–	–	5,721	–	–	4,294	–	4,294
Total comprehensive (expense) income for the year	–	–	–	(1,427)	–	–	5,721	–	401,125	405,419	–	405,419
Issue of shares upon exercise of share options	19	6,107	–	–	–	(1,618)	–	–	–	4,508	–	4,508
Transfer to PRC statutory reserves	–	–	–	–	26,037	–	–	–	(26,037)	–	–	–
Dividend recognised as distribution (note 12)	–	–	–	–	–	–	–	–	(133,404)	(133,404)	–	(133,404)
At 31 December 2013	9,429	1,237,360	49,990	(72,404)	189,835	17,802	5,721	33,164	1,401,903	2,872,800	400	2,873,200

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 in prior years.

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**439,857**	355,333
Adjustments for:		
Finance costs	**32,742**	54,340
Interest income from loan receivables	**(37,459)**	(28,897)
Interest income from consideration receivable for disposal of a subsidiary/assets	**(5,249)**	(9,049)
Bank interest income	**(5,448)**	(9,708)
Dividend income from available-for-sale investments	**(8,712)**	(3,987)
Share of results of an associate	**7,391**	—
Gain on disposal of property, plant and equipment	**(67)**	(1,055)
Gain on disposal of Wasion Industrial	**(16,067)**	—
Depreciation of property, plant and equipment	**41,527**	36,183
Depreciation of investment properties	**528**	753
Release of prepaid lease payments	**1,399**	1,655
Gain on disposal of intangible assets	**(8,174)**	—
Amortisation of intangible assets	**58,214**	64,645
Net foreign exchange gain	**(13,691)**	(174)
Impairment loss recognised on trade receivables	**3,069**	—
Allowance of inventories	**—**	1,108
Operating cash flows before movements in working capital	**489,860**	461,147
Decrease in inventories	**31,748**	117,470
Increase in trade and other receivables	**(256,324)**	(41,482)
Increase in trade and other payables	**37,433**	81,301
Cash generated from operations	**302,717**	618,436
Income tax paid	**(34,850)**	(21,908)
NET CASH FROM OPERATING ACTIVITIES	**267,867**	596,528

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
INVESTING ACTIVITIES			
Placement of pledged bank deposits		**(280,188)**	(353,944)
Advances of short-term loan receivables under entrusted loan contracts		**(100,000)**	(330,000)
Investment in available-for-sale investment		**(100,000)**	—
Payment for acquisition of a subsidiary, net of cash and cash equivalents acquired	28	**(48,438)**	—
Expenditure on intangible assets		**(43,762)**	(45,244)
Purchase of property, plant and equipment		**(30,134)**	(179,586)
Investment in an associate		**(20,000)**	—
Payment for a life insurance product		**(10,799)**	—
Withdrawal of pledged bank deposits		**300,734**	411,952
Repayment of advances of short-term loan receivables under entrusted loan contracts		**100,000**	—
Interest received		**27,561**	47,654
Proceeds on disposal of Wasion Industrial (as defined in note 29), net of cash and cash equivalents disposed of	29	**16,660**	—
Proceeds on disposal of intangible assets		**14,520**	—
Dividends received from available-for-sale investments		**5,227**	2,211
Proceeds on disposal of property, plant and equipment		**488**	8,257
Repayment from (advances to) related parties		**450**	(406)
Repayment of consideration receivable for disposal of assets		**—**	100,000
NET CASH USED IN INVESTING ACTIVITIES		**(167,681)**	(339,106)
FINANCING ACTIVITIES			
Repayment of borrowings		**(838,838)**	(1,090,843)
Dividends paid		**(133,404)**	(113,313)
Interest paid on borrowings		**(32,742)**	(62,732)
New borrowings raised		**868,299**	608,292
Proceeds on issue of shares upon exercise of share options		**4,508**	182
NET CASH USED IN FINANCING ACTIVITIES		**(132,177)**	(658,414)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(31,991)**	(400,992)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**585,986**	986,908
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(1,070)**	70
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**552,925**	585,986

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 and an associate are set out in notes 37 and 17, respectively.

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

(a) New and revised Standards and Interpretations applied

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

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

(a) New and revised Standards and Interpretations applied (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC)-Int 12 "Consolidation — Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that it has had control over the investees which are consolidated into the consolidated financial statements before the application of HKFRS 10. The adoption of HKFRS 10 has therefore had no material effect on the amounts reported in the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see note 17 for details).

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

(a) New and revised Standards and Interpretations applied (Continued)

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about fair value measurements.

The scope of HKFRS 13 is broad and 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, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements. In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in notes 15 and 33. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income".

In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to statement of profit or loss; and (b) items that may be reclassified subsequently to statement of profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The adoption of other new or revised HKFRSs has had no material effect on the amounts reported in the consolidated financial statements or disclosures set out in the consolidated financial statements.

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

(b) New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedging accounting.

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

(b) New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 "Financial Instruments" (Continued)

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are 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.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may 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)

(b) New and revised HKFRSs in issue but not yet effective (Continued)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 "Investment Entities"

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

Amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assets or liabilities 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; 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.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy above) less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the CGU (or groups of CGUs) that is 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. 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.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in an associate (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 titles have passed, at which time 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 included in the consolidated statement of financial position 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 statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress 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.

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 cost and accumulated depreciation of that item at the date of transfer is recognised as the cost and accumulated depreciation of the investment property respectively.

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.

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

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 statement of financial position and is amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed 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).

(ii) Internally-generated intangible assets — 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.

(iii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(iii) Intangible assets acquired in a business combination (Continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. 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.

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 statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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 or 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 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 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 products, consideration receivable for disposal of a subsidiary, trade and other receivables, loan receivables, amounts due from related parties, pledged bank deposits and bank balances and cash) are measured 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 statement of financial position under trade and other receivables.

Available-for-sale financial assets

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

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of the reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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 and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of 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 available-for-sale equity investments, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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; or
- disappearance of an active market for that financial asset because of financial difficulties.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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 losses 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

Debt and equity instruments issued by a group entity are classified either as 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.

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 Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables and borrowings) are subsequently measured at amortised cost, using the effective interest method.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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, 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 liabilities 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.

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is 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 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 the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences on 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 profit or loss and other comprehensive income under "other income".

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. 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 and an associate, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs 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 (or a CGU) 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 apparent 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 carrying amounts of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs to which goodwill has been allocated. This value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or there are unfavourable events and changes in facts and circumstances which result in revision of future estimated cash flows, a material impairment loss may arise. The carrying amount of goodwill of approximately RMB238.4 million (2012: RMB110.3 million) as at 31 December 2013 was allocated to the electronic meters and data collection terminals segments. Details of the recoverable amount calculation are disclosed in note 16(a).

(ii) Estimated impairment of other intangible assets

The Group tests whether other 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 other intangible assets have been determined based on discounted cash flows method. The directors consider that the recoverable amount exceeded the carrying amount of the other 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 2013, the carrying amount of other intangible assets was approximately RMB175.0 million (2012: RMB190.6 million).

(iii) Estimated impairment of trade and bills receivables, loan receivables and amounts 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 2013, the carrying amounts of (a) trade and bills receivables is approximately RMB1,271.4 million (2012: RMB1,014.1 million), net of allowance for doubtful debts of approximately RMB19.7 million (2012: RMB16.6 million), (b) loan receivables is approximately RMB408.2 million (2012: RMB408.2 million) and (c) amounts due from related parties are approximately RMB20.9 million (2012: RMB21.4 million).

5. TURNOVER AND SEGMENT INFORMATION

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

	2013 RMB'000	2012 RMB'000
Sales of goods	2,369,313	2,423,947
Service income for energy efficiency solutions	43,030	28,350
	2,412,343	2,452,297

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:

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

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

(iii) energy efficiency solution segment, which engages in providing energy efficiency solution services.

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 2013

	Electronic meters RMB'000	Data collection terminals RMB'000	Energy efficiency solution RMB'000	Consolidated RMB'000
TURNOVER				
External sales	1,851,093	518,220	43,030	2,412,343
Inter-segment sales	3,849	19,011	976	23,836
Segment turnover	1,854,942	537,231	44,006	2,436,179
Elimination				(23,836)
Group turnover				2,412,343
Segment profit	269,610	138,680	9,171	417,461
Unallocated income and gains/losses				91,093
Share of results of an associate				(7,391)
Central administration costs				(28,564)
Finance costs				(32,742)
Profit before taxation				439,857

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment turnover and results (Continued)

For the year ended 31 December 2012

	Electronic meters RMB'000	Data collection terminals RMB'000	Energy efficiency solution RMB'000	Consolidated RMB'000
TURNOVER				
External sales	2,014,742	409,205	28,350	2,452,297
Inter-segment sales	12,195	27,875	2,255	42,325
Segment turnover	2,026,937	437,080	30,605	2,494,622
Elimination				(42,325)
Group turnover				2,452,297
Segment profit	259,736	112,839	5,756	378,331
Unallocated income and gains/losses				56,363
Central administration costs				(25,021)
Finance costs				(54,340)
Profit before taxation				355,333

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit attributable to each segment without allocation of certain other income, other gains and losses, share of results of an associate, central administration costs, directors' salaries, finance costs and taxation. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at cost plus mark up.

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2013 RMB'000	2012 RMB'000
SEGMENT ASSETS		
Electronic meters	**2,582,090**	2,209,141
Data collection terminals	**742,076**	688,483
Energy efficiency solution	**106,461**	57,934
Total segment assets	**3,430,627**	2,955,558
Unallocated assets	**1,310,588**	1,310,335
Consolidated assets	**4,741,215**	4,265,893
SEGMENT LIABILITIES		
Electronic meters	**741,060**	821,439
Data collection terminals	**239,287**	133,410
Energy efficiency solution	**12,513**	8,231
Total segment liabilities	**992,860**	963,080
Unallocated liabilities	**875,155**	706,136
Consolidated liabilities	**1,868,015**	1,669,216

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, prepaid lease payments, investment properties, investment in an associate, available-for-sale investments, life insurance product, loan receivables, 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, tax liabilities, borrowings and deferred tax liability.

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Other segment information

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

For the year ended 31 December 2013

	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)	164,157	53,528	1,817	219,502	21,527	241,029
Depreciation and amortisation of property, plant and equipment and intangible assets	67,326	23,542	3,125	93,993	5,748	99,741
Release of prepaid lease payments	537	220	6	763	636	1,399
(Gain) loss on disposal of property, plant and equipment	(146)	(7)	(1)	(154)	87	(67)

For the year ended 31 December 2012

	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)	46,702	10,592	2,811	60,105	173,117	233,222
Depreciation and amortisation of property, plant and equipment and intangible assets	75,996	20,700	2,335	99,031	1,797	100,828
Release of prepaid lease payments	548	269	8	825	830	1,655
Loss (gain) on disposal of property, plant and equipment	48	(2)	1	47	(1,102)	(1,055)

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 2013.

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)	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
PRC	**2,291,571**	2,255,171	**1,412,054**	1,326,960
Overseas	**120,772**	197,126	**—**	91
	2,412,343	2,452,297	**1,412,054**	1,327,051

Note: Non-current assets exclude financial instruments.

6. OTHER INCOME

	2013 RMB'000	2012 RMB'000
Other income comprises:		
Interest income from loan receivables (Note i)	**37,459**	28,897
Interest income from consideration receivable for disposal of assets	**4,577**	9,049
Interest income from consideration receivable for disposal of a subsidiary	**672**	—
Bank interest income	**5,448**	9,708
Refund of value-added tax ("VAT") (Note ii)	**16,264**	12,024
Government grants (Note iii)	**11,908**	10,207
Dividend income from available-for-sale investments	**8,712**	3,987
Rental income from investment properties	**2,248**	2,953
Others	**1,045**	404
	88,333	77,229

6. OTHER INCOME (Continued)

Notes:

(i) The amount represents the interest income from short-term loans advanced by the Group to third parties under entrusted loan contracts. Details of the loans are disclosed in note 22.

(ii) Pursuant to the relevant regulations in the PRC, certain subsidiaries of the Group operating in the PRC are entitled to refunds of certain percentage of VAT on the sale of specified high technology products. The amount represents such VAT refund which recognised upon the approval 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. OTHER GAINS AND LOSSES

	2013 **RMB'000**	2012 RMB'000
Other gains (losses) comprises:		
Gain on disposal of Wasion Industrial (as defined in note 29)	**16,067**	—
Gain on disposal of intangible assets (note 16(b))	**8,174**	—
Impairment loss recognised on trade receivables (note 21)	**(3,069)**	—
Net foreign exchange gain	**13,691**	174
Net gain on disposal of property, plant and equipment	**67**	1,055
	34,930	1,229

8. FINANCE COSTS

	2013 **RMB'000**	2012 RMB'000
Interest on borrowings		
— wholly repayable within five years	**32,731**	62,716
— not wholly repayable within five years	**11**	16
	32,742	62,732
Less: amounts capitalised in property, plant and equipment	**—**	(8,392)
	32,742	54,340

Borrowing costs capitalised during the year ended 31 December 2012 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 5.59% per annum to expenditures on qualifying assets. No borrowing costs has been capitalised during the year ended 31 December 2013 as the qualifying assets were in use already.

9. PROFIT BEFORE TAXATION

	2013 RMB'000	2012 RMB'000
Profit before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and benefits	**212,625**	191,665
Retirement benefit scheme contributions	**11,879**	8,642
	224,504	200,307
Auditor's remuneration	**2,153**	2,093
Depreciation of property, plant and equipment	**41,527**	36,183
Depreciation of investment properties	**528**	753
Release of prepaid lease payments	**1,399**	1,655
Amortisation of intangible assets (included in selling expenses, administrative expenses and research and development expenses)	**58,214**	64,645
Cost of inventories recognised as expense (2012: including allowance of inventories of RMB1,108,000)	**1,565,518**	1,647,795

10. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
— Current year	**44,706**	35,188
— Overprovision in prior years	**(5,009)**	(870)
	39,697	34,318
Deferred taxation (note 27)		
— Current year	**(965)**	(2,134)
	38,732	32,184

10. INCOME TAX EXPENSE (Continued)

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, one of the Group's PRC subsidiaries is exempted from PRC income tax for two years starting from its first profit-making year in 2009, followed by a 50% reduction in the applicable tax rate for the next three years. Accordingly, the subsidiary is subject to a reduced tax rate of 12.5% for the year ended 31 December 2013 (2012: 12.5%).

(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 continue to enjoy the preferential tax rate of 15% for a consecutive three years from year 2011 to 2013 or year 2013 to 2015.

According to the notice of "Preferential Policies on Enterprise Income Tax" (Cai Shui [2008] No. 1) issued by the State Administration of Taxation, 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 period, which is 2009 to 2013. The preferential treatment set out in (b) above continues under 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.

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

	2013 RMB'000	2012 RMB'000
Profit before taxation	439,857	355,333
Tax at the income tax rate of 25% (2012: 25%)	109,964	88,833
Tax effect of expenses not deductible for tax purpose	4,262	6,631
Tax effect of income not taxable for tax purpose	(2,358)	(1,109)
Tax effect of share of results of an associate	1,848	—
Tax effect of tax losses not recognised	5,399	1,426
Utilisation of tax losses previously not recognised	(2,073)	(1,057)
Effect of tax concessions/exemption granted to PRC and Macao subsidiaries	(73,301)	(61,670)
Overprovision in prior years	(5,009)	(870)
Tax charge for the year	38,732	32,184

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and employees' emoluments

Details of emoluments paid or payable to each of the nine (2012: ten) directors are set out as follows:

For the year ended 31 December 2013

	Directors' fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonuses RMB'000 (Note i)	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:					
Ji Wei	—	479	—	12	491
Cao Zhao Hui (Note ii)	—	540	50	19	609
Wang Xue Xin	—	540	—	24	564
Zheng Xiao Ping	—	533	—	24	557
Zeng Xin	—	518	—	16	534
Li Hong	—	360	8	24	392
Independent non-executive directors:					
Wu Jin Ming	132	—	—	—	132
Pan Yuan	132	—	—	—	132
Hui Wing Kuen	334	—	—	—	334
	598	2,970	58	119	3,745

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and employees' emoluments (Continued)

For the year ended 31 December 2012

	Directors' fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonuses RMB'000 (Note i)	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:					
Ji Wei	—	486	—	11	497
Cao Zhao Hui (Note ii)	—	543	50	15	608
Wang Xue Xin	—	543	—	15	558
Zheng Xiao Ping	—	517	—	15	532
Zeng Xin	—	512	—	15	527
Li Hong (Note iii)	—	131	—	5	136
Liao Xue Dong (Note iv)	—	293	—	10	303
Independent non-executive directors:					
Wu Jin Ming	131	—	—	—	131
Pan Yuan	131	—	—	—	131
Hui Wing Kuen	331	—	—	—	331
	593	3,025	50	86	3,754

Notes:

(i) 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.

(ii) Ms. Cao Zhao Hui is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

(iii) Ms. Li Hong was appointed as a director of the Company on 3 September 2012.

(iv) Mr. Liao Xue Dong resigned as a director of the Company on 3 September 2012.

(v) No directors waived any emoluments for any of the two years ended 31 December 2013.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended 31 December 2013 included four (2012: four) directors of the Company, details of whose emoluments are included above. The emoluments of the remaining one (2012: one) individual for the year are as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other benefits	**1,298**	1,275
Retirement benefit scheme contributions	**12**	11
	1,310	1,286

The above emoluments were within the band of HK$1,500,001 to HK$2,000,000 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.

12. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Dividends recognised as distribution during the year:		
2012 final dividend — HK$0.18, equivalent to RMB0.144, per share (2012: 2011 final dividend of HK$0.15, equivalent to RMB0.122, per share)	**133,404**	113,313

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2013 of HK$0.21, equivalent to RMB0.166, per share (2012: final dividend in respect of the year ended 31 December 2012 of HK$0.18, equivalent to RMB0.144, per share) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

13. 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:

	2013 RMB'000	2012 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	401,125	323,149

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	930,763,333	929,248,812
Effect of dilutive potential ordinary shares in respect of share options	8,907,780	3,690,772
Weighted average number of ordinary shares for the purpose of diluted earnings per share	939,671,113	932,939,584

14. 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 2012	568,855	6,383	155,757	29,069	22,969	127,804	910,837
Additions	1,221	803	12,644	2,299	495	170,516	187,978
Transfer	34,542	–	266	–	–	(34,808)	–
Transfer to investment properties	(2,604)	–	–	–	–	–	(2,604)
Disposals	(3,437)	(584)	(6,957)	(398)	(1,346)	(10)	(12,732)
Exchange realignment	27	13	–	12	(1)	–	51
At 31 December 2012	598,604	6,615	161,710	30,982	22,117	263,502	1,083,530
Additions	11,232	61	16,989	1,043	680	129	30,134
Acquired on acquisition of a subsidiary (note 28)	–	–	14,297	595	106	–	14,998
Transfer	259,936	–	2,904	–	–	(262,840)	–
Transfer to investment properties	(17,098)	–	–	–	–	–	(17,098)
Transfer from investment properties	13,958	–	–	–	–	–	13,958
Disposals	–	(52)	(5,907)	(536)	–	–	(6,495)
Disposal of a subsidiary	(22,644)	(2,663)	(296)	–	–	–	(25,603)
Exchange realignment	–	(58)	–	(29)	(30)	–	(117)
At 31 December 2013	**843,988**	**3,903**	**189,697**	**32,055**	**22,873**	**791**	**1,093,307**
DEPRECIATION							
At 1 January 2012	25,625	4,491	79,321	14,588	10,930	–	134,955
Provided for the year	10,466	975	15,807	6,794	2,141	–	36,183
Transfer to investment properties	(417)	–	–	–	–	–	(417)
Eliminated on disposals	(125)	(108)	(4,566)	(26)	(705)	–	(5,530)
Exchange realignment	1	1	–	3	(1)	–	4
At 31 December 2012	35,550	5,359	90,562	21,359	12,365	–	165,195
Provided for the year	15,466	118	19,485	4,553	1,905	–	41,527
Transfer to investment properties	(317)	–	–	–	–	–	(317)
Transfer from investment properties	503	–	–	–	–	–	503
Eliminated on disposals	–	(52)	(5,572)	(450)	–	–	(6,074)
Eliminated on disposal of a subsidiary	(4,262)	(1,619)	(296)	–	–	–	(6,177)
Exchange realignment	–	(58)	–	(23)	(22)	–	(103)
At 31 December 2013	**46,940**	**3,748**	**104,179**	**25,439**	**14,248**	**–**	**194,554**
CARRYING VALUES							
At 31 December 2013	**797,048**	**155**	**85,518**	**6,616**	**8,625**	**791**	**898,753**
At 31 December 2012	563,054	1,256	71,148	9,623	9,752	263,502	918,335

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

(a) Property, plant and equipment (Continued)

The above items of property, plant and equipment, except for construction in progress, are depreciated on a 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 2013, the formal titles of certain buildings with an aggregate carrying value of RMB318,336,000 (2012: RMB78,989,000) 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:

	2013 RMB'000	2012 RMB'000
Non-current assets	**60,519**	70,674
Current assets (included in trade and other receivables)	**1,399**	1,655
	61,918	72,329

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

(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:

	2013 RMB'000	2012 RMB'000
Buildings	**136,750**	136,213
Leasehold land	**24,076**	24,636
	160,826	160,849

15. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2012	38,824
Transfer from property, plant and equipment	2,604
At 31 December 2012	41,428
Transfer from property, plant and equipment	17,098
Transfer to property, plant and equipment	(13,958)
Disposal of a subsidiary	(27,470)
At 31 December 2013	17,098
DEPRECIATION	
At 1 January 2012	3,133
Provided for the year	753
Transfer from property, plant and equipment	417
At 31 December 2012	4,303
Provided for the year	528
Transfer from property, plant and equipment	317
Transfer to property, plant and equipment	(503)
Eliminated on disposal of a subsidiary	(4,105)
At 31 December 2013	540
CARRYING VALUE	
At 31 December 2013	16,558
At 31 December 2012	37,125

15. INVESTMENT PROPERTIES (Continued)

The above investment properties are depreciated on a straight-line basis over the remaining period of the lease terms of the relevant land 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 2013 was RMB18,356,000 (2012: RMB41,051,000). The fair value has been arrived at based on a valuation carried out by 湖南鵬程資產評估有限責任公司, independent valuers not connected with the Group.

The fair value was determined based on the direct comparison approach, which makes reference to the recent transactions for similar properties in the proximity and adjusted for a number of factors, including differences in transaction dates, building ages, floor areas, etc., between the comparable properties and the subject matters. In estimating the fair value of the properties, the highest and best use of the properties is their current use and the fair value measurements for all of the Group's properties are categorised as Level 3 (see note 3 for details). There has been no change from the valuation technique used in the prior year.

16. GOODWILL/OTHER INTANGIBLE ASSETS

(a) Goodwill

	RMB'000
COST	
At 1 January 2012 and 31 December 2012	110,326
Arising on acquisition of a subsidiary (note 28)	128,053
At 31 December 2013	238,379

For the purposes of impairment testing, goodwill set out above has been allocated to two CGUs as follows:

	2013 RMB'000	2012 RMB'000
Electronic meters segment	**216,610**	110,326
Data collection terminals segment	**21,769**	—
	238,379	110,326

During each of the year ended 31 December 2012 and 2013, management of the Group determines that there is no impairment of any of the CGUs containing goodwill.

16. GOODWILL/OTHER INTANGIBLE ASSETS (Continued)

(a) Goodwill (Continued)

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 13.8% (2012: 12.2%). The cash flows beyond the 5-year period are extrapolated using a steady growth rate of 3% (2012: 3%). This growth rate is determined with reference to the global economic growth rate. 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 any of the CGUs to exceed the aggregate recoverable amount of the relevant CGUs.

(b) Other 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 2012	262,515	64,280	81,309	37,917	46,713	492,734
Additions	44,713	531	—	—	—	45,244
At 31 December 2012	307,228	64,811	81,309	37,917	46,713	537,978
Additions	43,469	293	—	—	—	43,762
Acquired on acquisition of a subsidiary (note 28)	—	22	9,421	—	—	9,443
Disposals	(21,629)	—	—	—	—	(21,629)
At 31 December 2013	**329,068**	**65,126**	**90,730**	**37,917**	**46,713**	**569,554**
AMORTISATION						
At 1 January 2012	119,973	54,482	69,026	34,935	4,326	282,742
Provided for the year	49,459	1,402	9,920	2,930	934	64,645
At 31 December 2012	169,432	55,884	78,946	37,865	5,260	347,387
Provided for the year	51,866	1,664	3,698	52	934	58,214
Eliminated on disposals	(11,051)	—	—	—	—	(11,051)
At 31 December 2013	**210,247**	**57,548**	**82,644**	**37,917**	**6,194**	**394,550**
CARRYING VALUES						
At 31 December 2013	**118,821**	**7,578**	**8,086**	**—**	**40,519**	**175,004**
At 31 December 2012	137,796	8,927	2,363	52	41,453	190,591

16. GOODWILL/OTHER INTANGIBLE ASSETS (Continued)

(b) Other intangible assets (Continued)

Note: The disposal of intangible assets during the year ended 31 December 2013 was transfer of technology developed by the Group in prior years with a carrying value of RMB10,578,000 to Smart Metering (as defined in note 17), a company established in PRC and being held as to 40% and accounted for as an associate of the Group, for an aggregate consideration of RMB24,201,000, resulting in a gain, to the extent of unrelated investor's interest in Smart Metering, of RMB8,174,000. The registration of transfer for such technology was completed during the year.

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 current and prior years.

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

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

17. INVESTMENT IN AN ASSOCIATE

	2013 **RMB'000**	2012 RMB'000
Cost of unlisted investment in an associate	**20,000**	—
Share of results of an associate	**(7,391)**	—
Less: effect of elimination of gain on transfer of intangible assets from the Group to an associate to the extent of the Group's interest therein	**(5,449)**	—
	7,160	—

17. INVESTMENT IN AN ASSOCIATE (Continued)

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Form of entity	Country of establishment/ principal operations	Proportion of ownership interest and voting rights held by the Group		Principal activity
			2013	2012	
Smart Metering Solution (Changsha) Co., Ltd. ("Smart Metering")	Established	PRC	**40%**	N/A	Research, development, manufacturing, and selling meter products, meter data management system, smart meter solution system and provide relevant consulting services

Smart Metering is co-established by the Group and an independent third party, whereby both parties will work together to complete new product design, development and production, to provide a strong support for the sustained growth of Group's domestic and overseas business.

The Group is able to exercise influence over Smart Metering because it has power to appoint two out of five directors.

The Group's associate is accounted for using equity method in these consolidated financial statements.

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amount shown in the associate's financial statements prepared in accordance with HKFRS.

	2013 RMB'000	2012 RMB'000
Financial information of consolidated statement of profit or loss and other comprehensive income		
Revenue	**8,766**	—
Loss and total comprehensive expense for the year	**(18,478)**	—
Loss for the year, attributable to the Group	**(7,391)**	—
Financial information of consolidated statement of financial position		
Intangible assets	**33,631**	—
Other non-current assets	**1,855**	—
Current assets	**14,236**	—
Current liabilities	**(18,199)**	—
Net assets of the associate	**31,523**	—
Reconciliation to the carrying amount of interest in the associate:		
Net assets attributable to the Group's ownership interests in the associate	**12,609**	—
Effect of elimination of gain on transfer of intangible assets from the Group to the associate to the extent of the Group's interest therein	**(5,449)**	—
Carrying amount of the Group's interest in the associate	**7,160**	—

18. AVAILABLE-FOR-SALE INVESTMENTS

	2013 RMB'000	2012 RMB'000
Available-for-sale investments comprise:		
Unlisted equity securities, at cost less impairment (Note i)	**29,811**	14,811
Investment in trust fund, at fair value (Note ii)	**105,721**	—
	135,532	14,811

Notes:

(i) 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.

(ii) Amount represents investment in a trust fund made by the Group through a security house. The trust fund invests in ranges of debt instrument products which are generally government bonds and corporate loans.

19. OTHER NON-CURRENT ASSETS

	2013 RMB'000	2012 RMB'000
Life insurance products (Note)	**31,723**	21,580
Long-term loan receivable (note 22)	**—**	78,200
Consideration receivable for disposal of a subsidiary (note 29)	**21,000**	—
Deposit paid for purchase of a piece of land	**14,000**	—
	66,723	99,780

Note: In prior years, the Company entered into a life insurance policy with an insurance company to insure an executive director ("Policy A"). In the current year, the Company entered into another life insurance policy with an insurance company to insure another executive director ("Policy B"). Under these policies, the beneficiary and policy holder is the Company. The Company is required to pay an upfront payment for each policy. 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 or eighteenth policy year, as appropriates, a pre-determined specified surrender charge would be imposed on the Company.

19. OTHER NON-CURRENT ASSETS (Continued)

Note: (Continued)

At the inception dates, 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 guaranteed interest rates plus a premium determined by the insurance company during the tenures of these policies. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the insurance policies, excluding the financial effect of surrender charge.

Particulars of the policies are as follows:

			Guaranteed interest rates	
Policy	**Insured sum**	**Upfront payment**	**First year**	**Second year and onward**
Policy A	US$7,557,000 (equivalent to RMB49,005,000)	US$3,421,000 (equivalent to RMB21,762,000)	4.25% per annum	3% per annum
Policy B	US$10,000,000 (equivalent to RMB60,961,000)	US$1,771,000 (equivalent to RMB10,799,000)	4% per annum	2% per annum

The carrying amount of the life insurance products as at 31 December 2013 approximates the Cash Value of the insurance policies and the expected life of the policies remained unchanged from the initial recognition. The entire balance of the life insurance policies is denominated in United States Dollar ("USD"), being a currency other than the functional currency of the relevant group entity.

20. INVENTORIES

	2013 RMB'000	2012 RMB'000
Raw materials	**148,749**	118,305
Work in progress	**83,079**	96,226
Finished goods	**75,392**	108,740
	307,220	323,271

21. TRADE AND OTHER RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade and bills receivables, gross	**1,291,117**	1,030,706
Less: Allowance for doubtful debts (Note i)	**(19,692)**	(16,623)
Trade and bills receivables, net (Note ii)	**1,271,425**	1,014,083
Retentions held by trade customers (Note iii)	**117,000**	129,254
Consideration receivable for disposal of a subsidiary (note 29)	**33,000**	—
Deposits, prepayments and other receivables (Note iv)	**296,734**	264,578
	1,718,159	1,407,915

Notes:

(i) The entire balance of the allowance for doubtful debts as at 31 December 2012 and 2013 are individually impaired trade receivables which are in severe financial difficulties. Movements in the provision for impairment of trade and bills receivables are as follows:

	RMB'000
At 1 January 2012 and 31 December 2012	16,623
Impairment loss recognised on trade receivables	3,069
At 31 December 2013	19,692

(ii) Included in the Group's trade receivable is trade balance with an associate of RMB284,000 (2012: nil). 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 revenue recognition dates at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
0–90 days	**983,211**	659,420
91–180 days	**155,246**	195,169
181–365 days	**107,016**	138,808
Over 1 year	**25,952**	20,686
	1,271,425	1,014,083

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% (2012: 98%) of the trade receivables that are neither past due nor impaired have good credit rating.

21. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(ii) (Continued)

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB25,437,000 (2012: RMB20,692,000) 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 544 days (2012: 525 days).

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

	2013 RMB'000	2012 RMB'000
Days overdue:		
0–90 days	5,730	2,258
91–180 days	1,181	6,190
181–365 days	11,908	7,566
Over 1 year	6,618	4,678
	25,437	20,692

The Group estimates the future discounted cash flows of those receivables with whom the Group has ceased business over two years and considered such receivables are generally not recoverable based on historical experience.

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

	2013 RMB'000	2012 RMB'000
Hong Kong dollars ("HKD")	124	13,999
USD	72,659	19,685
	72,783	33,684

(iii) Included in the retentions held by trade customers is an aggregate amount of RMB41,083,000 (2012: RMB119,655,000) that is expected to be realised after twelve months from the end of the reporting period.

(iv) Included in the balance is an amount of RMB9,681,000 (2012: nil) due from an associate arising from the transferring of certain intangible assets thereto as set out in note 16(b).

22. LOAN RECEIVABLES

	2013 RMB'000	2012 RMB'000
Fixed-rate loan receivables (Note i)	330,000	330,000
Variable-rate loan receivable (Note ii)	78,200	78,200
	408,200	408,200
Analysed as:		
Non-current (included in other non-current assets)	–	78,200
Current	408,200	330,000
	408,200	408,200

Notes:

(i) The amounts represent short-term loans advanced by the Group to certain independent third parties under entrusted loan contracts. During the year, RMB100,000,000 has been settled, and a new loan of the same amount was arranged with the same borrower. For the remaining RMB230,000,000, the borrowers have negotiated with the Group to extend the loan period for one more year to 2014. These entrusted loans carry fixed interests at 12% per annum and are repayable within twelve months from the end of the reporting period.

(ii) The amount represents the consideration receivable for the disposal of certain assets to an independent third party in prior years. Pursuant to the agreement signed in 2010, the amount should be repayable within two years from the date of the agreement. The amount carried interest at six-months benchmark lending rate offered by the People's Bank of China, and secured by those disposed assets. During the year ended 31 December 2012, an amount of RMB100,000,000 has been settled and the counterparty renegotiated with the Group for the repayment term of the remaining RMB78,200,000. Such amount was then reclassified as a loan receivable which was repayable in 2014.

Certain land and buildings of the borrowers have been pledged to the Group, and the Group is not permitted to sell these assets in the absence of default of the borrowers. As at 31 December 2013, the fair value of the pledged assets, which has been assessed by the management with reference to recent market prices for similar land and buildings in similar locations and conditions, is greater than the respective loan balances. The pledge will be released upon settlement of the relevant loans.

23. 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 deposits carry fixed interest rate ranging from 0.35% to 3.75% (2012: 0.35% to 2.80%) per annum and will be released upon settlement of the relevant borrowings.

At 31 December 2012, pledged bank deposits of the Group amounting to RMB8,800,000 (2013: nil) were denominated in USD, being a currency other than the functional currency of the relevant group entities.

(b) Bank balances and cash

Bank balances and cash comprise cash held by the Group and bank balances that carry interest rates ranging from 0.01% to 1.35% (2012: 0.01% to 2.60%) 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:

	2013 **RMB'000**	2012 RMB'000
HKD	**1,959**	9,743
USD	**13,225**	25,841
	15,184	35,584

24. TRADE AND OTHER PAYABLES

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

	2013 RMB'000	2012 RMB'000
Trade and bills payables		
0–90 days	**669,095**	551,240
91–180 days	**167,626**	226,010
181–365 days	**30,215**	12,948
Over 1 year	**22,954**	10,095
	889,890	800,293
Consideration payable on acquisition of a subsidiary	**100,000**	—
Other payables	**191,963**	209,948
	1,181,853	1,010,241

Included in the Group's trade and other payables is an aggregate amount of RMB5,675,000 (2012: nil) due to an associate, of which RMB5,069,000 (2012: nil) was arising from services provided by the associate, and the remaining RMB606,000 (2012: nil) was non-trade in nature.

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

	2013 RMB'000	2012 RMB'000
HKD	**3,192**	6,968
USD	**—**	2,000
	3,192	8,968

25. BORROWINGS

	2013 RMB'000	2012 RMB'000
Bank loans and trust receipt loans	**626,512**	605,562
Analysed as:		
Secured	**200,000**	72,510
Unsecured	**426,512**	533,052
	626,512	605,562

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

	2013 Fixed-rate borrowings RMB'000	2013 Floating-rate borrowings RMB'000	2013 Total RMB'000	2012 Fixed-rate borrowings RMB'000	2012 Floating-rate borrowings RMB'000	2012 Total RMB'000
Within one year	**355,243**	**97,961**	**453,204**	56,197	492,054	548,251
More than one year, but not exceeding two years	**—**	**108,361**	**108,361**	—	49,391	49,391
More than two years, but not exceeding five years	**—**	**62,247**	**62,247**	—	6,791	6,791
More than five years	**—**	**2,700**	**2,700**	—	1,129	1,129
	355,243	**271,269**	**626,512**	56,197	549,365	605,562
Less: Amounts due within one year shown under current liabilities	**(355,243)**	**(97,961)**	**(453,204)**	(56,197)	(492,054)	(548,251)
Amounts due after one year	**—**	**173,308**	**173,308**	—	57,311	57,311

25. BORROWINGS (Continued)

The variable-rate borrowings carry interest at either the benchmark lending rate offered by the People's Bank of China or London Interbank Offered Rate plus certain percentages. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2013	2012
Effective interest rate:		
Fixed-rate borrowings	**2.00% to 6.00% per annum**	2.31% to 5.60% per annum
Variable-rate borrowings	**0.25% to 5.76% per annum**	1.50% to 7.45% per annum

At 31 December 2013, borrowings of the Group amounting to RMB345,513,000 (2012: RMB214,552,000) 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:

	2013 RMB'000	2012 RMB'000
Expiring within one year	**1,430,930**	561,502
Expiring over one year	**42,000**	227,182
	1,472,930	788,684

26. SHARE CAPITAL OF THE COMPANY

Ordinary shares of HK$0.01 each:

	Number of shares	Nominal value HK$'000
Authorised		
At 1 January 2012, 31 December 2012 and 31 December 2013	100,000,000,000	1,000,000

	Number of shares	Nominal value RMB'000
Issued and fully paid		
At 1 January 2012	929,218,675	9,409
Issue of shares upon exercise of share options (Note)	100,000	1
At 31 December 2012	929,318,675	9,410
Issue of shares upon exercise of share options (Note)	2,400,000	19
At 31 December 2013	931,718,675	9,429

Note: During the year, 2,400,000 (2012: 100,000) 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 31 with proceeds of approximately HK$5,681,000 (equivalent to approximately RMB4,508,000) (2012: HK$223,000 (equivalent to approximately RMB182,000)).

27. DEFERRED TAXATION

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 on business combinations RMB'000
At 1 January 2012	14,564
Credit to profit or loss	
— release upon amortisation of intangible assets	(2,134)
At 31 December 2012	12,430
Arising from acquisition of a subsidiary (note 28)	2,355
Credit to profit or loss	
— release upon amortisation of intangible assets	(965)
At 31 December 2013	13,820

As at 31 December 2013, the Group had unused tax losses of RMB57,544,000 (2012: RMB44,239,000). 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 RMB1,047 million (2012: RMB806 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.

28. ACQUISITION OF A SUBSIDIARY

On 16 May 2013, the Group acquired the entire equity interest in Sparkle Light Investments Limited ("Sparkle") and its wholly-owned subsidiary, Changsha Vitae Plastic Technology Co., Ltd. ("Vitae") from a third party, at a contingent consideration determined based on Vitae's net profit after tax under PRC accounting rules and regulations, for the year ended 31 December 2013, multiplied by a price-earnings ratio of 6 times and not more than RMB150,000,000. Vitae is a supplier of the Group before the acquisition. The purpose of the acquisition is to strengthen the Group's market position, improve the vertical development of supply chain and enjoy synergy effect with Vitae. The Group obtained control on the date of completion of the acquisition which has been accounted for using the purchase method. Further details of the acquisition, including considerations paid or payable, assets acquired, liabilities recognised and goodwill arising, are set out below.

	RMB'000
The consideration for the acquisition comprises the following (Note i):	
Cash consideration paid	50,000
Consideration payable	100,000
	150,000
Fair value of assets acquired and liabilities recognised at the date of acquisition are as follow:	
Property, plant and equipment	14,998
Intangible assets	9,443
Inventories	15,697
Trade and other receivables (Note ii)	15,395
Bank balances and cash	1,562
Trade and other payables	(32,793)
Deferred tax liability	(2,355)
	21,947
Goodwill arising on acquisition (Note iii)	128,053
Cash flows arising from the acquisition:	
Cash consideration paid	50,000
Less: bank balances and cash acquired	(1,562)
Net cash outflow	48,438

28. ACQUISITION OF A SUBSIDIARY (Continued)

Notes:

(i) The consideration is to be satisfied by the Group in the following manner:

(a) a first payment of RMB50,000,000 has been paid in cash; and

(b) the remaining consideration will be payable in cash within 30 days from the day on which the audited accounts of Vitae for the year ended 31 December 2013 prepared under the PRC Generally Accepted Accounting Practice have been issued by the auditor appointed by the Group (the "Vitae Audited Accounts").

The fair value of the consideration of the acquisition at the completion date has been finalised based on the Vitae Audited Accounts issued in January 2014.

(ii) The fair value of trade and other receivables at the date of acquisition amounted to RMB15,395,000, which is the same as their gross contractual amounts at the same date.

(iii) Goodwill mainly attributable to the difference between the fair values of the consideration and the underlying assets and liabilities acquired, because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies arising from revenue growth and future market development of the targets. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition is not expected to be deductible for tax purposes, and has been allocated to electronic meters segment and data collection terminals segment as set out in note 16(a).

(iv) Acquisition-related costs amounting to RMB112,000 have been excluded from the consideration transferred and have been recognised as an expenses in the current year, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

(v) Included in the profit for the year ended 31 December 2013 was revenue of RMB10,665,000 (excluding amount of RMB115,682,000 in respect of transactions between the Group and Vitae) and profit of RMB23,305,000 attributable to the additional businesses generated by Vitae.

Had the acquisition been completed on 1 January 2013, total group revenue for the year ended 31 December 2013 would have been RMB2,415,489,000 (excluding revenue of RMB174,903,000 in respect of transactions between the Group and Vitae) and profit for the year would have been RMB402,959,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

29. DISPOSAL OF A SUBSIDIARY

On 24 June 2013, the Group completed the disposal of 99% of the equity interest in Changsha Wasion Industrial Investment Company Limited ("Wasion Industrial"), a wholly-owned subsidiary of the Group, to an independent third party for a consideration of RMB70,000,000. Wasion Industrial owns certain investment properties which are leased out for rental income. As a result, the Group was no longer able to control Wasion Industrial, and the latter was deconsolidated from the consolidated financial statements of the Group on the same date.

The settlement of consideration is in the following manner:

(a) a first payment of RMB16,000,000 has been settled within 30 days after the transaction completed;

(b) a second payment of RMB33,000,000 to be settled on or before 31 December 2013 and this amount was subsequently settled after the end of the reporting period; and

(c) the remaining balance of RMB21,000,000 carries interest of 6.40% per annum, is repayable over a period of 5 years from the transaction date. A piece of land has been pledged to the Group until the full settlement of remaining consideration, and the Group is not permitted to sell the asset in absence of default of the acquirer.

The aggregate net assets of Wasion Industrial at the date on which control was lost were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	19,426
Prepaid lease payments	9,005
Investment properties	23,365
Prepayment, deposit and other receivables	3,014
Bank balances and cash	340
Trade and other payables	(217)
Net assets of subsidiary disposed of	54,933
Gain on disposal of a subsidiary:	
Consideration receivable	70,000
Retained 1% equity interest at fair value	600
Net assets disposed of	(54,933)
Gain on disposal upon deconsolidation of Wasion Industrial	15,667

The fair value of the retained 1% equity interest in Wasion Industrial is approximately the then carrying value of the retained interest.

29. DISPOSAL OF A SUBSIDIARY (Continued)

On 20 November 2013, the Group completed the disposal of the remaining 1% equity interest of Wasion Industrial to the same party for a consideration of RMB1,000,000, and a gain of RMB400,000 was recognised by the Group. The total gain on disposal of Wasion Industrial for the year ended 31 December 2013 is therefore RMB16,067,000.

	RMB'000
Cash flows arising from the disposal of Wasion Industrial:	
Cash consideration received	17,000
Less: bank balances and cash disposed of	(340)
Net cash inflow	16,660

30. RELATED PARTY DISCLOSURES

(a) Transaction

Relationship	Transaction	2013 RMB'000	2012 RMB'000
An associate	Service commission paid/payable by the Group	7,801	—
	Sales of goods by the Group	1,834	—
	Rental income received by the Group	472	—
	Consideration received/receivable by the Group for transfer of intangible assets	24,201	—
Hunan Widefar Information Technology Co., Ltd (Note)	Rental income received by the Group	439	781

Note: The entity is beneficially owned and controlled by a director of the Company, who is also the ultimate controlling shareholder of the Group.

30. RELATED PARTY DISCLOSURES (Continued)

(b) Balances

Particulars of amounts due from related parties other than an associate were as follows:

			Maximum amounts outstanding for the year ended 31 December	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Companies beneficially owned and controlled by certain directors of the Company	**20,926**	21,376	**21,376**	21,432

The amounts are unsecured, interest-free and expected to be recovered after twelve months from the end of the reporting period.

The balances with an associate as at 31 December 2013 are set out in notes 21 and 24.

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

	2013 RMB'000	2012 RMB'000
Short-term benefits	**4,924**	4,942
Retirement benefit scheme contributions	**131**	98
	5,055	5,040

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 was a party to certain bank facilities that included conditions specifying, among other things, the minimum equity interest of the Company to be held, directly or indirectly, by Mr. Ji Wei and any breach of such obligation will cause a default in respect of the loans. At 31 December 2012, bank borrowings under such facilities amounted to RMB141,383,000 has been drawn. The entire balance of such borrowings has been settled during the year and such conditions have been released.

31. 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 first 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 2013, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 20,133,000 (2012: 22,533,000), representing approximately 2.2% (2012: 2.4%) 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.

31. 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	Exercisable period	Exercise price HK$	Outstanding at 1.1.2012	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Reclassification during the year	Outstanding at 31.12.2012	Exercised during the year	Outstanding at 31.12.2013
Directors	23.2.2006	23.2.2008 to 22.2.2016	2.225	8,100,000	–	–	–	(800,000)	7,300,000	(1,750,000)	5,550,000
Employees/ Consultants	23.2.2006	23.2.2008 to 22.2.2016	2.225	4,623,000	–	(100,000)	–	800,000	5,323,000	(300,000)	5,023,000
	7.2.2007	7.2.2009 to 6.2.2017	3.200	3,035,000	–	–	–	–	3,035,000	(175,000)	2,860,000
	7.2.2007	7.2.2010 to 6.2.2017	3.200	6,875,000	–	–	–	–	6,875,000	(175,000)	6,700,000
	11.4.2012	11.4.2014 to 10.4.2022	3.600	–	6,500,000	–	(6,500,000)	–	–	–	–
	11.4.2012	11.4.2015 to 10.4.2022	3.600	–	6,500,000	–	(6,500,000)	–	–	–	–
				14,533,000	13,000,000	(100,000)	(13,000,000)	800,000	15,233,000	(650,000)	14,583,000
Total				22,633,000	13,000,000	(100,000)	(13,000,000)	–	22,533,000	(2,400,000)	20,133,000
Exercisable at year end				22,633,000					22,533,000		20,133,000
Weighted average exercise price (HK$)				2.652	3.600	2.225	3.600	2.225	2.654	2.367	2.688

For the year ended 31 December 2013, the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$4.36 (2012: HK$2.83).

No share-based payment expense has been recognised in profit or loss for both years.

32. 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 25 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.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 **RMB'000**	2012 RMB'000
Financial assets		
Loans and receivables:		
Amounts due from related parties	**20,926**	21,376
Other non-current assets	**51,042**	20,387
Trade and other receivables	**1,504,724**	1,183,042
Loan receivables	**408,200**	408,200
Pledged bank deposits	**135,157**	155,703
Bank balances and cash	**552,925**	585,986
	2,672,974	2,374,694
Available-for-sale financial assets:		
Available-for-sale investments	**135,532**	14,811
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	**932,515**	838,703
Borrowings	**626,512**	605,562
	1,559,027	1,444,265

33. 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 products, consideration receivable for disposal of a subsidiary, loan receivables, trade and other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash, trade and other payables 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, trade and other receivables, life insurance products, bank balances and cash, trade and other payables 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**	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
HKD	**2,083**	23,742	**3,192**	6,968
USD	**115,926**	74,713	**345,513**	216,552
	118,009	98,455	**348,705**	223,520

One of the Group's subsidiaries, Gam Sheng Macao Commercial Offshore Limited, of which its functional currency is USD, has an aggregate amount of intra-group balances of RMB95,260,000 (2012: nil) which are denominated in RMB as at 31 December 2013.

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.

33. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

	HKD		USD	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Profit for the year	**55**	(839)	**11,479**	7,092

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 loan receivable (see note 22), bank balances (see note 23) and floating-rate borrowings (see note 25). 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 consideration receivable for disposal of a subsidiary (see note 19), fixed-rate loan receivables (see note 22), pledged bank deposits (see note 23) and fixed-rate borrowings (see note 25).

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 the benchmark lending rate offered by the People's Bank of China and London Interbank Offered Rate arising from the Group's loan receivables, bank balances, RMB borrowings and USD borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates of loan receivables, bank balances and borrowings. The analysis is prepared assuming the amount of the outstanding at the end of the reporting period was outstanding for the whole year. A 10 basis points (2012: 10 basis points) increase or decrease for bank balances and 50 basis points (2012: 50 basis points) for loan receivables and borrowings are used and represent management's assessment of the reasonably possible change in interest rates for the year ended 31 December 2013.

If interest rates had been 10 or 50 basis points higher/lower, as appropriate, and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2013 would decrease/increase by RMB629,000 (2012: RMB1,770,000). This is mainly attributable to the Group's exposure to interest rates on its loan receivables, bank balances and floating-rate borrowings.

33. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(iii) Equity price risk

The Group is exposed to equity price risk through its investment in trust fund, which is accounted for as available-for-sale investment (see note 18). The Group's equity price risk is mainly concentrated in the underlying debt securities of the trust fund. The management is closely monitoring the equity price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analyses

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. If the prices of the unlisted trust fund had been 5% higher/lower, investment revaluation reserve as at 31 December 2013 would increase/decrease by RMB5,286,000 as a result of the changes in fair value of the unlisted trust fund held by the Group. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year.

Credit risk

As at 31 December 2013, 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 statement of financial position.

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.

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 loan receivables disclosed in note 22 and consideration receivable for disposal of a subsidiary in note 19 are also concentrated in certain independent third parties, and the directors consider the credit risk is significantly reduced as the amounts are pledged by certain assets of the borrowers. 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 94% (2012: 98%) of the total trade receivables at the end of the reporting period.

33. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

The Group has net current assets amounting to RMB1,440,774,000 as at 31 December 2013 (2012: RMB1,203,400,000). 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 remaining 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.

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 2013 RMB'000
2013									
Non-derivative financial liabilities									
Trade and other payables	—	532,583	355,033	26,796	18,103	—	—	932,515	932,515
Borrowings	4.13%	284,937	126,651	48,737	114,967	68,025	3,130	646,447	626,512
		817,520	481,684	75,533	133,070	68,025	3,130	1,578,962	1,559,027

33. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity risk tables (Continued)

	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 2012 RMB'000
2012									
Non-derivative financial liabilities									
Trade and other payables	—	586,459	203,175	10,638	38,431	—	—	838,703	838,703
Borrowings	4.55%	457,394	48,746	50,774	51,956	7,246	1,204	617,320	605,562
		1,043,853	251,921	61,412	90,387	7,246	1,204	1,456,023	1,444,265

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

(c) Fair value measurements of financial instruments

(i) Fair value of financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3 as set out in note 3) based on the degree to which the inputs to the fair value measurements is observable.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. In the level 2 fair value measurements, the Group derived the inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly with reference to the market information.

33. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

(i) Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

	Fair value as at 31 December		
	2013 RMB'000	2012 RMB'000	Fair value hierarchy
Financial asset			
Available-for-sale investments:			
investment in trust fund, at fair value (note 18)	**105,721**	—	Level 2

The fair value of the trust fund is based on the redemption price provided by the fund manager, which is based on net assets value of the fund.

(ii) There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets or any reclassification of financial assets in the period.

(iii) Fair value of financial instruments that are recorded at amortised cost

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period, except for the available-for-sale investment measured at cost less impairment, of which the directors of the Company are of the opinion that the fair value cannot be measured reliably because the range of reasonable fair value estimates is so significant.

34. CAPITAL COMMITMENTS

	2013 RMB'000	2012 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**14,484**	12,852

In addition, the Group has signed an agreement with an independent third party in September 2012 to establish an entity in which the Group will invest RMB20,000,000 for 40% equity interest therein. The transaction has been completed during the year ended 31 December 2013 and the capital invested by the Group has been included in the Group's investment in Smart Metering as set out in note 17.

35. OPERATING LEASES

(a) The Group as lessee

	2013 RMB'000	2012 RMB'000
Minimum lease payments paid under operating leases during the year in respect of rented premises	**4,298**	4,367

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:

	2013 RMB'000	2012 RMB'000
Within one year	**2,876**	2,307
In the second to fifth year inclusive	**1,268**	651
	4,144	2,958

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

35. OPERATING LEASES (Continued)

(b) The Group as lessor

Property rental income earned during the year was RMB2,248,000 (2012: RMB2,953,000). The property is expected to generate rental yields of 13.6% (2012: 8.0%) on an ongoing basis. Certain properties held have committed tenants for the next two (2012: two) years.

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

	2013 **RMB'000**	2012 RMB'000
Within one year	**1,160**	2,148
In the second to fifth year inclusive	**395**	3,472
	1,555	5,620

36. 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 MPF 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 MPF Scheme at rate specified in the rules.

The total cost of RMB11,879,000 (2012: RMB8,642,000) 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 period, the Group had no significant obligation apart from the contribution as stated above.

37. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up/issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly		Indirectly		Principal activities
			2013	2012	2013	2012	
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") (Notes i and iv)	The PRC	RMB60,000,000	–	–	–	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
Changsha Vitae Plastic Technology Co., Ltd ("Vitae") (Notes iii and v)	The PRC	RMB5,000,000	–	–	100%	–	Development, manufacture and sale of parts of power meters, data collection terminals and related services
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 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%	Trading of power meters

37. PRINCIPAL SUBSIDIARIES (Continued)

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) Vitae and Changsha Weisheng are wholly foreign owned enterprises established in the PRC.

(iv) Wasion Industrial has been disposed of during the year as set out in note 29.

(v) Vitae was acquired by the Group during the year as set out in note 28.

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.

Information of the statement of financial position of the Company as at 31 December 2013 and 2012:

	2013 RMB'000	2012 RMB'000
Investments in subsidiaries	**185,113**	200,347
Amounts due from subsidiaries	**1,219,983**	1,213,729
Other assets	**41,805**	21,996
	1,446,901	1,436,072
Total liabilities	**(207,295)**	(158,255)
	1,239,606	1,277,817
Share capital	**9,429**	9,410
Reserves	**1,230,177**	1,268,407
	1,239,606	1,277,817

The movements in reserves are as follows:

	RMB'000
At 1 January 2012	1,394,557
Loss and total comprehensive expense for the year	(13,018)
Issue of shares upon exercise of share options	181
Dividend recognised as distribution	(113,313)
At 31 December 2012	1,268,407
Profit and total comprehensive income for the year	90,685
Issue of shares upon exercise of share options	4,489
Dividend recognised as distribution	(133,404)
At 31 December 2013	1,230,177

RESULTS

	Year ended 31 December				
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Profit for the year, attributable to owners of the Company	262,041	191,233	247,486	323,149	**401,125**

ASSETS AND LIABILITIES

	As at 31 December				
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Total assets	3,176,027	3,614,965	4,445,028	4,265,893	**4,741,215**
Total liabilities	(1,028,152)	(1,380,268)	(2,059,951)	(1,669,216)	**(1,868,015)**
	2,147,875	2,234,697	2,385,077	2,596,677	**2,873,200**
Equity attributable to:					
Owners of the Company	2,147,875	2,234,697	2,384,677	2,596,277	**2,872,800**
Non-controlling interest	—	—	400	400	**400**
	2,147,875	2,234,697	2,385,077	2,596,677	**2,873,200**

Wasion Group Holdings Limited
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