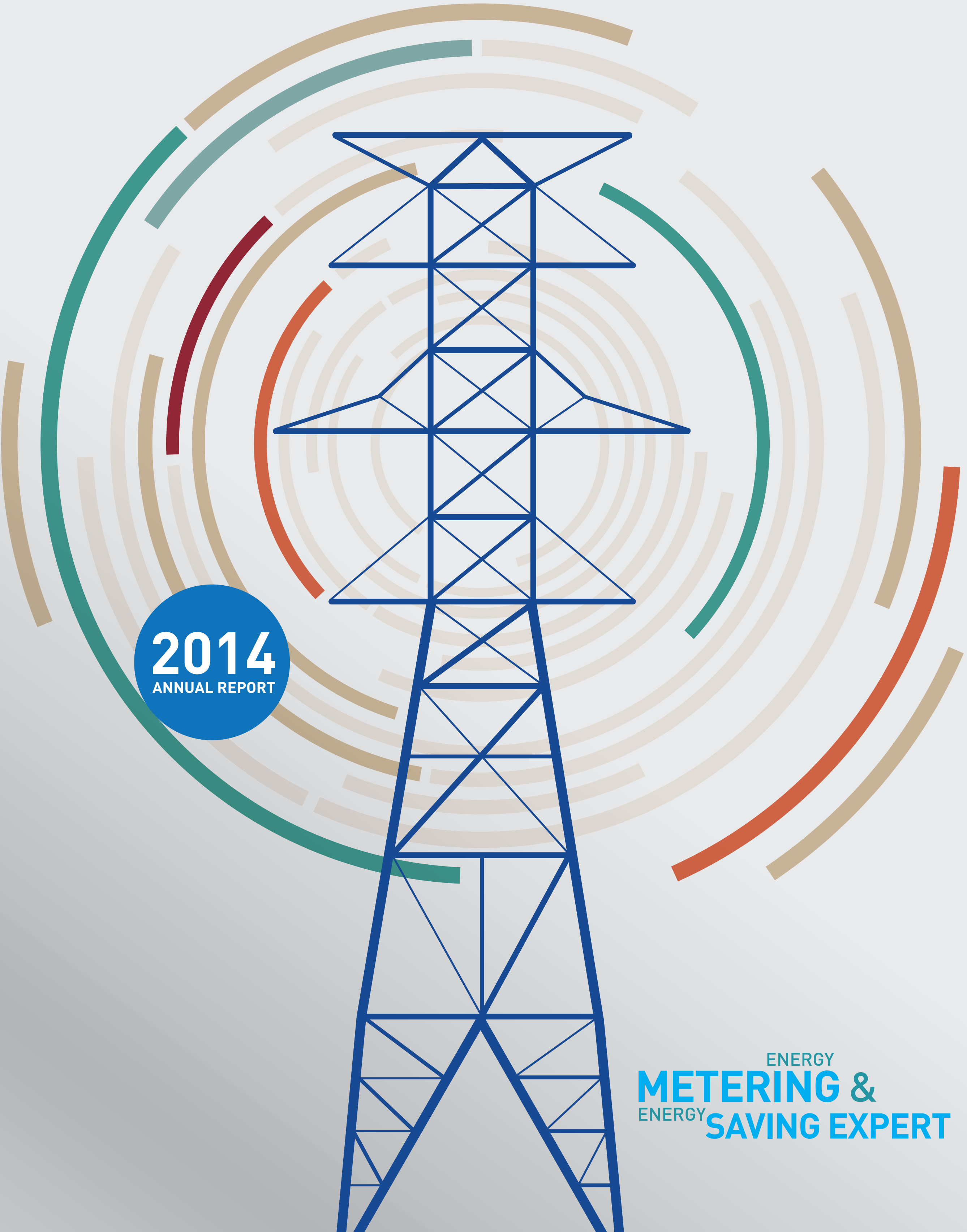
Wasion Group Holdings Limited
威勝集團控股有限公司

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



2014 ANNUAL REPORT

ENERGY METERING & ENERGY SAVING EXPERT


威胜集团第二届春

Contents

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Kat Chit

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Jin Ming
Mr. Pan Yuan
Mr. Cheng Shi Jie
Mr. Chan Cheong Tat

COMPANY SECRETARY

Mr. Choi Wai Lung Edward *FCCA, FCPA*

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

Mr. Chan Cheong Tat *(Chairman)*
Mr. Wu Jin Ming
Mr. Pan Yuan
Mr. Cheng Shi Jie

NOMINATION COMMITTEE

Mr. Ji Wei *(Chairman)*
Mr. Chan Cheong Tat
Mr. Wu Jin Ming

REMUNERATION COMMITTEE

Mr. Chan Cheong Tat *(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

Corporate Profile

LEADING TOTAL SOLUTION PROVIDER OF ADVANCED METERING, ADVANCED DISTRIBUTION AND ENERGY EFFICIENCY MANAGEMENT

Wasion Group Holdings Limited ("Wasion Group" or the "Group") is the leading total solution provider of advanced metering, advanced distribution and energy efficiency management in China, and is committed to becoming an "Energy Metering and Energy Saving Expert" in China and across the world. The 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 metering and energy efficiency management in China listed overseas, as well as the first company in Hunan Province listed on the Main Board overseas.

Wasion Group has long been focusing on the research and development, production and sales of total solutions relating to energy metering and energy efficiency management, the products and services of which have been extensively applied in energy supply industries for electricity, water, gas and heat, and large energy-consuming units of large-scale public infrastructure, petroleum and chemical, transportation, machine manufacturing, metallurgical and chemical fields and residents.

The advanced smart metering business of the Group mainly comprises of comprehensive smart meters, smart water meters, smart gas meters and ultrasonic calorimeters; various meters and power quality monitoring devices; comprehensive energy data collection terminals, load management terminals and user management devices; measurement automation systems and various application systems, services and energy data mining. The Group, with more than 20% of the domestic market share of high-end metering products, has built up its leading position in China and is the only professional manufacturer in China which provides various advanced energy metering products, systems and services for electricity, water, gas and heat, as well as satisfies the demand of the whole process from energy production, transmission and distribution to consumers.

The advanced distribution and energy efficiency management business of the Group comprises mainly of 40.5kV/12kV comprehensive high voltage switchgear; 12kV smart switchgear; 35kV/10kV comprehensive circuit breakers; 10kV power distribution automation terminals; electrical and electronic devices for power quality control and smooth connection with new energy; smart distribution systems, engineering and services; energy-saving services, etc. The Group is devoted to becoming the leading total solution provider for advanced distribution system in China.

Amidst the substantial changes in energy production and energy consumption mode in China and the world, the material social responsibility and development opportunities arisen from energy saving and carbon reduction as well as the new demand of smart power grids, Wasion Group will adhere to its corporate motto "Energy Metering and Energy Saving Expert" while upholding its core value "Perfect Work with Passion, and Success Achieved with Integrity" by continuous innovation and improvement in order to become the pioneer in smart power grids and smart metering in China, one of the major international smart power grids and smart metering provider and a well-known international brand.

In the future, every city, every enterprise and every family will be benefited from the use of the technology, products and services of Wasion.

QUALIFICATIONS & AWARDS

JANUARY 2014

The Research and Application of Key Technologies in Smart Metering Terminals under Advanced Metering System project of Changsha Weisheng Information Technology Company Limited ("Weisheng Information") won the Second Prize from National Energy Administration

The Research of Key Technologies in High-performance Power Meters and Application of Serialized Products project of Wasion Group Limited ("Wasion Group") won the Third Prize for Technological Invention in Hunan Province

Wasion Group was awarded AAA credit grade corporate

MARCH 2014

Wasion Electric Limited was granted Centralised Scale Bidding and Purchasing Qualification Certificate by State Grid Corporation of China

APRIL 2014

The Project for Accurate Metering and Traceability Technologies, Equipment and Application of Dynamic Distortion Load Power of Wasion Group won the Second Prize for Scientific & Technological Progress in Guangdong Province

MAY 2014

Weisheng Information was honored as Intellectual Property Demonstration Enterprise in 2014

The Research and Application of High-end Power Metering Technologies project of Wasion Group was honored as Outstanding Project for Intellectual Property Transformation in 2014

JUNE 2014

Wasion Group's DTSD341(MA2) three-phase four-wire multi-function electronic power meter successfully passed the new products and technologies authentication

JULY 2014

Wasion Group was granted the People's Republic of China Overseas Contracting Project Qualification Certificate by Department of Commerce of Hunan Province

AUGUST 2014

Wasion Group's smart meters were awarded EU MID certification

Wasion Group, Hunan Weiming Technology Co., Ltd. and Weisheng Information were re-granted Certification of High and New Technology Enterprises

OCTOBER 2014

Wasion Smart Electrical Co., Ltd. was granted Certification Letter for Supplier Qualification and Competence Verification Results by State Grid Corporation of China

The Research and Industrialization of Mobile Payment Security Middleware of Wasion Group won the Second Prize for Scientific & Technological Progress in Changsha City

NOVEMBER 2014

Wasion Group was honored as National Technological Innovation Demonstration Enterprise in 2014

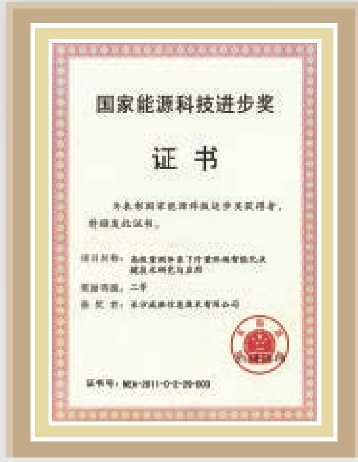
Wasion Group was granted Intelligent Building Project Specialised Contractor Grade C Qualification certificate

Changsha Weisheng Energy Industrial Technology Company Limited was awarded Level 4 Qualification for Installing

DECEMBER 2014

Wasion Group's Nonlinear Load Power Measurement won Excellence Award in the 16th China Patent Award

Wasion Group was honored as Academicians and Experts Workstation Oustanding Unit



2014.1

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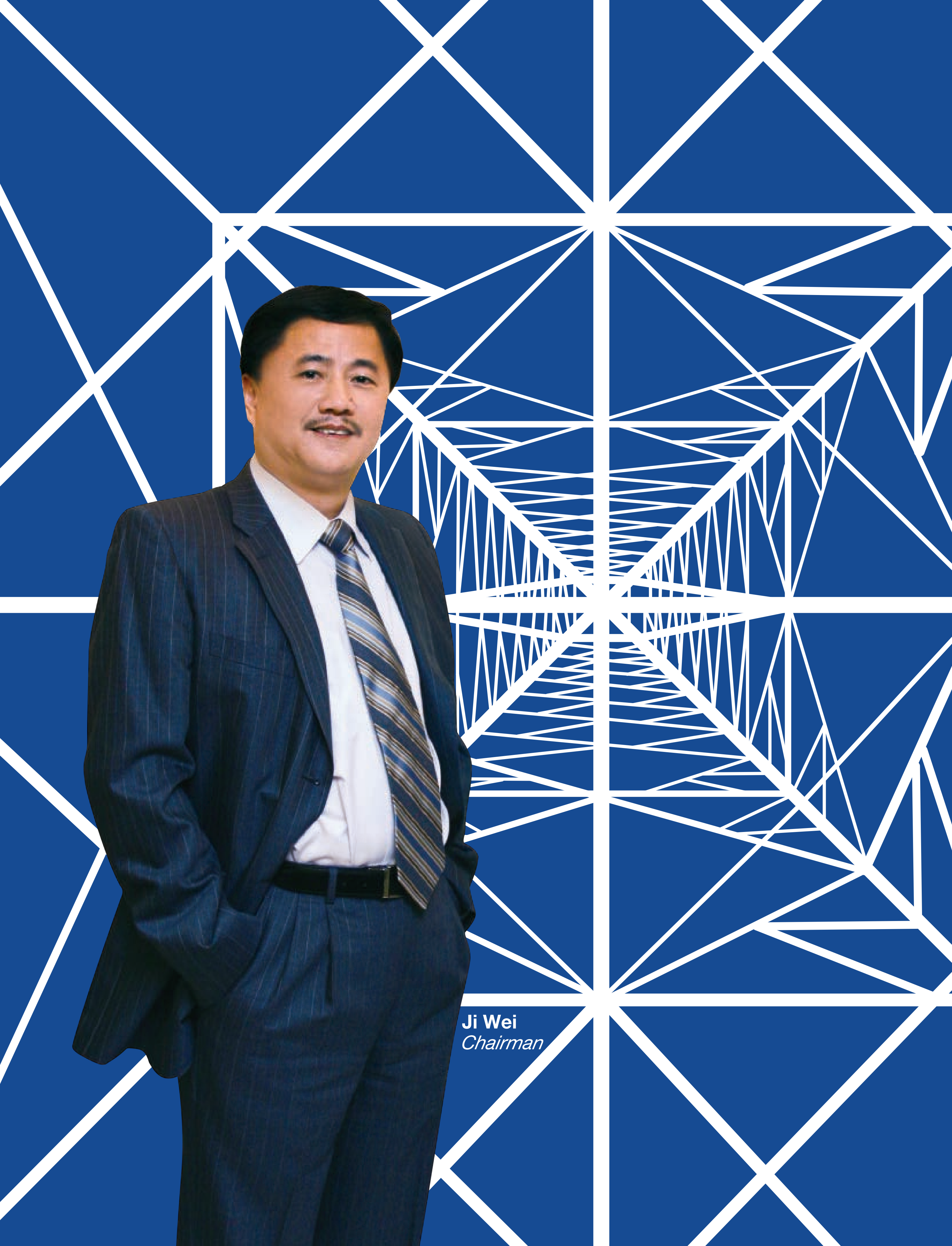
MOTTOS OF OPERATION :

PERFECT WORK WITH PASSION
AND SUCCESS ACHIEVED
WITH INTEGRITY



Ji Wei
Chairman

Chairman's Statement

To All Shareholders,

On behalf of the board of directors (the "Board") of Wasion Group Holdings Limited (the "Group"), I am pleased to present the operating results of the Group for the financial year ended 31 December 2014.

For the full year of 2014, the Group recorded operating revenue of RMB2,811.87 million, representing an increase of 17% over 2013. Net profit amounted to RMB482.44 million, representing an increase of 20% over 2013. Earnings per share were RMB51 cents, and return on net assets reached 15%. The Board has recommended to distribute a final dividend of HK$0.24 per share.

During the year, the Group's businesses were categorized into three segments, namely SM (Smart Meter) business, AMI (Advanced Metering Infrastructure) business and ADO (Advanced Distribution Operations) business. For SM business, the Group stood out in the tender organized by the head office of State Grid and Southern Grid among all other tenderers by winning huge contract value in 2014. AMI business can be subdivided into AMI power business and AMI water, gas and heat business, the operating revenue of which recorded an increase of 17% in 2014. Of which, the Group's AMI water, gas and heat business recorded a significant increase of 80% over 2013. The Group conducted ADO business based on our established strategic plan. Therefore, the Group established Wasion Electric Limited, and has consolidated internal resources and talents to establish a distribution automation department, a power electronics application technology department and a smart power distribution system integration and energy efficiency department. During the year, the Group successfully acquired Hunan Switchgear Co., Ltd and Wuhan Smart Electrical Co., Ltd., which enables the Group to rapidly establish the resources and capabilities of ADO related business in terms of product qualification, professional technology and manufacturing etc through consolidation of resources and provides a powerful support for the future development of ADO business. During the year, ADO business recorded a significant increase of 225% over 2013.

Adhering to its corporate motto of "Energy Metering and Energy Saving Expert", the Group always considers continuous innovation of technological products as its core competitive strengths, striving to provide better, more advanced and more energy-saving products and services to its clients. As a major AMI provider in the PRC, we have more than 15 years of successful operating results in this segment. The AMI which the Group is specialized in is the foundation of smart grid development and the starting point of energy efficiency management and energy saving. Based on extensive market and client base established from AMI, the Group has entered ADO segment, which recorded robust growth

Chairman's Statement (Continued)

during the year with promising development in the future. For AMI water, gas and heat business, the government vigorously promotes the implementation of water, gas and heat escalating pricing, and clearly states that by the end of 2015, water escalating pricing should be implemented in all provincial cities in principle. The Group will rapidly enhance its existing market share and expand into major markets, and grasp the project opportunities arising from national "Urban water supply and gas supply as well as urban sewage and garbage treatment" (兩供兩治). It is expected that AMI water, gas and heat business will become one of business growth drivers for the Group in the future.

Establishing smart power distribution network has been escalated to be national energy strategy, and the government has launched a series of policies to vigorously enhance energy efficiency and promote energy revolution. State Grid Corporation of China has also formulated smart distribution development plan towards 2020, all of which will further promote the intelligence and market-orientation of smart grid distribution and consumption sectors.

Looking forward, we will further strengthen and reinforce SM business, and continue to upgrade AMI technologies and products. Meanwhile, we will leverage on the existing client resources to increasingly enhance grid market revenue scale and profitability, and gradually achieve full coverage of grid market business. For AMI water, gas and heat segment, we will also gradually enhance revenue scale, market share and industrial influence.

In terms of overseas markets, on the one hand, we will focus on developing our own brand and self-owned channels construction, and strengthen promotion of products and technologies in Africa and other countries in Southeast Asia and lead the markets through introduction of new technologies and new products, while continuing to reinforce such strong markets as Egypt, Indonesia and Tanzania. On the other hand, we will leverage on our strategic cooperation with Siemens and other international industry leaders to actively participate in AMI and smart grid transformation projects in EU, Central and South America and Middle East, so as to expand our sales scale and increase market share of our products and services.

In terms of ADO business, the Group will sufficiently explore existing grid client resources to rapidly enhance the market share of ADO, while providing advanced and integrated smart distribution solutions and construction services to non-grid clients, especially grasping investment opportunities arising from national railway transportation construction, distributive energy construction as well as industrial energy saving and emission reduction, striving to be a leading total solution provider of advanced distribution.

In terms of new business plan, the Group will focus on new energy friendly access and energy storage technology, put forth effort to study and develop Liquid Metal Battery for new energy storage such as wind power and solar energy and Brushless Doubly-fed Electric Motor technology for wind power and small hydropower. This will provide powerful technology and product reserve for the sustainable development of the Group, and contribute to promote national resource-conserving and environment-friendly society construction.

Chairman's Statement (Continued)

On 15 March 2015, the State Council officially released "Opinions on Deepening the Reform of Electricity System" (《關於進一步深化電力體制改革的若干意見》), which opens new distribution and retail market of electricity, strengthen and enhance safe and efficient operation and reliable supply of power, and vigorously develop distributed energy etc, all of which will bring new imaginative opportunities for the future development of the Group.

We will consistently uphold the mottos of operation which is "Perfect Work with Passion, and Success achieved with Integrity" to highly respond to market changes and client requirements. We will also persist in the operation and management direction of "Seek improvement and foster innovation whilst maintaining stability" to promote technology and product innovation, market and sales innovation, operation and service innovation, management and mechanism innovation, laying a solid foundation for the Group's next five-year plan and realizing its ambitious vision of "Centennial History and Ten Billion Results of Wasion" (百年威勝、百億威勝)!

Yours faithfully,
Ji Wei
Chairman

Hong Kong, 23 March 2015

CORPORATE SPIRIT:

BE COHESIVE, AMBITIOUS,
DOWN-TO-EARTH AND CREATIVE

Management Discussion and Analysis

FINANCIAL REVIEW

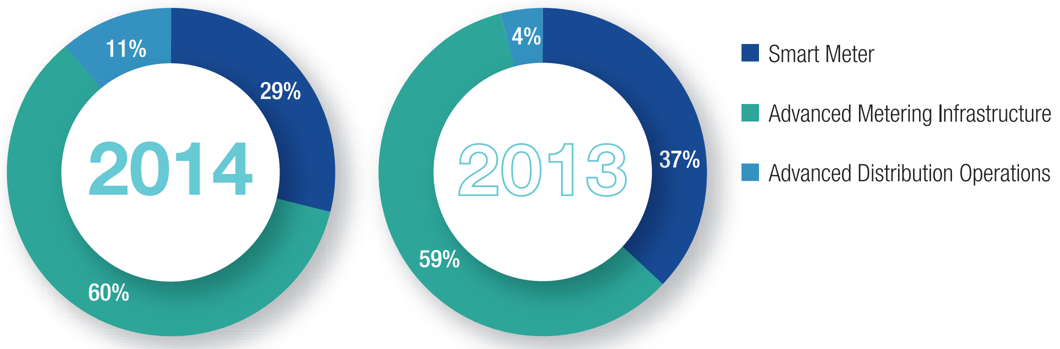
Financial Highlights

	2014 RMB'000	2013 RMB'000
Turnover	**2,811,871**	2,412,343
Gross profit	**962,687**	846,825
Net profit	**482,439**	401,125
Total assets	**5,618,550**	4,741,215
Shareholders' equity attributable to owners of the Company	**3,245,509**	2,872,800
Basic earnings per share (RMB)	**0.51**	0.43
Diluted earnings per share (RMB)	**0.51**	0.43

Key Financial Figures

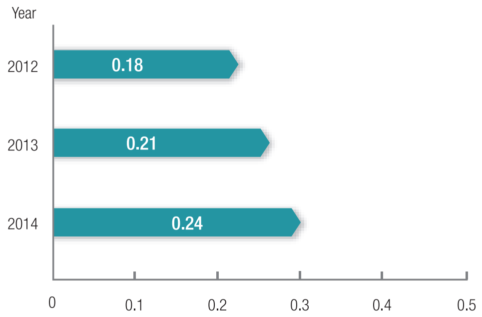
	2014	2013
Gross profit margin	**34%**	35%
Operating profit margin	**20%**	20%
Net profit margin	**17%**	17%
Return on equity of the shareholders	**15%**	14%
Current ratio	**1.72**	1.86
Quick ratio	**1.56**	1.67
Inventory turnover period (Days)	**63**	73
Trade receivable turnover period (Days)	**227**	192
Trade payable turnover period (Days)	**215**	197
Gearing ratio (Total borrowings divided by total assets)	**13%**	13%
Interest coverage (Profit from operations divided by finance costs)	**19.76**	14.66

Turnover Breakdown by Business Segments

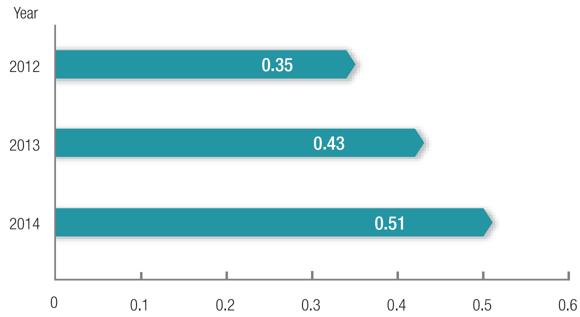


Management Discussion and Analysis (Continued)

Dividend (HKD)

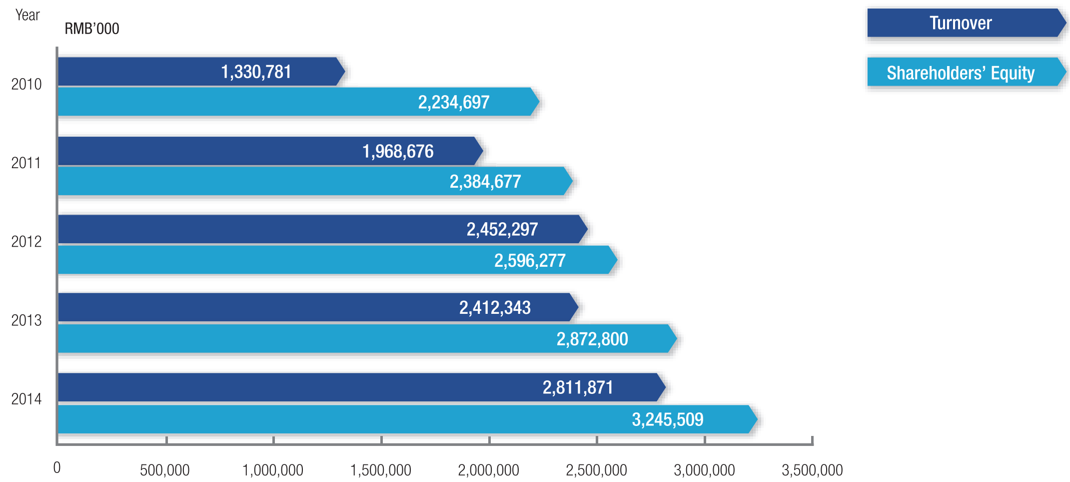


EPS (RMB)



FIVE YEARS' FINANCIAL SUMMARY

Five Years' Financial Information



	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**2,811,871**	2,412,343	2,452,297	1,968,676	1,330,781
Profit for the year attributable to owners of the Company	**482,439**	401,125	323,149	247,486	191,233
Total assets	**5,618,550**	4,741,215	4,265,893	4,445,028	3,614,965
Total liabilities	**2,312,309**	1,868,015	1,669,216	2,059,951	1,380,268
Shareholders' equity attributable to owners of the Company	**3,245,509**	2,872,800	2,596,277	2,384,677	2,234,697

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

Turnover

During the year under review, turnover increased by 17% to RMB2,811.87 million (2013: RMB2,412.34 million).

Gross Profit

The Group's gross profit increased by 14% to RMB962.69 million for the year ended 31 December 2014 (2013: RMB846.83 million). The overall gross profit margin is 34% in 2014 (2013: 35%).

Other Income

The other income of the Group amounted to RMB104.60 million (2013: RMB88.33 million) which was mainly comprised of interest income, cumulative gain on disposal of available-for-sale investment, government grants and refund of value-added tax.

Operating Expenses

In 2014, the Group's operating expenses amounted to RMB485.68 million (2013: RMB490.10 million) and accounted for 17% of the Group's turnover in 2014, representing a decrease of 3% as compared with 20% in 2013.

Finance Costs

For the year ended 31 December 2014, the Group's finance costs amounted to RMB28.87 million (2013: RMB32.74 million). The decrease was attributable to the adjustment of the mix of bank borrowings and the reduction of interest rate of variable-rate borrowings during the year.

Operating Profit

Earnings before finance costs and tax for the year ended 31 December 2014 amounted to RMB570.42 million (2013: RMB472.60 million), representing an increase of 21% as compared with last year.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the year ended 31 December 2014 grew by 20% to RMB482.44 million (2013: RMB401.13 million) as compared with last year.

Capital Structure

For the year ended 31 December 2014, certain directors and employee have exercised 10,573,000 share options at an exercise price of HK$2.225 and 9,560,000 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$201,330.

Management Discussion and Analysis (Continued)

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 2014, the Group's current assets amounted to approximately RMB3,514.95 million (2013: RMB3,121.66 million), with cash and cash equivalents totaling approximately RMB327.43 million (2013: RMB552.93 million).

As at 31 December 2014, the Group's total bank loans amounted to approximately RMB750.64 million (2013: RMB626.51 million), of which RMB503 million (2013: RMB453.20 million) will be due to repay within one year and the remaining RMB247.64 million (2013: RMB173.31 million) will be due after one year. Net book value of the Group's pledged assets for the bank loans was approximately RMB158.21 million (2013: RMB160.83 million). In 2014, the interest rate for the Group's bank borrowings ranged from 1.17% to 9.23% per annum (2013: 0.25% to 6.00% per annum).

The gearing ratio (total borrowings divided by total assets) is 13% in 2014 which is the same as that of 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 depreciation of Renminbi during the year resulted in an exchange loss of RMB6.84 million to the Group. During the year under review, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

Management Discussion and Analysis (Continued)

Emolument Policy

As at 31 December 2014, the Group had 4,153 (2013: 3,867) staff members. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB279.47 million (2013: RMB224.50 million) in 2014. 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 (2013: RMB3.75 million) in 2014.

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. During the year ended 31 December 2014, 18,000,000 share options at an exercise price of HK$4.68 have been granted to certain employees.

Acquisitions

On 31 May 2014, the Group completed the acquisition of 65% Hunan Switchgear Co., Ltd. ("Hunan Switchgear") for a consideration of RMB21.12 million. Hunan Switchgear is principally engaged in manufacturing, developing and selling switchgears and circuit breaker that used in power stations and public communities. The acquisition enhances the product quality, production capabilities and customer connections of Smart Distribution Solutions ("SDS") and Smart Distribution Devices under Advanced Distribution Operations ("ADO") business in the Group, and consolidates the Group's ADO business foundation. Hunan Switchgear serves a number of high-end customers in China including national power generators such as Huaneng Power and China Power Investment as well as major state-owned enterprises such as China Machinery Engineering Corporation. The acquisition provides a channel for the Group to further expand its high-end ADO customer base and promote wider usage of high-end SDS services.

In addition, the Group has completed the acquisition of 65.71% equity interest in Wuhan Baichu Technology Co., Ltd. ("Wuhan Baichu") on 30 April 2014 for a consideration of approximately RMB52.9 million. Wuhan Baichu is principally engaged in manufacturing, developing and selling switchgears, ring main unit switchgears and pole-mounted circuit breakers that used in power stations and public communities. The acquisition enables Wasion to consolidate research and development resources for advanced ADO technologies planning and development.

Charge on Assets

As at 31 December 2014, the pledge deposits are denominated in Renminbi and Hong Kong dollars and are pledged to banks as security for bills facilities granted to the Group. In addition, the Group's land and buildings are pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 31 December 2014, the capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial information amounted to RMB125.09 million (2013: RMB14.48 million).

Contingent Liabilities

As at 31 December 2014, the Group had no material contingent liabilities.

MARKET REVIEW

In order to achieve a sustainable economy and living environment for the future of human beings, pursuing the thrust towards a low-carbon economy still remains as the top priority for all countries around the world to achieve in best efforts. Energy saving and emission reduction are even regarded as the long term policies of Chinese government.

Since 2010, the Chinese government has actively constructed and increased investments in smart grid which caters all forms of renewable energy. Smart grid not only helps China to achieve low-carbon economic development, but also drives the expeditious growth in demand for precise energy data measurement and communication system as well as flexible and reliable power distribution and management.

At the same time, the Chinese government has introduced a series of supporting policies and plans to accelerate the pace towards energy revolution. In May 2014, the National Energy Administration published "Energy Monitoring Action Plan (2014–2018)" (《能源監管行動計劃(2014–2018年)》), in which solid targets and monitoring enhancement over energy industry were set. In November, "Energy Development Strategy Plan (2014–2020)" (《能源發展戰略行動計劃(2014–2020年)》) was published by the General Office of the State Council of PRC, bringing forward "energy saving, clean, safety" as development strategy. Moreover, the Chinese government took power market as a breakthrough to energy revolution. In November, "Shenzhen Pricing Reform in Power Transmission and Distribution Pilot Plan" (《深圳市輸配電價改革試點方案》) was introduced, aiming at establishing an independent pricing system for power transmission and distribution, and therefore promoting market-orientation for power generation and selling.

In order to drive the water pricing reform and promote water saving for improving national-wide water consumption, the National Development and Reform Commission and Ministry of Housing jointly issued "Guidance for Accelerating the Establishment of a Sound Urban Residential Water Escalating Pricing System" (《關於加快建立完善城鎮居民用水階梯價格制度的指導意見》) in January 2014, which clearly stated that by 2015, water escalating pricing should be implemented in all provincial cities in principle while other cities and towns that are equipped with necessary conditions should

Management Discussion and Analysis (Continued)

actively moving ahead towards water escalating pricing. Currently, more than 10 cities such as Hefei, Changsha and Guangzhou have implemented water escalating pricing subsequently with a comprehensive installation of water metering systems, leading to a rapid increase in market demand for smart water metering products.

Overall speaking, despite the macroeconomic environment under adjustment period, the demand for the Group's products and services, namely AMI, Smart Meter and ADO, has continued to rise with the support from government policies promoting energy saving and emission reduction, construction of smart grid, market orientation in power market as well as water and gas escalating pricing, which has driven the development of the Group's business to successfully build our brand and leading position in various markets with a stronger market share.

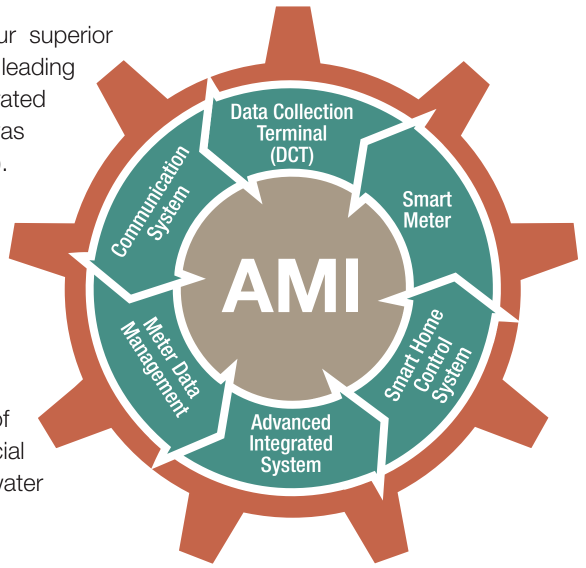
BUSINESS REVIEW

As a leading energy metering and energy efficiency management expert focusing in providing integrated total solutions in efficient and effective energy management and energy saving, the Group has revised the business segments into Advanced Metering Infrastructure ("AMI"), Smart Meter and Advanced Distribution Operations ("ADO") adhering to the systematic standards and definitions for technical framework in the industry since 2014.

Advanced Smart Infrastructure ("AMI")

AMI provided by the Group is a technology platform consists of smart meter, data collection terminal and communication, and smart metering system integration and services, with which customers can use the information provided by the system to change their normal consumption patterns to save energy, reduce losses and take advantage of lower prices. The Group's AMI business can be subdivided into AMI power business and AMI water, gas and heat business, which addresses a wider spectrum of customers' needs ranging from power grid companies, water companies, gas companies, heat companies to industrial and commercial clients.

AMI business is a stable and strong component to the Group. With our superior comprehensive strength and rich experience, the Group maintained a leading position in the AMI industry in the reviewing year, and successfully penetrated into more target markets. In 2014, a turnover of RMB1,677.04 million was recorded with an increase of 17% over last year (2013: RMB1,435.25 million).



In the reviewing year, AMI water business recorded a strong growth by a significant increase of 80% to RMB140.47 million. By virtue of the government policy on water escalating pricing, the integrated technical advantages of the Group in metering, communication and system software have breakthrough in the AMI water business. The Group actively expanded business with provincial water companies in different provinces during the year under review, among which the Group achieved a bulk sale to number of provincial water companies such as in Hefei, Changsha, resulting in provincial water companies accounted for more than 50% of the Group's AMI water

Management Discussion and Analysis (Continued)

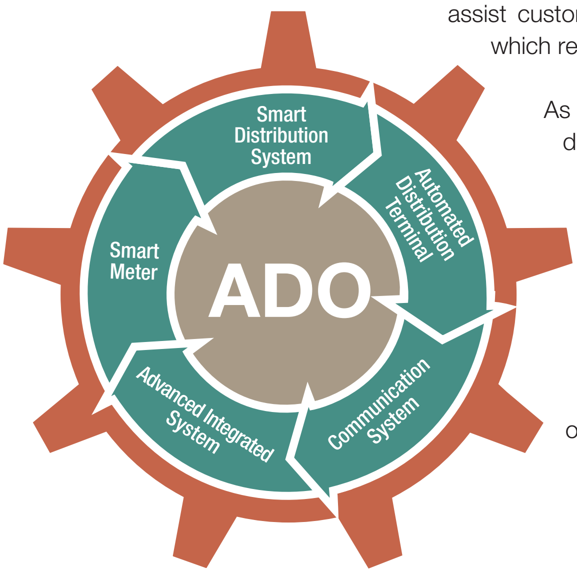
business clientele. It is expected to bring a huge yet stable business to the Group in the future. Besides, significant growth was also recorded in terms of the sales contribution from corporations and business partners. The diversification of the Group's clientele has further increased its strength and leading position in AMI water market.

Smart Meter

In the reviewing year, with our superior comprehensive strengths in different aspects such as brand name, technology, market share, quality, business scale and management, the Group continued to maintain a solid and out-performing market position in winning tenders from State Grid Corporation of China (hereinafter referred to as "State Grid") and China Southern Power Grid Co., Ltd (hereinafter referred to as "Southern Grid"). In 2014, among the four tenders organized by State Grid, the aggregate value of the tender contracts we won reached RMB1,201.94 million, representing a growth rate of 69% over 2013 (2013: RMB712.84 million). The Group also stood out in the tender organized by the head office of Southern Grid among all other tenderers. The contract value signed in the reviewing year reached RMB141 million.

Advanced Distribution Operations ("ADO")

ADO service provided by the Group comprises of smart distribution devices ("SDD"), smart distribution solutions ("SDS") and efficient and effective solutions ("EES"). Driven in a large part by smart grid initiatives in China, the Group's ADO business can, on one hand provide premium quality smart power distribution products as well as solutions to its power company customers, and on the other hand provide customers from high-end industries such as new energy power generation, railway and transportation, hospitals and high-end commercial buildings, oil & petrochemicals and metallurgical machinery with smart distribution and energy efficiency management solutions in order to assist customers in developing a new 4S+ generation of power distribution system which refers to Safety, energy Saving, Smart and Service.



As ADO system is an important foundation and support for smart power distribution network, new energy power generation and energy efficiency management, the Chinese government has already introduced a series of guidelines and regulations to speed the promotion of ADO application and development, including "Energy Development Strategy Plan (2014–2020)" and "Shenzhen Pricing Reform in Power Transmission and Distribution Pilot Plan" mentioned before, which has further promoted the intelligence and market-orientation of smart grid distribution and consumption sectors. Foreseeing the huge market potential, the Group has well-prepared to develop our ADO business to seize the business opportunities.

Management Discussion and Analysis (Continued)

In the reviewing year, the Group pushed forward the ADO business based on our planned strategic path. Firstly, the Group established an ADO development platform, Wasion Electric Limited, with an experienced senior management team. Moreover, the acquisition of Hunan Switchgear Co., Ltd and Wuhan Smart Electrical Co., Ltd. (now renamed as Wasion Smart Electrical Co., Ltd.) was completed successfully, which enables the Group to establish the resources and capabilities of ADO business in terms of product qualification, customers resources, professional technology and talents, comprehensive electric product design and manufacturing base etc. Thirdly, the Group has consolidated internal resources and talents to establish a power automation department, a power electronics application technology department and a smart power distribution system integration and energy efficiency department to develop significant technological support and core competitive strengths for the Group's ADO business. Lastly, the Group has built strategic cooperative relationships with international electric giants such as Siemens, ABB, Schneider. Particularly through the associate company established with Siemens, the Group has already obtained the cross authorized right in jointly producing a number of low-med voltage electric products and sales agency which further enhanced the Group's product series and customer services capability.

Upon the implementation of the above strategies and market expansion during the reviewing year, ADO business successfully recorded a turnover of RMB310.36 million, representing a 225% growth over last year and contributed to 11% of the Group's total turnover (2013: 4%). Most importantly, the Group has spotted the integrated distributed PV smart grid connection system, including 10kV power distribution system for failure identification, failure isolation and rapid self-recovery, integrated and smart gird system and managing services for distributed PV, the new generation of electric motor technology (Brushless Doubly-fed Electric Motors) and power electronics technology combined high energy efficiency electric motor and fast charging facilities etc. as the major developing areas in the future for product research and development and market distribution planning. This will build a much stronger foundation for the Group in seizing and developing smart power distribution network, new energy power generation as well as industrial energy efficiency markets.

International Markets

The Group has always put "Focus on Europe and US, Expand in Asia, Africa and Latin America" as its strategic development plan for international markets. In terms of Asia, Africa and Latin America, by implementing different pilot projects and consolidating existing market share, the Group managed to expand and establish its market leading position. In the reviewing year, the Group successfully became one of the local industry leaders in Egypt, Indonesia, Tanzania and Republic of Bangladesh given its corporate strengths; and by leveraging its cooperation with Siemens, the Group has breakthroughs in Brazil and Mexico markets.

Apart from supplying smart metering products to international market, the Group also assists in many AMI transformation projects in different countries and helps formulating suitable solutions in accordance with their needs. As the capable and skillful industry leader, in face of various circumstances and criteria in the international market, the Group manages to provide the best fit and most flexible products and solutions by leveraging its advantages. Take Republic of Bangladesh as an example, apart from introducing prepayment system and multi-function electronic meter to the market, the Group also designed an AMI agricultural irrigation management solution tailor-made for its agricultural environment.

Management Discussion and Analysis (Continued)

At the same time, the benefits from cooperating with international leading corporation Siemens are getting more significant. Smart Metering Solutions (Changsha) Co., Ltd. (hereinafter referred as "SMSC"), the associate co-established by the Group and Siemens in 2013, played an active and solid role in the reviewing year. SMSC utilized Siemens' investment and R&D platform for technology training and support, strengthened the Group's capabilities in quality management system and power distribution systems solutions business, as well as raised the combined market advantages of the Group's AMI and ADO businesses.

Research and Development

The Group has always been focusing on all sorts of research and development of AMI and ADO products and services based on capturing the market demand and industry technology development. In the reviewing year, the Group received 83 patents for its new products and energy saving services and 72 patents for its software.

In terms of AMI, the Group introduced the AMI technologies related 2-way interactive systems, ZigBee® wireless communications module, smart meters with mobile payment abilities, and also "Power, Water and Gas All-in-one Data Collection System" which helps realizing one-stop data collection and management for power, water and gas meters while offering users a more convenient management platform.

In terms of ADO, the Group successfully launched the multi-functional "Power Monitoring System Platform" capable of precise monitoring, control protection, issues alert and failure recording which assists users to have real-time monitoring of the entire power supply system in terms of the performance and status of the device as well as to lower the failure probability together with the loss incurred. The Group also invented 10kV high-voltage prepayment integrated equipment and system, 10kV power distribution equipment and system for failure alert and isolation, as well as smart mini circuit breaker. Apart from that, the Group established "High Efficiency and Energy Saving Monitoring Platform System", assisting corporate users to enhance energy measurement management and to kick-start energy saving.

At the same time, the Group has established Wasion Research Institute and commenced close and extensive cooperation with various famous scientific research personnel. New project which has been deployed include Liquid Metal Battery for new energy storage such as wind power and solar energy in which its system can raise the acceptability of new energy to the power grid, enhance energy consumption efficiency and power grid assets utilization rate, increase power supply reliability and electric power quality.

The Group's research and development results gained high recognition from the Ministry of Industry and Information Technology of PRC. The Group was awarded "National Technology Innovation Demonstration Enterprise" (國家技術創新示範企業) during November and became one of the 72 national-wide enterprises with the same award. This further consolidates the Group's leading market position as one of the most integrated solution providers for smart power distribution and usage products and services.

Management Discussion and Analysis (Continued)

PROSPECT

Smart power grid is on the global development trend. State Grid has announced to expand investment to RMB420.2 billion in 2015 to strengthen the management of the grid construction and to complete the construction reform for 30 core cities and 30 non-core cities centers. "Southern Power Grid Company Development Plan 2013–2020" (《南方電網發展規劃(2013–2020年)》) also summarizes the core developmental targets for Southern Grid in the coming 8 years including improving smart grid energy saving efficiency. It states that the coverage rate of the automation of urban smart power distribution network should reach 80% by year 2020. All these conclude the determination and solid support from government towards the construction of smart power grid, especially smart power distribution network.

Energy saving and emission reduction continues to be the long-term national policy of the Chinese government. Both AMI and ADO systems are the core foundation to build a stable, safe and clean energy compatible power distribution and consumption network in order to gradually attain the final targets of energy saving and improve energy efficiency. As such, market expects the demand for AMI and ADO will continue to increase, while ADO market will experience exponential growth.

"One Belt One Road" has become the new fundamental economic development strategy of China. Given the "One Belt One Road" covers regions in Western China and a number of developing countries with low power consumption level and lack of local power metering and distribution equipment productivity, Chinese companies will be able to export to or enter their local markets directly after China establishes a sound economic cooperative relationship, especially a solid trading relationship with these regions and countries. As a famous Chinese company with leading international level and advanced technologies, the Group will actively look for these projects to be one of the beneficiaries of "One Belt One Road".

Upon the implementation of pilot projects under power reform, market generally agrees that it will stimulate social capital investment in the power selling and enhanced power distribution industry, introduce new market competitors and induce new business opportunities. Among which, power distribution equipment enterprises and energy saving services electric companies with distribution power business will have the chance to become the new power selling companies or competitors in distribution automation industry. The Group, by leveraging the huge market demand towards energy saving metering and power distribution efficiency, has confidence in achieving higher market share under the new reform policies. By setting that as one of the long-term development goals, the Group will further study the participation of the power selling side market in order to expand its revenue source.

Therefore, both domestic and international market has brought great opportunities to the Group's AMI and ADO systems and integrated solutions. Leveraging on the solid market foundation of the Group in AMI market and the initiative advantages in ADO market, as well as overall experience and comprehensive capabilities, the Group is confident to seize the market opportunity to further expand our AMI and ADO businesses.

Management Discussion and Analysis (Continued)

In terms of AMI business, the Group will actively explore different customer groups to achieve a more diversified customer base. Apart from further increasing the market share of grid company clientele, the Group will firstly capture the huge business opportunity brought by watering escalating pricing reform for AMI water business, by developing more business with different cities and counties; and secondly in non-power market, the Group will expand its market share in railway transportation, telecommunication, public institutions, oil and gas companies, petrochemical companies, sizable listed or state-owned large-scale property developers and China Top 500 enterprises.

For ADO business, in view of power grid clients, the Group will take the new generation of smart power distribution terminal and system to meet the market demand of distribution automation in cities as a focus, with the support of the Group's sound power selling network, to rapidly expand the market. In dealing with end users market, the Group will emphasize on markets such as railway transportation, distributive new energy, oil and petrochemicals, high-end commercials and large-scale industrial enterprises, especially in major districts like Hunan and Guangdong, by building some client showcases in smart power distribution total solutions for a rapid expansion to the market. The Group will also persist in enhancing EPC and design capabilities to further expand and diversify the services to clients.

While developing AMI and ADO markets, the Group will continue to maintain its market leading position in smart metering market. State Grid announced its smart meters tender volume in 2015 will be similar to that in 2014. Besides, according to the government regulation in consideration of technology upgrades, smart meters are to be replaced every 5-8 years, meaning that the new replacement cycle will begin soon. Hence the local demand for smart meters will remain stable and the Group's Smart Meter business will maintain steady growth.

In terms of international markets, the Group will leverage on its strategic cooperation with international industry leaders such as Siemens and Huawei, to actively participate in EU AMI transformation projects; and through Siemens to swiftly push forward its comprehensive smart metering business development in American market. For Asia, Africa and Latin America, the Group will focus on developing its own brand and channels construction, and to increase market penetration through current customer base.

In the future, the Group will adhere closely with its corporate vision of "Continual Innovation Contributing to Wasion's Centennial History", to develop, at its utmost, the smart metering and smart power distribution business, and to leverage on its advantages across various business segments, to gradually build up its international leading position.

CORPORATE VISION:

CONTINUAL INNOVATION CONTRIBUTING TO WASION'S CENTENNIAL HISTORY


品质 胜在质量

Biographical Details of Directors and Senior Management

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 29 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 Hunan Willfar Information Technology Co., Ltd. (湖南威遠信息技術有限公司) ("Hunan Willfar") and Hunan Classic Investment Co., Ltd. (湖南經典投資有限公司). Mr. Ji was appointed as an executive Director of the Company 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 47, 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 bachelor 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 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.

Biographical Details of Directors and Senior Management (Continued)

Mr. Zeng Xin (曾辛), aged 44, is an executive Director and General Manager of Wasion Electric Limited. Mr. Zeng graduated from the National University of Defense Technology with a bachelor's 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). In 2012, he graduated from the Advanced Management in the Energy Sector of Cheung Kong Graduate School of Business. He 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 of the Company with effect from 1 September 2005.

Ms. Zheng Xiao Ping (鄭小平), aged 51, is an executive Director, an EMT member and chief operating officer. Ms. Zheng graduated from the Taiyuan University of Technology with a bachelor's 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 of the Company 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 bachelor's 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 of the Company with effect from 3 March 2005. Mr. Wang is the spouse of Ms. Zheng Xiao Ping.

Biographical Details of Directors and Senior Management (Continued)

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 of the Company in September 2012.

Non-Executive Director

Mr. Kat Chit (吉喆), aged 31, is an non-executive Director. Mr. Kat graduated from the University of British Columbia of Canada with a bachelor degree in economics in 2007. He has been the vice general manager of Hunan Jianhe Property Development Company Limited (湖南建和地產有限公司) since 2013. From 2011 to 2012, he was the investment manager of Hunan Shenghe Investment Company Limited (湖南晟和投資有限公司) and from 2007 to 2011, he was an executive of the equity capital markets division of Macquarie Group Limited. Mr. Kat was appointed as a non-executive Director of the Company on 12 August 2014. Mr. Kat is the son of Mr. Ji Wei, the chairman, executive Director and controlling shareholder of the Company.

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 of the Company in September 2005.

Biographical Details of Directors and Senior Management (Continued)

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 is now an expert on magnetic confinement fusion technology and pulsed high power supply technology. He is one of the key members first engaged in fusion research in China and the major pathbreaker of magnetic confinement fusion technology as well as the large-scale pulsed power supply technology, and currently serves as the director of national defense science and technology committee (國防科學技術委員會) of Huazhong University of Science and Technology, the honourary dean of School of Electrical and Electronic Engineering, a member of the national expertise committee of key projects (國家重大專項專家委員會) on Inertia Confinement Fusion Ignition Facility (ICFIF), a scientific consultant of national expertise committee on Magnetic Confinement Fusion (MCF) and deputy director of academic committee of China Electric Power Research Institute. He used to preside over and co-host the projects of three fusion experimental devices development and one device upgrade, and took charge of the design of engineering proposal, overall electromagnetic engineering, pulsed power supply and turnkey control system while developing HL-1, during which he has overcome various important technological problems. In addition, Mr. Pan has been successfully applied confinement electromagnetic engineering technology to the national economy and defense construction and thus gained fruitful accomplishments. Since his transfer to Huazhong University of Science and Technology, Mr. Pan has explored some new research fields, such as superconducting power, pulse power and its application, plasma biological medicines, electric field-catalyzed artificial rallfall/snowfall, pulsed high magnetic field, magnetic confinement fusion as well as the new generation of high-voltage circuit-breaker. Among which, pulsed high magnetic field has been approved by the government to become “National Science Center of Pulsed High Magnetic Field”. After establishment, it could be ranked as top four pulsed high magnetic field laboratories around the world, thus making a great contribution to the discipline development of Huazhong University of Science and Technology. Being more than eighty, he is still actively engaged in scientific research and education. Mr. Pan was awarded the first prize of National Scientific and Technological Progress, a couple of first and second prizes of Chinese Academy of Sciences and the Scientific and Technological Progress of Ministry of Nuclear Industry as well as the first prize of Scientific and Technological Progress of Ministry of Education. He was elected as Academician of Chinese Academy of Engineering in 1997. Mr. Pan was appointed as an independent non-executive Director of the Company in September 2005.

Mr. Cheng Shi Jie (程時杰), aged 69, is an independent non-executive Director. Mr. Cheng graduated from the Xi’an Jiaotong University with a bachelor degree in electronic engineering in 1967, the Huazhong University of Science and Technology with a master degree in electrical engineering in 1981 and the University of Calgary, Canada with a doctoral degree in philosophy in 1986, respectively. He has been a professor in the Huazhong University of Science and Technology since 1991 and a visiting professor in the Nanyang Technological University in 1995 and 1996. Mr. Cheng was granted the qualification of doctoral tutor by the Academic Degrees Committee of the State Council in 1993 and was elected as an academician of the Chinese Academy of Sciences and a fellow of the Institute of Electrical and Electronics Engineers (美國電子電氣工程師協會) in 2007 and 2010 respectively. Mr. Cheng was appointed as an independent non-executive Director of the Company on 12 August 2014.

Biographical Details of Directors and Senior Management (Continued)

Mr. Chan Cheong Tat (陳昌達), aged 65, is an independent non-executive Director. Mr. Chan graduated from Central Queensland University with a master degree in financial management. He is the sole director of a tax consultancy company, C T Tax Consultants Limited, since October 2007 and an independent non-executive director of Guangdong Tannery Limited (粵海制革有限公司), Medicskin Holdings Limited (密迪斯肌控股有限公司) and Man Sang International Limited (民生國際有限公司) respectively since March 2006, December 2014 and January 2015. He was an independent non-executive director of Noble Jewelry Holdings Limited (億鑽珠寶有限公司) from March 2006 to December 2011. Mr. Chan is a fellow member of Hong Kong Institute of Certified Public Accounts, Chartered Association of Certified Accountants and Certified Practising Accountants Australia for over 25 years. He is also an associate member of The Institute of Chartered Secretaries and Administrators (U.K.) and The Hong Kong Institute of Chartered Secretaries since 1973. Mr. Chan has over 33 years of work experience in the Hong Kong Inland Revenue Department. He was an Assistant Commissioner and was responsible for tax audit and investigation when he retired in 2005. Mr. Cheng was appointed as an independent non-executive Director of the Company on 16 May 2014.

SENIOR MANAGEMENT OF THE GROUP

Mr. Choi Wai Lung Edward (蔡偉龍), aged 46, 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 24 years of experience in accounting, auditing and finance.

Directors' Report

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and an associate are set out in notes 38 and 17 to the consolidated financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 64 of the annual report. No interim dividend was paid to the shareholders during the year.

The directors have proposed a final dividend of HK$0.24 (2013: HK$0.21) per share to shareholders of the Company whose names appear in the register of members on 22 May 2015 and a resolution to this effect will be proposed and subject to the shareholders' approval in the forthcoming annual general meeting. The final dividend is expected to be paid on or before 28 May 2015.

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 to the consolidated financial statements, respectively.

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 2014 comprised the merger reserve and retained profits of RMB259,712,000 (2013: RMB199,342,000) in aggregate.

Directors' Report (Continued)

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

Non-executive director:

Kat Chit (appointed on 12 August 2014)

Independent non-executive directors:

Wu Jin Ming
Pan Yuan
Cheng Shi Jie (appointed on 12 August 2014)
Chan Cheong Tat (appointed on 16 May 2014)
Hui Wing Kuen (retired on 16 May 2014)

Pursuant to Article 86(3) of the Articles of Association of the Company (the "Articles"), any director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Mr. Kit Chat ("Mr. Kit") and Mr. Cheng Shi Jie ("Mr. Cheng") were appointed as non-executive director and independent non-executive director respectively on 12 August 2014 as additions to the existing Board. Accordingly, Mr. Kit and Mr. Cheng will retire at the Annual General Meeting and be eligible to offer themselves for re-election at the Annual General Meeting.

Pursuant to Article 87 of 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, Ms. Cao Zhao Hui ("Ms. Cao"), Mr. Wang Xue Xin ("Mr. Wang") and Mr. Chan Cheong Tat ("Mr. Chan") will retire at the Annual General Meeting. Ms. Cao and Mr. Wang, being eligible, have offered themselves for election at the Annual General Meeting. Mr. Chan has informed the Board that he will not offer himself for re-election at the Annual General Meeting. Accordingly, Mr. Chan will retire upon the conclusion of the Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors and non-executive directors (including 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/non-executive director (including independent non-executive directors) 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 2014, 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

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)	519,886,888	54.62%
Wang Xue Xin	Beneficial owner (Note 2)	3,682,000	0.39%
Zheng Xiao Ping	Beneficial owner (Note 2)	3,682,000	0.39%
Cao Zhao Hui	Beneficial owner	2,000,000	0.21%
Zeng Xin	Beneficial owner	2,000,000	0.21%
Hui Wing Kuen (Note 3)	Beneficial owner	400,000	0.04%
Pan Yuan	Beneficial owner	200,000	0.02%
Wu Jin Ming	Beneficial owner	200,000	0.02%

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) 1,692,000 shares and 1,990,000 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.

(3) Mr. Hui Wing Kuen retired as a director of the Company on 16 May 2014.

Directors' Report (Continued)

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 2014.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, 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	519,886,888	54.62%
Star Treasure	Beneficial owner	519,886,888	54.62%
Macquarie Group Limited	Beneficial owner	48,702,000	5.12%

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 2014.

RELATED PARTY TRANSACTIONS

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

CONNECTED TRANSACTIONS

For the year ended 31 December 2014, the Group had not entered into any connected transactions nor continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules.

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' Report (Continued)

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 32 to the consolidated financial statements.

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

Name and category of of participation	Number of share options: As at 1 January 2014	Reclassification during the year	Granted during the year	Exercised during the year	As at 31 December 2014	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	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	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	(50,000)	–	(350,000)	–	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
Hui Wing Kuen (Note)	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	5,550,000	(50,000)	–	(5,500,000)	–					
Other employees/ consultants	5,023,000	50,000	–	(5,073,000)	–	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Other employees/ consultants	2,860,000	–	–	(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	6,700,000	–	–	(6,700,000)	–	7 February 2007	7 February 2007 to 6 February 2010	7 February 2010 to 6 February 2017	3.200	3.200
Other employees/ consultants	–	–	9,000,000	–	9,000,000	10 February 2014	10 February 2014 to 9 February 2016	10 February 2016 to 9 February 2024	4.680	4.680
Other employees/ consultants	–	–	9,000,000	–	9,000,000	10 February 2014	10 February 2014 to 9 February 2017	10 February 2017 to 9 February 2024	4.680	4.680
Sub-total	14,583,000	50,000	18,000,000	(14,633,000)	18,000,000					
Total	20,133,000	–	18,000,000	(20,133,000)	18,000,000					

Directors' Report (Continued)

* 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.

Note: Mr. Hui Wing Kuen retired as a director of the Company on 16 May 2014.

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 40 to 57 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 2014.

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 2014.

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 144 of the annual report.

AUDIT COMMITTEE

The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2014.

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
23 March 2015

Corporate Governance Report

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

The Company's corporate governance practices are based on the principles 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 2014, 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 ("2014 AGM") held on 16 May 2014 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 2014.

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 2014.

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 eleven members, consisting of six executive Directors, one non-executive Director and four independent non-executive Directors. Their biographical details are set out on pages 28 to 32 of this annual report.

Corporate Governance Report (Continued)

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

Non-executive Director:

Mr. Kat Chit (appointed on 12 August 2014)

Independent Non-executive Directors:

Mr. Chan Cheong Tat, chairman of the audit committee of the Company (the "Audit Committee") and the Remuneration Committee, and member of the Nomination Committee (appointed on 16 May 2014)

Mr. Hui Wing Kuen, chairman of the Audit Committee and the Remuneration Committee, and member of the Nomination Committee (retired on 16 May 2014)

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

Mr. Pan Yuan, member of the Audit Committee

Mr. Cheng Shi Jie, member of the Audit Committee (appointed on 12 August 2014)

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. 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 non-executive Director and independent non-executive Directors are appointed for a specific term. The terms of their appointments are as follows:

Mr. Kat Chit	:	up to the 2015 annual general meeting
Mr. Chan Cheong Tat	:	up to the 2015 annual general meeting
Mr. Wu Jin Ming	:	up to the 2015 annual general meeting
Mr. Pan Yuan	:	up to the 2015 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.

Corporate Governance Report (Continued)

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 2014, Mr. Kat Chit ("Mr. Kat") and Mr. Cheng Shi Jie ("Mr. Cheng") were appointed as non-executive Director and independent non-executive Director respectively as additions to the existing Board. Mr Kat and Mr. Cheng have received formal induction to enable them to understand their responsibilities and obligations as directors under the listing Rules and relevant regulatory requirements.

During the year ended 31 December 2014, 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
Non-executive Director:	
Mr. Kat Chit***	A, C, D
Independent Non-Executive Directors:	
Mr. Chan Cheong Tat*	A, B, D
Mr. Hui Wing Kuen**	A, D
Mr. Wu Jin Ming	A, B, D
Mr. Pan Yuan	A, B, D
Mr. Cheng Shi Jie***	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

*: appointed on 16 May 2014
**: retired on 16 May 2014
***: appointed on 12 August 2014

Corporate Governance Report (Continued)

Board Meetings

Number of Meetings and Directors' Attendance

In 2014, the Company has held six 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)*	6/6
Ms. Cao Zhao Hui	6/6
Mr. Zeng Xin	6/6
Ms. Zheng Xiao Ping	5/6
Mr. Wang Xue Xin	5/6
Ms. Li Hong	5/6
Non-executive Director:	
Mr. Kat Chit***	0/1
Independent Non-Executive Directors:	
Mr. Chan Cheong Tat*	3/3
Mr. Hui Wing Kuen**	3/3
Mr. Wu Jin Ming	3/6
Mr. Pan Yuan	6/6
Mr. Cheng Shi Jie***	0/1

*: appointed on 16 May 2014

**: retired on 16 May 2014

***: appointed on 12 August 2014

Corporate Governance Report (Continued)

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 41 to 42.

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.

Corporate Governance Report (Continued)

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. During the year, the Nomination Committee nominated Mr. Chan Cheong Tat as independent non-executive Director to fill up the position of Mr. Hui Wing Kuen who retired as independent non-executive Director upon the conclusion of the 2014 annual general meeting held on 16 May 2014. The Nomination Committee also nominated Mr. Kat Chit and Mr. Cheng Shi Jie as non-executive Director and independent non-executive Director respectively during the year.

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. Chan Cheong Tat*	3/3
Mr. Hui Wing Kuen**	1/1
Mr. Wu Jin Ming	1/4

*: appointed on 16 May 2014
**: retired on 16 May 2014

In accordance with the Articles, Ms. Cao Zhao Hui, Mr. Wang Xue Xin and Mr. Chan Cheong Tat shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting. Mr. Kat Chit and Mr. Cheng Shi Jie who were appointed as non-executive director and independent non-executive director respectively during the year as additions to the existing Board shall also retire 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. Chan Cheong Tat *(Chairman)****	3/3
Mr. Hui Wing Kuen *(Chairman)*****	1/1
Mr. Ji Wei	4/4
Mr. Wu Jin Ming	1/4

*: appointed on 16 May 2014
**: retired on 16 May 2014

Corporate Governance Report (Continued)

AUDIT COMMITTEE

The Audit Committee comprises four 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.

Corporate Governance Report (Continued)

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

	Attendance/ Number of Meetings
Mr. Chan Cheong Tat *(Chairman)**	3/3
Mr. Hui Wing Kuen *(Chairman)***	1/1
Mr. Wu Jin Ming	1/4
Mr. Pan Yuan	4/4
Mr. Cheng Shi Jie***	0/1

*: appointed on 16 May 2014
**: retired on 16 May 2014
***: appointed on 12 August 2014

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 2014 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 2014, the Board has reviewed the Company's corporate governance practices.

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 62 to 63 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 2014 amounted to RMB2.8 million, which comprises RMB2.4 million for the audit of the Group's consolidated financial statements for the year ended 31 December 2014 and RMB0.4 million for the review of the Group's interim report for the six months ended 30 June 2014.

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 2014.

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 2014 is sufficient to safeguard the interest of shareholders and the Group's assets.

Corporate Governance Report (Continued)

COMPANY SECRETARY

During the year ended 31 December 2014, 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 contrary 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 2014, the 2014 AGM was held on 16 May 2014. All the resolutions proposed at the 2014 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 2014 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 2014 AGM due to conflicts with their schedules. The external auditor of the Company, Deloitte Touche Tohmatsu, attended the 2014 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.

Corporate Governance Report (Continued)

The attendance of the Directors at the 2014 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
Non-Executive Director:	
Mr. Kat Chit***	0/1
Independent Non-Executive Directors:	
Mr. Chan Cheong Tat*	1/1
Mr. Hui Wing Kuen**	1/1
Mr. Wu Jin Ming	0/1
Mr. Pan Yuan	0/1
Mr. Cheng Shi Jie***	0/1

*: appointed on 16 May 2014
**: retired on 16 May 2014
***: appointed on 12 August 2014

The forthcoming annual general meeting of the Company will be held on 15 May 2015 ("2015 AGM"). The notice convening the 2015 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 2015.

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 2014.

Corporate Social Responsibility

1. SOCIAL CARING

"Love the nature, love the mother country, be actively involved in acts in line with public interests and be a socially responsible person." This is the standard we use to define all Wasion people. Therefore, Wasion has been actively participating in charitable businesses, acting in a friendly manner, caring about the society and making contributions to the society since its establishment.

During the World Cup 2014, tencent.com initiated a charitable fund raising activity named "Happy Playground". Wasion Group always adheres to the principle of making contributions to the society and undertaking social responsibility. The Group donated RMB50,000 to the fund in a bid to help make the dream of playing sports of the primary school students in the mountains come true. The money would be used to purchase sports equipment for the students of Guogongping Chuanyanping Primary School in the Huaihua Mayang Miao Autonomous County to allow them to realize the dreams of playing sports happily.

In December 2014, to show concern for the cleaning workers, the Group set up "Wasion Caring Service Posts for Cleaning Workers" to provide places to rest, food, first aid kits and other supplies and services to cleaning workers. We respect every single worker in the society and endeavour to serve our community.

Our "Staff Support Fund" was established in 2007 with RMB5 million donated by our Chairman of the Board Mr. Ji Wei with the aim to alleviate difficulty. The fund will be used to give our concern and care to our staff and their families who are in need during difficult times. We recognize our staff as the Group's most valuable resources. Our staff are members of our Group and also members of the society. In 2014, the fund gave out a total of over RMB810,000 to help 275 staff members and their families who were in need.

Wasion Group is always committed to various charitable businesses with high sense of social responsibility. In the future, it will continue to spare no efforts in making sincere contributions to environmental protection, and social development and harmony.

2. ENVIRONMENTAL ASSESSMENT

In view of the worsening problems of global resource shortage and pollution, environmental responsibility has become the core subject of corporate social responsibility. Wasion Group's mission is to protect the ecosystem and fulfill its social responsibility. It fully introduced the ISO14001 environmental management system as early as 2006 in a bid to conduct its environmental protection business in a modern and systematic manner. In 2014, under its approach of "fulfilling its social and environmental responsibility by continuously increasing resource efficiency while reducing energy consumption with continuous improvements," the Group set up a dedicated committee to handle production safety, occupational health and environmental management matters. The committee is responsible for the overall organization, coordination and supervision of environmental protection issues and will convene regular meetings in respect of environmental-related issues to assess our performance in environmental protection and implement improvement plans on an ongoing basis. It established a two-layer mechanism to monitor its environmental performance internally and externally. Internally, a three-tier regular patrol mechanism was implemented to check its production areas on a daily, weekly and monthly basis. Third-party organizations were also engaged to conduct random-checks of our various environmental indicators in respect of our production areas. After the environmental factor identification and assessment exercise in 2014, the rainwater and sewage diversion equipment and sewage treatment plants of the production areas were further adjusted to ensure that sewage discharge could meet local requirements and standards. With the efforts of the entire staff, the Group achieved satisfactory environmental, economic and social efficiencies in 2014.

3. LABOUR AND WORKING CONDITIONS

The Group strictly abides by the relevant labour requirements of the People's Republic of China and has strict rules for management of pre-employment and post-employment labour relations to ensure all employments are legal and reasonable. We proactively expanded and deepened the scope and coverage of benefits while ensuring all basic benefit policy which covered paid leave and public holidays, social insurance, medical benefits for major sickness was effectively implemented. Initiatives included annual body check, commercial accident insurance, benefits in cash and in kind for holidays and high temperature subsidy for production, sales and technical staff.

4. STAFF TRAINING

In order to enhance the professional skills and overall standards of our entire staff, the Group organized a total of 1,560 training sessions of 3,833 hours for 33,647 employees in 2014.

In 2014, the Group established a three-level, three-tier and four-line training system for all employees of all posts. A series of training programmes for emerging elites were introduced. 20 training courses were launched, covering corporate values and standards, general knowledge, professional/business skills, and quality enhancement. For our production staff, systematic and efficiency-centric training was provided to enhance their skills and quality.

Corporate Social Responsibility (Continued)

During Chinese New Year and National Day holidays, overseas staff were called back home to receive tailor-made training. The in-house training courses covered macroeconomic trends, marketing and market analysis, sales techniques and strategies, selling points of our products and marketing strategies.

A number of specially designed training courses were launched by the Group in a bid to further enhance the overall standards and management skills of our management of various levels. In addition, to make our sales personnel more sales-oriented and equip them with professional skills in a systematic manner, the Group invited external speakers to give comprehensive training in topics such as sales and marketing skills in respect of major clients, professional negotiation skills, public speaking and presentation skills.

5. COLLABORATION WITH EDUCATION INSTITUTES

The Group recognizes the importance of cooperation with tertiary education institutes. It not only supports the commercialization of "Industry-University-Research" but also offers internship and career opportunities for graduates of tertiary education institutes. The Group joins hand with a number of tertiary education institutes such as Tsinghua University, Huazhong University of Science and Technology, National University of Defense Technology, Central South University, Hunan University for "Industry-University-Research" collaboration. Specifically, the Group jointly organized graduate trainee programmes with Huazhong University of Science and Technology, National University of Defense Technology and Hunan University for their PhD graduates. So far five PhD graduates have finished the programme while two are still being trained. We also engage experts to provide recommendations for our new business and new technologies. Our internship programme helps us to solicit students to take up posts in finance, research and development and technical support in an open-minded attitude for mutual benefits. Campus recruitment will also be conducted to meet our business development needs and close to a hundred elite graduates have been hired. Understanding and internship opportunities will be provided to students on a regular basis with focuses on professions such as electronics, communications, automation, electricity for talent grooming and hiring. In addition, the Group has established diversified and multi-level collaborations with tertiary and secondary vocational high schools. A total of over 20 vocational schools have established collaboration relationship with us. Among the eleven national model secondary vocational schools in Hunan, nine has "school and enterprise" collaboration with the Group. In 2014, a total of 1,219 short-term internships were offered and 204 graduates were recruited.

6. CULTURAL DEVELOPMENT

Wasion always lives the values of benefiting our people and making contributions to the society and is committed to our social responsibility. The Chairman of our Board contributed funds to set up a staff relief fund to help alleviate the financial difficulties of staff who are in need, which fully demonstrates the humanity side of Wasion. Wasion provides comfortable production and office environments and quarters for staff and advocates a green and healthy life. Various staff activities will also be organized to promote team spirit and coherence.

In 2014, the Group held a series of training programmes on corporate culture to provide regular training to general staff and management-grade staff for stronger coherence and management standard.

In order to build a team with strong sense of learning, the Group launched the "A Book A Month" book-reading programme in 2014. Each month, one good book would be recommended to staff to cultivate their reading habit.

Besides, various leisure activities such as solving of riddles in the Lantern Festival, "A Book for a Tree" charitable fundraising programme, staff basketball games, soccer games, the writing competition of our outing on the National Day were organized to enrich the lives of our staff. Such activities also helped promote a more vibrant corporate culture and a warm and homey atmosphere.

Our annual promotion plans were designed with the corporate culture values as the core and closely followed the Group's operating trends. Each quarter a new theme would be used and the four themes we developed were about technology and products, markets and sales, operations and services, and management and mechanisms.

7. RESOURCE EFFICIENCY

As a responsible listed group, the Group has taken various measures to mitigate the negative impact we have on the environment. The Group has installed rooftop solar systems of 2MW on the rooftop of our production plants. Besides, high efficiency water pumps, air source heat pumps, water source heat pumps and high efficiency air pumps are utilized for energy conservation. The energy conservation technologies we have employed in our industrial parks can save approximately 597 tonnes of standard coal each year, equivalent to a reduction of emission of 1,490 tonnes of carbon dioxide, 45 tonnes of sulfur dioxide and 23 tonnes of oxide.

The Group proactively promotes a refined approach to energy management. An energy management system is in place to enhance the management standard and has implemented real-time on-line monitoring of energy consumption at production plants, office buildings and quarters. Our central air conditioning system enables automatic end temperature control and can control air conditioners on a real-time basis according to the demand for air conditioning in different areas, achieving reduction of energy consumption by the central air conditioning system. In the meantime, the Group actively builds our energy management system to promote the staff's awareness of energy saving and enhance the energy management level via advanced management tools.

Moreover, the Group is actively creating a "paperless office" by reducing the amount of paper consumption through adoption of its own real-time communication system and office automation system.

8. ENERGY CONSERVATION AND EMISSION REDUCTION

By the end of December 2014, the Group has undertaken energy management and conservation service projects for over 120 industrial enterprises and over 80 large-scale public buildings. The Group has provided energy-consuming units with technological and reliable energy management measures and solutions and helped save 24,615 tonnes of standard coal consumption, equivalent to a reduction of emission of 61,366 tonnes of carbon dioxide, 1,846 tonnes of sulfur dioxide and 905 tonnes of oxide.

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Wasion Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 142, which comprise the consolidated statement of financial position as at 31 December 2014 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.

Independent Auditor's Report (Continued)

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 2014 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
23 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Turnover	5	**2,811,871**	2,412,343
Cost of sales		**(1,849,184)**	(1,565,518)
Gross profit		**962,687**	846,825
Other income	6	**104,604**	88,333
Other gains and losses	7	**(7,140)**	34,930
Administrative expenses		**(167,512)**	(148,650)
Selling expenses		**(205,952)**	(207,417)
Research and development expenses		**(112,216)**	(134,031)
Finance costs	8	**(28,871)**	(32,742)
Share of results of an associate	17	**(4,051)**	(7,391)
Profit before taxation	9	**541,549**	439,857
Income tax expense	10	**(55,375)**	(38,732)
Profit for the year		**486,174**	401,125
Profit for the year attributable to			
– Owners of the Company		**482,439**	401,125
– Non-controlling interests		**3,735**	—
		486,174	401,125
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation		**(159)**	(1,427)
Fair value changes on available-for-sale investments		**10,175**	5,721
Reclassification upon disposal of available-for-sale investments		**(15,896)**	—
Other comprehensive (expense) income for the year		**(5,880)**	4,294
Total comprehensive income for the year		**480,294**	405,419
Total comprehensive income for the year attributable to			
– Owners of the Company		**476,559**	405,419
– Non-controlling interests		**3,735**	—
		480,294	405,419
Earnings per share	13		
Basic		**RMB51 cents**	RMB43 cents
Diluted		**RMB51 cents**	RMB43 cents

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14(a)	**1,000,879**	898,753
Prepaid lease payments	14(b)	**322,807**	60,519
Investment properties	15	**16,328**	16,558
Goodwill	16(a)	**297,919**	238,379
Other intangible assets	16(b)	**241,505**	175,004
Investment in an associate	17	**3,109**	7,160
Available-for-sale investments	18	**29,811**	135,532
Amounts due from related parties	31(b)	**20,956**	20,926
Other non-current assets	19	**170,287**	66,723
		2,103,601	1,619,554
CURRENT ASSETS			
Inventories	20	**334,702**	307,220
Trade and other receivables	21	**2,404,594**	1,718,159
Loan receivables	22	**205,000**	408,200
Pledged bank deposits	23(a)	**243,219**	135,157
Bank balances and cash	23(b)	**327,434**	552,925
		3,514,949	3,121,661
CURRENT LIABILITIES			
Trade and other payables	24	**1,485,745**	1,181,853
Tax liabilities		**55,798**	45,830
Borrowings — due within one year	25	**502,998**	453,204
		2,044,541	1,680,887
NET CURRENT ASSETS		**1,470,408**	1,440,774
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,574,009**	3,060,328

Consolidated Statement of Financial Position (Continued)

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CAPITAL AND RESERVES			
Share capital	26	**9,588**	9,429
Reserves		**3,235,921**	2,863,371
Equity attributable to owners of the Company		**3,245,509**	2,872,800
Non-controlling interests		**60,732**	400
		3,306,241	2,873,200
NON-CURRENT LIABILITIES			
Borrowings — due after one year	25	**247,641**	173,308
Deferred tax liability	27	**20,127**	13,820
		267,768	187,128
		3,574,009	3,060,328

The consolidated financial statements on pages 64 to 142 were approved and authorised for issue by the Board of Directors on 23 March 2015 and are signed on its behalf by:

Ji Wei
DIRECTOR

Cao Zhao Hui
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	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 & iv)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	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
Profit for the year	–	–	–	–	–	–	–	–	482,439	482,439	3,735	486,174
Other comprehensive expense for the year	–	–	–	(159)	–	–	(5,721)	–	–	(5,880)	–	(5,880)
Total comprehensive (expense) income for the year	–	–	–	(159)	–	–	(5,721)	–	482,439	476,559	3,735	480,294
Issue of shares upon exercise of share options	159	62,597	–	–	–	(17,802)	–	–	–	44,954	–	44,954
Recognition of equity-settled share-based payment	–	–	–	–	–	9,881	–	–	–	9,881	–	9,881
Transfer to PRC statutory reserves	–	–	–	–	34,988	–	–	–	(34,988)	–	–	–
Acquisition of subsidiaries (note 28)	–	–	–	–	–	–	–	–	–	–	15,883	15,883
Acquisition of additional interests in a subsidiary (Note iv)	–	–	–	–	–	–	–	(773)	–	(773)	773	–
Acquisition of assets and liabilities through acquisition of a subsidiary (note 29)	–	–	–	–	–	–	–	–	–	–	30,005	30,005
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	–	9,936	9,936
Dividend recognised as distribution (note 12)	–	–	–	–	–	–	–	–	(157,912)	(157,912)	–	(157,912)
At 31 December 2014	9,588	1,299,957	49,990	(72,563)	224,823	9,881	–	32,391	1,691,442	3,245,509	60,732	3,306,241

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2014

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 of RMB33,164,000 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.

(iv) The Group accounts for changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and recognises any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received in other reserve.

During the year ended 31 December 2014, the Group acquired an additional 10.29% equity interest in an existing subsidiary by way of capital injection. The difference between the amount of capital injection and the carrying value of the interests acquired amounting to RMB773,000 is recorded in other reserve.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	541,549	439,857
Adjustments for:		
Finance costs	28,871	32,742
Interest income from loan receivables	(41,657)	(37,459)
Interest income from consideration receivable for disposal of a subsidiary/assets	(1,344)	(5,249)
Bank interest income	(8,567)	(5,448)
Dividend income from available-for-sale investments	—	(8,712)
Share of results of an associate	4,051	7,391
Net loss (gain) on disposal of property, plant and equipment	146	(67)
Gain on disposal of Wasion Industrial (as defined in note 30)	—	(16,067)
Cumulative gain on disposal of an available-for-sale investment	(15,896)	—
Depreciation of property, plant and equipment	43,897	41,527
Depreciation of investment properties	230	528
Release of prepaid lease payments	1,474	1,399
Gain on disposal of intangible assets	—	(8,174)
Amortisation of intangible assets	43,019	58,214
Net foreign exchange loss (gain)	6,839	(13,691)
Impairment loss recognised on trade and other receivables	155	3,069
Share-based payment expenses	9,881	—
Operating cash flows before movements in working capital	612,648	489,860
Decrease in inventories	6,567	31,748
Increase in trade and other receivables	(650,898)	(256,324)
Increase in trade and other payables	129,191	37,433
Cash generated from operations	97,508	302,717
Income tax paid	(46,800)	(34,850)
NET CASH FROM OPERATING ACTIVITIES	50,708	267,867

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
INVESTING ACTIVITIES			
Placement of pledged bank deposits		**(453,533)**	(280,188)
Advances of short-term loan receivables under entrusted loan contracts		**(230,000)**	(100,000)
Purchase of property, plant and equipment		**(122,398)**	(30,134)
Deposit paid for purchase of a piece of land and certain properties		**(103,452)**	—
Repayment of consideration payable on acquisition of a subsidiary		**(100,000)**	—
Acquisition of subsidiaries, net of cash and cash equivalents acquired	28	**(93,844)**	(48,438)
Expenditure on intangible assets		**(71,237)**	(43,762)
(Advances to) repayment from related parties		**(30)**	450
Withdrawal of pledged bank deposits		**357,322**	300,734
Repayment of advances of short-term loan receivables under entrusted loan contracts		**330,000**	100,000
Proceeds from disposal of an available-for-sale investment		**115,896**	—
Interest received		**102,709**	27,561
Repayment of consideration receivable for disposal of Wasion Industrial (as defined in note 30)		**33,000**	—
Capital injection by non-controlling interests		**9,936**	—
Proceeds on disposal of property, plant and equipment		**749**	488
Acquisition of assets and liabilities through acquisition of a subsidiary, net of cash and cash equivalents acquired	29	**92**	—
Investment in available-for-sale investment		**—**	(100,000)
Investment in an associate		**—**	(20,000)
Payment for a life insurance product		**—**	(10,799)
Proceeds on disposal of Wasion Industrial (as defined in note 30), net of cash and cash equivalents disposed of	30	**—**	16,660
Proceeds on disposal of intangible assets		**—**	14,520
Dividends received from available-for-sale investments		**—**	5,227
NET CASH USED IN INVESTING ACTIVITIES		**(224,790)**	(167,681)
FINANCING ACTIVITIES			
Repayment of borrowings		**(743,164)**	(838,838)
Dividends paid		**(157,912)**	(133,404)
Interest paid on borrowings		**(28,871)**	(32,742)
New borrowings raised		**833,527**	868,299
Proceeds on issue of shares upon exercise of share options		**44,954**	4,508
NET CASH USED IN FINANCING ACTIVITIES		**(51,466)**	(132,177)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(225,548)**	(31,991)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**552,925**	585,986
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**57**	(1,070)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**327,434**	552,925

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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, a limited liability company incorporated in the British Virgin Islands (the "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 38 and 17, respectively.

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

(a) Amendments to HKFRSs and the new Interpretation

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

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[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions, with earlier application permitted.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

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 below:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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)

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

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 component 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 (see accounting policy below); and

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

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

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

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)

Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in an associate (Continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building (Continued)

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.

Intangible assets

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 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 each 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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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, measured as the difference between the net disposal proceeds and the carrying amount of the asset, 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 when a group entity becomes a party to the contractual provisions of the instruments.

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

Financial assets

The Group's financial assets are classified as loans and receivables 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 impairment (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 as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

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 on impairment of 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 on impairment of 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 are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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, as well as 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 (see accounting policy below).

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. 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. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated under the heading of 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.

Financial liabilities

The Group's 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.

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.

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, 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 entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences 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, unless exchange rates fluctuate significantly during that period, in which case the exchange rate at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

Retirement benefit costs

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit 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 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

Impairment of tangible and intangible assets other than goodwill

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 of disposal 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.

When 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 underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

(i) Estimated 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 RMB297.9 million (2013: RMB238.4 million) as at 31 December 2014 was allocated to the smart meter, advanced metering infrastructure and advanced distribution operations 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 2014, the carrying amount of other intangible assets was approximately RMB241.5 million (2013: RMB175.0 million).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(iii) Estimated impairment of trade and bills receivables, retentions held by trade customers, 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 2014, the carrying amounts of (a) trade and bills receivables is approximately RMB1,904.0 million (2013: RMB1,271.4 million), net of allowance for doubtful debts of approximately RMB19.7 million (2013: RMB19.7 million), (b) retentions held by trade customers is approximately RMB201.6 million (2013: RMB117.0 million), (c) loan receivables is approximately RMB205.0 million (2013: RMB408.2 million) and (d) amounts due from related parties are approximately RMB21.0 million (2013: RMB20.9 million).

5. TURNOVER AND SEGMENT INFORMATION

Information reported to the Group's Chief Executive Officer, being the chief operating decision maker (the "CODM"), for the purposes of resources allocation and assessment of segment performance focuses on business lines of the Group.

In previous years, the Group's reportable and operating segments under HKFRS 8 are as follows:

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

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

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

During the current year, in order to pay more attention to the business operations rather than a product focus approach, management of the Group has restructured its segment reporting in accordance with business lines. CODM has used the new segment information for the decision making, resources allocation and segment performance assessment. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(a) Smart meter segment, which engages in the development, manufacture and sale of standardised smart meter products to power grids in China;

(b) Advanced metering infrastructure segment, which engages in the development, manufacture and sale of nonstandardised smart meter products and providing system solution and communication terminals solution services; and

(c) Advanced distribution operations segment, which engages in the manufacture and sale of smart power distribution devices and providing smart power distribution solution and energy efficiency solution services.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment turnover and results

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

For the year ended 31 December 2014

	Smart meter RMB'000	Advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Consolidated RMB'000
Segment turnover	**824,477**	**1,677,035**	**310,359**	**2,811,871**
Segment profit	**71,394**	**419,404**	**49,830**	**540,628**
Unallocated income and gains/losses				**64,779**
Share of results of an associate				**(4,051)**
Central administration costs				**(30,936)**
Finance costs				**(28,871)**
Profit before taxation				**541,549**

For the year ended 31 December 2013 (restated)

	Smart meter RMB'000	Advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Consolidated RMB'000
Segment turnover	881,738	1,435,248	95,357	2,412,343
Segment profit	81,029	314,713	12,573	408,315
Unallocated income and gains/losses				91,093
Share of results of an associate				(7,391)
Central administration costs				(19,418)
Finance costs				(32,742)
Profit before taxation				439,857

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment turnover and results (Continued)

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 CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2014 RMB'000	2013 RMB'000 (restated)
SEGMENT ASSETS		
Smart meter	**986,341**	989,333
Advanced metering infrastructure	**2,603,912**	2,249,216
Advanced distribution operations	**667,244**	189,264
Total segment assets	**4,257,497**	3,427,813
Unallocated assets	**1,361,053**	1,313,402
Consolidated assets	**5,618,550**	4,741,215
SEGMENT LIABILITIES		
Smart meter	**261,139**	216,211
Advanced metering infrastructure	**953,283**	745,100
Advanced distribution operations	**211,642**	26,022
Total segment liabilities	**1,426,064**	987,333
Unallocated liabilities	**886,245**	880,682
Consolidated liabilities	**2,312,309**	1,868,015

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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.

Other segment information

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

For the year ended 31 December 2014

	Smart meter RMB'000	Advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Segment total RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to non-current assets (Note)	17,452	46,044	266,625	330,121	357,808	687,929
Depreciation and amortisation of property, plant and equipment and intangible assets	18,939	46,889	10,804	76,632	10,284	86,916
Release of prepaid lease payments	243	553	30	826	648	1,474
Loss on disposal of property, plant and equipment	53	88	5	146	–	146

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2013 (restated)

	Smart meter RMB'000	Advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Segment total RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to non-current assets (Note)	18,096	52,537	17,005	87,638	153,391	241,029
Depreciation and amortisation of property, plant and equipment and intangible assets	29,022	57,675	4,727	91,424	8,317	99,741
Release of prepaid lease payments	274	466	23	763	636	1,399
(Gain) loss on disposal of property, plant and equipment	(68)	(81)	(4)	(153)	86	(67)

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 2014.

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)	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
PRC	**2,688,723**	2,291,571	**2,002,070**	1,412,054
Overseas	**123,148**	120,772	**—**	—
	2,811,871	2,412,343	**2,002,070**	1,412,054

Note: Non-current assets exclude financial instruments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

6. OTHER INCOME

	2014 RMB'000	2013 RMB'000
Other income comprises:		
Bank interest income	**8,567**	5,448
Cumulative gain on disposal of an available-for-sale investment	**15,896**	—
Dividend income from available-for-sale investments	**—**	8,712
Government grants (Note i)	**14,754**	11,908
Interest income from consideration receivable for disposal of a subsidiary	**1,344**	672
Interest income from consideration receivable for disposal of assets	**4,809**	4,577
Interest income from loan receivables (Note ii)	**36,848**	37,459
Refund of value-added tax ("VAT") (Note iii)	**17,633**	16,264
Rental income from investment properties	**1,089**	2,248
Others	**3,664**	1,045
	104,604	88,333

Notes:

(i) 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.

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

(iii) 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

7. OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000
Other (losses) gains comprises:		
Net foreign exchange (loss) gain	**(6,839)**	13,691
Net (loss) gain on disposal of property, plant and equipment	**(146)**	67
Impairment loss recognised on other receivables	**(155)**	—
Impairment loss recognised on trade receivables (note 21)	**—**	(3,069)
Gain on disposal of Wasion Industrial (as defined in note 30)	**—**	16,067
Gain on disposal of intangible assets	**—**	8,174
	(7,140)	34,930

8. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on borrowings		
– wholly repayable within five years	**28,853**	32,731
– not wholly repayable within five years	**18**	11
	28,871	32,742

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

9. PROFIT BEFORE TAXATION

	2014 RMB'000	2013 RMB'000
Profit before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and benefits	**253,164**	212,625
Retirement benefit scheme contributions	**16,423**	11,879
Share-based payment expenses	**9,881**	—
	279,468	224,504
Auditor's remuneration	**2,794**	2,153
Depreciation of property, plant and equipment	**43,897**	41,527
Depreciation of investment properties	**230**	528
Release of prepaid lease payments	**1,474**	1,399
Amortisation of intangible assets (included in selling expenses, administrative expenses and research and development expenses)	**43,019**	58,214
Cost of inventories recognised as expense	**1,849,184**	1,565,518

10. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– Current year	**66,051**	44,706
– Overprovision in prior years	**(9,282)**	(5,009)
	56,769	39,697
Deferred taxation (note 27)		
– Current year	**(1,394)**	(965)
	55,375	38,732

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 was 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 was subject to a reduced tax rate of 12.5% for the year ended 31 December 2013 (2014: 15%).

(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 2013 to 2015 or year 2014 to 2016.

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:

	2014 RMB'000	2013 RMB'000
Profit before taxation	**541,549**	439,857
Tax at the income tax rate of 25% (2013: 25%)	**135,387**	109,964
Tax effect of expenses not deductible for tax purpose	**8,187**	4,262
Tax effect of income not taxable for tax purpose	**(4,051)**	(2,358)
Tax effect of share of results of an associate	**1,013**	1,848
Tax effect of tax losses not recognised	**3,444**	5,399
Utilisation of tax losses previously not recognised	**(6,106)**	(2,073)
Effect of tax concessions/exemption granted to PRC and Macao subsidiaries	**(73,217)**	(73,301)
Overprovision in prior years	**(9,282)**	(5,009)
Tax charge for the year	**55,375**	38,732

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and employees' emoluments

Details of emoluments paid or payable to each of the twelve (2013: nine) directors are set out as follows:

For the year ended 31 December 2014

	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	–	473	–	12	485
Cao Zhao Hui (Note ii)	–	536	50	24	610
Zeng Xin	–	514	–	17	531
Zheng Xiao Ping	–	534	–	24	558
Wang Xue Xin	–	536	–	24	560
Li Hong	–	356	8	24	388
Non-executive director:					
Kat Chit (Note iii)	–	32	–	–	32
Independent non-executive directors:					
Wu Jin Ming	130	–	–	–	130
Pan Yuan	130	–	–	–	130
Cheng Shi Jie (Note iii)	18	–	–	–	18
Chan Cheong Tat (Note iv)	59	–	–	–	59
Hui Wing Kuen (Note v)	247	–	–	–	247
	584	2,981	58	125	3,748

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

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

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
Zeng Xin	—	518	—	16	534
Zheng Xiao Ping	—	533	—	24	557
Wang Xue Xin	—	540	—	24	564
Li Hong	—	360	8	24	392
Independent non-executive directors:					
Wu Jin Ming	132	—	—	—	132
Pan Yuan	132	—	—	—	132
Hui Wing Kuen (Note v)	334	—	—	—	334
	598	2,970	58	119	3,745

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) Mr. Kat Chit and Mr. Cheng Shi Jie were appointed as directors of the Company on 12 August 2014.

(iv) Mr. Chan Cheong Tat was appointed as a director of the Company on 16 May 2014.

(v) Mr. Hui Wing Kuen retired as a director of the Company on 16 May 2014.

No directors waived any emoluments for any of the two years ended 31 December 2014.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended 31 December 2014 included four (2013: four) directors of the Company, details of whose emoluments are included above. The emoluments of the remaining one (2013: one) individual for the year are as follows:

	2014	2013
	RMB'000	RMB'000
Salaries and other benefits	**1,370**	1,298
Retirement benefit scheme contributions	**13**	12
	1,383	1,310

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

	2014	2013
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
2013 final dividend — HK$0.21, equivalent to RMB0.166, per share (2013: 2012 final dividend of HK$0.18, equivalent to RMB0.144, per share)	**157,912**	133,404

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2014 of HK$0.24, equivalent to RMB0.194, per share (2013: final dividend in respect of the year ended 31 December 2013 of HK$0.21, equivalent to RMB0.166, 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:

	2014	2013
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**482,439**	401,125

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**944,912,226**	930,763,333
Effect of dilutive potential ordinary shares in respect of share options	**4,766,858**	8,907,780
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**949,679,084**	939,671,113

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

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 2013	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
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/written off	–	(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
Additions	2,077	448	20,857	4,747	3,165	91,104	122,398
Acquisition of subsidiaries (note 28)	–	–	23,299	958	237	–	24,494
Additions through acquisition of a subsidiary (note 29)	–	–	–	26	–	–	26
Transfer	50	–	98	–	–	(148)	–
Disposals/written off	–	–	(1,245)	(245)	(4,251)	–	(5,741)
Exchange realignment	–	16	–	1	7	–	24
At 31 December 2014	**846,115**	**4,367**	**232,706**	**37,542**	**22,031**	**91,747**	**1,234,508**
DEPRECIATION							
At 1 January 2013	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/written off	–	(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
Provided for the year	15,295	121	20,925	5,610	1,946	–	43,897
Eliminated on disposals/written off	–	–	(1,057)	(232)	(3,557)	–	(4,846)
Exchange realignment	–	16	–	1	7	–	24
At 31 December 2014	**62,235**	**3,885**	**124,047**	**30,818**	**12,644**	**–**	**233,629**
CARRYING VALUES							
At 31 December 2014	**783,880**	**482**	**108,659**	**6,724**	**9,387**	**91,747**	**1,000,879**
At 31 December 2013	797,048	155	85,518	6,616	8,625	791	898,753

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 (2014: Nil) 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:

	2014 **RMB'000**	2013 RMB'000
Non-current assets	**322,807**	60,519
Current assets (included in trade and other receivables)	**6,135**	1,399
	328,942	61,918

(c) Pledge of assets

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

	2014 **RMB'000**	2013 RMB'000
Buildings	**134,692**	136,750
Leasehold land	**23,516**	24,076
	158,208	160,826

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

15. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2013	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 and 31 December 2014	17,098
DEPRECIATION	
At 1 January 2013	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
Provided for the year	230
At 31 December 2014	770
CARRYING VALUES	
At 31 December 2014	16,328
At 31 December 2013	16,558

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 values of the Group's investment properties at 31 December 2014 were RMB18,419,000 (2013: RMB18,356,000). The fair values have been arrived at based on valuations 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 values were 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 values 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 2013	110,326
Arising on acquisition of a subsidiary (note 28)	128,053
At 31 December 2013	238,379
Arising on acquisition of subsidiaries (note 28)	59,540
At 31 December 2014	297,919

For the purposes of impairment testing, goodwill set out above has been allocated to three (2013: two) CGUs as follows:

	2014 RMB'000	2013 RMB'000 (restated)
Smart meter segment	**56,831**	56,831
Advanced metering infrastructure segment	**181,548**	181,548
Advanced distribution operations segment	**59,540**	—
	297,919	238,379

During each of the year ended 31 December 2013 and 2014, management of the Group determines that there is no impairment of any of the CGUs containing goodwill.

The recoverable amounts of the CGUs have 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 15.41% (2013: 13.8%). The cash flows beyond the 5-year period are extrapolated using a steady growth rate. For the CGUs of smart meter segment and advanced metering infrastructure segment, a rate of 3% (2013: 3%) is used. This growth rate is based on the global economic growth rate. For the CGU of advanced distribution operation segment, a rate of 9% (2013: N/A) is used. This growth rate is based on the Directors' best estimate on the average growth rate of this industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of any of the CGUs to exceed the aggregate recoverable amount of the relevant CGUs.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

16. GOODWILL/OTHER INTANGIBLE ASSETS (Continued)

(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 2013	307,228	64,811	81,309	37,917	46,713	537,978
Additions	43,469	293	—	—	—	43,762
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
Additions	68,527	2,710	—	—	—	71,237
Acquisition of subsidiaries (note 28)	1,922	6,082	4,527	25,752	—	38,283
At 31 December 2014	**399,517**	**73,918**	**95,257**	**63,669**	**46,713**	**679,074**
AMORTISATION						
At 1 January 2013	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
Provided for the year	34,340	2,315	2,653	2,777	934	43,019
At 31 December 2014	**244,587**	**59,863**	**85,297**	**40,694**	**7,128**	**437,569**
CARRYING VALUES						
At 31 December 2014	**154,930**	**14,055**	**9,960**	**22,975**	**39,585**	**241,505**
At 31 December 2013	118,821	7,578	8,086	—	40,519	175,004

16. GOODWILL/OTHER INTANGIBLE ASSETS (Continued)

(b) Other intangible assets (Continued)

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

	2014 **RMB'000**	2013 RMB'000
Cost of unlisted investment in an associate	**20,000**	20,000
Share of post-acquisition losses	**(11,986)**	(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	**(4,905)**	(5,449)
	3,109	7,160

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

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
			2014	2013	
Smart Metering Solution (Changsha) Co., Ltd. ("Smart Metering")	Established	PRC	**40%**	40%	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.

17. INVESTMENT IN AN ASSOCIATE (Continued)

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 HKFRSs.

	2014 RMB'000	2013 RMB'000
Financial information of consolidated statement of profit or loss and other comprehensive income		
Revenue	**51,555**	8,766
Loss and total comprehensive expense for the year	**(11,488)**	(18,478)
Loss for the year attributable to the Group	**(4,595)**	(7,391)
Reconciliation to the share of results of an associate:		
Loss for the year attributable to the Group	**(4,595)**	(7,391)
Amortisation of gain on transfer of intangible assets from the Group to the associate to the extent of the Group's interest therein	**544**	—
Share of results of an associate	**(4,051)**	(7,391)
Financial information of consolidated statement of financial position		
Intangible assets	**25,852**	33,631
Other non-current assets	**11,227**	1,855
Current assets	**23,462**	14,236
Current liabilities	**(40,507)**	(18,199)
Net assets of the associate	**20,034**	31,523
Reconciliation to the carrying amount of interest in the associate:		
Net assets attributable to the Group's ownership interests in the associate	**8,014**	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	**(4,905)**	(5,449)
Carrying amount of the Group's interest in the associate	**3,109**	7,160

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

18. AVAILABLE-FOR-SALE INVESTMENTS

	2014 **RMB'000**	2013 RMB'000
Available-for-sale investments comprise:		
Unlisted equity securities, at cost less impairment (Note i)	**29,811**	29,811
Investment in trust fund, at fair value (Note ii)	**—**	105,721
	29,811	135,532

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 represented investment in a trust fund made by the Group through a security house. The trust fund invested in ranges of debt instrument products which were generally government bonds and corporate loans.

19. OTHER NON-CURRENT ASSETS

	2014 **RMB'000**	2013 RMB'000
Life insurance products (Note)	**31,835**	31,723
Consideration receivable for disposal of Wasion Industrial	**21,000**	21,000
Deposit paid for purchase of a piece of land	**32,460**	14,000
Deposit paid for purchase of certain properties	**84,992**	—
	170,287	66,723

Note: In prior years, the Company entered into two life insurance policies ("Policy A" and "Policy B") with an insurance company to insure two executive directors. 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 2014 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

	2014 RMB'000	2013 RMB'000
Raw materials	**139,705**	148,749
Work in progress	**105,337**	83,079
Finished goods	**89,660**	75,392
	334,702	307,220

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

21. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade and bills receivables, gross	**1,923,657**	1,291,117
Less: Allowance for doubtful debts (Note i)	**(19,692)**	(19,692)
Trade and bills receivables, net (Note ii)	**1,903,965**	1,271,425
Retentions held by trade customers (Note iii)	**201,588**	117,000
Consideration receivable for disposal of a subsidiary (note 30)	**—**	33,000
Deposits, prepayments and other receivables (Note iv)	**299,041**	296,734
	2,404,594	1,718,159

Notes:

(i) The entire balance of the allowance for doubtful debts as at 31 December 2013 and 2014 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 2013	16,623
Impairment loss recognised on trade receivables	3,069
At 31 December 2013 and 31 December 2014	19,692

(ii) Included in the Group's trade receivable is trade balance with an associate of RMB12,024,000 (2013: RMB284,000). 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:

	2014 RMB'000	2013 RMB'000
0–90 days	**1,520,687**	983,211
91–180 days	**167,435**	155,246
181–365 days	**157,802**	107,016
Over 1 year	**58,041**	25,952
	1,903,965	1,271,425

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. 97% (2013: 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 RMB65,422,000 (2013: RMB25,437,000) 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 462 days (2013: 544 days).

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

	2014	2013
	RMB'000	RMB'000
Days overdue:		
0–90 days	**35,175**	5,730
91–180 days	**6,273**	1,181
181–365 days	**7,103**	11,908
Over 1 year	**16,871**	6,618
	65,422	25,437

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:

	2014	2013
	RMB'000	RMB'000
Hong Kong dollars ("HKD")	**124**	124
USD	**90,214**	72,659

(iii) Included in the retentions held by trade customers is an aggregate amount of RMB85,296,000 (2013: RMB41,083,000) 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 (2013: RMB9,681,000) due from an associate arising from the transferring of certain intangible assets during the year ended 31 December 2013. The amount is unsecured, interest free and is expected to be repaid in 2015.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

22. LOAN RECEIVABLES

	2014 RMB'000	2013 RMB'000
Fixed-rate loan receivables (Note i)	**205,000**	330,000
Variable-rate loan receivable (Note ii)	**–**	78,200
	205,000	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 ended 31 December 2014, an amount of RMB330,000,000 (2013: RMB100,000,000) has been settled, and new loans of RMB230,000,000 (2013: RMB100,000,000) was arranged with the same borrowers.

These entrusted loans carry fixed interests at 12% (2013: 12%) per annum and are repayable within twelve months from the end of the reporting period.

(ii) As at 31 December 2013, the amount carried interest at six-months benchmark lending rate offered by the People's Bank of China.

In December 2014, the Group acquired one of the borrowers as detailed in note 29. The fixed-rate loan receivable of RMB25,000,000 and variable-rate loan receivable of RMB78,200,000 due from this borrower then become an intragroup balance and are eliminated in full on consolidation.

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 2014, 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 3.80% (2013: 0.35% to 3.75%) per annum and will be released upon settlement of the relevant borrowings.

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH (Continued)

(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 2.80% (2013: 0.01% to 1.35%) 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:

	2014	2013
	RMB'000	RMB'000
HKD	**2,152**	1,959
USD	**13,845**	13,225

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:

	2014	2013
	RMB'000	RMB'000
Trade and bills payables		
0–90 days	**816,612**	669,095
91–180 days	**404,563**	167,626
181–365 days	**26,389**	30,215
Over 1 year	**36,393**	22,954
	1,283,957	889,890
Other payables	**201,788**	191,963
Consideration payable on acquisition of a subsidiary (note 28(i))	**—**	100,000
	1,485,745	1,181,853

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

24. TRADE AND OTHER PAYABLES (Continued)

As at 31 December 2013, included in the Group's trade and other payables is an aggregate amount of RMB5,675,000 (2014: Nil) due to an associate, of which RMB5,069,000 (2014: Nil) was arising from services provided by the associate, and the remaining RMB606,000 (2014: 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:

	2014 **RMB'000**	2013 RMB'000
HKD	**2,985**	3,192

25. BORROWINGS

	2014 **RMB'000**	2013 RMB'000
Bank loans and trust receipt loans	**750,639**	626,512
Analysed as:		
Secured	**–**	200,000
Unsecured	**750,639**	426,512
	750,639	626,512

25. BORROWINGS (Continued)

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

	2014			2013		
	Fixed-rate borrowings RMB'000	Floating-rate borrowings RMB'000	Total RMB'000	Fixed-rate borrowings RMB'000	Floating-rate borrowings RMB'000	Total RMB'000
Within one year	126,890	376,108	502,998	355,243	97,961	453,204
More than one year, but not exceeding two years	–	238,529	238,529	–	108,361	108,361
More than two years, but not exceeding five years	–	7,951	7,951	–	62,247	62,247
More than five years	–	1,161	1,161	–	2,700	2,700
	126,890	623,749	750,639	355,243	271,269	626,512
Less: Amounts due within one year shown under current liabilities	(126,890)	(376,108)	(502,998)	(355,243)	(97,961)	(453,204)
Amounts due after one year	–	247,641	247,641	–	173,308	173,308

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:

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	2.38% to 6.72% per annum	2.00% to 6.00% per annum
Variable-rate borrowings	1.17% to 9.23% per annum	0.25% to 5.76% per annum

At 31 December 2014, borrowings of the Group amounting to RMB601,155,000 (2013: RMB345,513,000) were denominated in USD, being a currency other than the functional currency of the relevant group entities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

25. BORROWINGS (Continued)

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

	2014 RMB'000	2013 RMB'000
Expiring within one year	537,040	1,430,930
Expiring over one year	56,000	42,000
	593,040	1,472,930

26. SHARE CAPITAL OF THE COMPANY

Ordinary shares of HK$0.01 each:

	Number of shares	Nominal value HK$'000
Authorised		
At 1 January 2013, 31 December 2013 and 31 December 2014	100,000,000,000	1,000,000

	Number of shares	Nominal value RMB'000
Issued and fully paid		
At 1 January 2013	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
Issue of shares upon exercise of share options (Note)	20,133,000	159
At 31 December 2014	951,851,675	9,588

Note:

During the year, 20,133,000 (2013: 2,400,000) ordinary shares of HK$0.01 each in the Company were issued upon the exercise of share options under the share option scheme of the Company as set out in note 32 with proceeds of approximately HK$54,117,000 (equivalent to approximately RMB42,752,000) (2013: HK$5,681,000 (equivalent to approximately RMB4,508,000)).

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 2013	12,430
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
Acquisition of subsidiaries (note 28)	7,701
Credit to profit or loss	
– release upon amortisation of intangible assets	(1,394)
At 31 December 2014	20,127

As at 31 December 2014, the Group had unused tax losses of RMB120,297,000 (2013: RMB57,544,000). 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 RMB1,408 million (2013: RMB1,047 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

28. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2014

(I) Acquisition of a state-owned enterprise in Changsha ("Changsha entity")

On 31 May 2014, the Group completed its acquisition of a 65% equity interest in the Changsha entity, a state-owned enterprise before acquisition, from an independent third party at a consideration of RMB21,120,000. Changsha entity is principally engaged in manufacturing, developing and selling of switchgears and circuit breaker that are used in power stations and public communities. The Group obtained control on the date of completion of the acquisition which has been accounted for using the purchase method.

(II) Acquisition of a private enterprise in Wuhan ("Wuhan entity")

On 30 April 2014, the Group completed its acquisition of a 65.7143% equity interest in the Wuhan entity from an independent third party at a consideration of RMB52,900,000. Wuhan entity is principally engaged in manufacturing, developing and selling of switchgears, ring main unit ("RMU") switchgears and pole-mounted circuit breakers that are used in power stations and public communities. The Group obtained control on the date of completion of the acquisition which has been accounted for using the purchase method.

(III) Acquisition of a private enterprise in Xi'an ("Xi'an entity")

On 28 February 2014, the Group completed its acquisition of a 90% equity interest in the Xi'an entity from an independent third party at a consideration of RMB38,250,000. Xi'an entity is principally engaged in trading of RMU switchgears and cable distribution boxes that are used in power stations and public communities. The Group obtained control on the date of completion of the acquisition which has been accounted for using the purchase method.

For the year ended 31 December 2013

On 16 May 2013, the Group acquired the entire equity interest in Sparkle Light Investments Limited and its wholly-owned subsidiary, Changsha Vitae Plastic Technology Co., Ltd. ("Vitae") from a third party, at a final consideration of 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

28. ACQUISITION OF SUBSIDIARIES (Continued)

	2014				2013
	Changsha entity RMB'000	Wuhan entity RMB'000	Xi'an entity RMB'000	Total RMB'000	Total RMB'000
Considerations transferred:					
Cash considerations paid	21,120	52,900	38,250	112,270	50,000
Consideration payable (Note i)	—	—	—	—	100,000
	21,120	52,900	38,250	112,270	150,000
Fair value of assets acquired and liabilities recognised at the date of acquisitions:					
Property, plant and equipment	22,056	2,127	311	24,494	14,998
Intangible assets	13,274	20,123	4,886	38,283	9,443
Inventories	27,387	6,662	—	34,049	15,697
Trade and other receivables (Note ii)	73,427	11,831	31,582	116,840	15,395
Pledged bank deposits	11,851	—	—	11,851	—
Bank balances and cash	791	4,167	13,468	18,426	1,562
Trade and other payables	(102,300)	(15,171)	(17,158)	(134,629)	(32,793)
Borrowings — due within one year	(30,000)	(3,000)	—	(33,000)	—
Deferred tax liabilities	(2,838)	(3,641)	(1,222)	(7,701)	(2,355)
	13,648	23,098	31,867	68,613	21,947
Goodwill arising on acquisitions (Note iii)					
Consideration	21,120	52,900	38,250	112,270	150,000
Plus : non-controlling interests (Note iv)	4,776	7,920	3,187	15,883	—
Less : net assets acquired	(13,648)	(23,098)	(31,867)	(68,613)	(21,947)
	12,248	37,722	9,570	59,540	128,053
Net cash outflows (inflows) arising from the acquisition					
Cash consideration paid	21,120	52,900	38,250	112,270	50,000
Less: bank balances and cash acquired	(791)	(4,167)	(13,468)	(18,426)	(1,562)
	20,329	48,733	24,782	93,844	48,438

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

28. ACQUISITION OF SUBSIDIARIES (Continued)

Notes:

(i) The consideration payable was included in other payable as at 31 December 2013 and was fully settled during the year ended 31 December 2014.

(ii) The fair values of trade and other receivables at the respective date of acquisitions are the same as their gross contractual amounts at the same date.

(iii) Goodwill mainly attributable to the difference between the fair values of the considerations plus non-controlling interests and the underlying assets and liabilities acquired, because the considerations 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.

(iv) The non-controlling interest recognised at the respective acquisition dates were measured with reference to the non-controlling interests' proportionate share of fair values of the net assets at that date.

(v) The aggregate acquisition-related costs amounting to RMB246,000 have been excluded from the considerations transferred and have been recognised as an expense in the current year, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

(vi) Included in the profit for the year ended 31 December 2014 was revenue of RMB85,489,000 and profit of RMB5,844,000 attributable to the additional business generated by the Changsha entity.

Had the acquisition of the Changsha entity been completed on 1 January 2014, total group revenue for the year ended 31 December 2014 would have been RMB2,821,177,000 and profit for the year would have been RMB471,106,000. 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 2014, nor is it intended to be a projection of future results.

The directors of the Company are of the opinion that the other two subsidiaries acquired during the year ended 31 December 2014 had no significant contribution to the Group's revenue or results for the year ended 31 December 2014.

(vii) Included in the profit for the year ended 31 December 2013 was revenue of RMB10,665,000 and profit of RMB23,305,000 attributable to the additional business generated by Vitae.

Had the acquisition of Vitae been completed on 1 January 2013, total group revenue for the year ended 31 December 2013 would have been RMB2,415,489,000 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. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

In November 2014, the Group acquired 76.92% equity interest in a limited liability company established in the PRC by way of capital injection of RMB100,000,000 in this entity. This entity merely holds a piece of land in the PRC and does not constitute running a business under HKFRS 3. This acquisition was therefore accounted for as acquisition of prepaid lease payments (see note 14(b)).

	RMB'000
Consideration transferred	
Cash	100,000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Prepaid lease payments	268,498
Property, plant and equipment	26
Bank balance and cash	100,092
Other payables	(135,411)
Loan payables to the Group	(103,200)
	130,005
Less: non-controlling interests	(30,005)
	100,000
Net cash inflow arising an acquisition	
Cash consideration paid	100,000
Less: bank balances and cash acquired	(100,092)
	(92)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

30. 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.

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.

As at 31 December 2013 and 2014, the remaining consideration receivable of RMB21,000,000 carries interest of 6.4% per annum and 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.

Details are set out in note 29 to the Group's annual financial statements for the year ended 31 December 2013.

31. RELATED PARTY DISCLOSURES

(a) Transaction

Relationship	Transaction	2014 RMB'000	2013 RMB'000
An associate	Sales of goods by the Group	**22,421**	1,834
	Rental income received by the Group	**410**	472
	Consideration received/receivable by the Group for transfer of intangible assets	–	24,201
	Service commission paid/payable by the Group	–	7,801
Hunan Widefar Information Technology Co., Ltd (Note)	Rental income received by the Group	–	439

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

31. 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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Companies beneficially owned and controlled by certain directors of the Company	**20,956**	20,926	**20,956**	21,376

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 2014 are set out in notes 21 and 24.

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

	2014	2013
	RMB'000	RMB'000
Short-term benefits	**4,697**	4,924
Retirement benefit scheme contributions	**138**	131
	4,835	5,055

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

32. 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.

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.

As at 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 18,000,000 (2013: 20,133,000), representing approximately 1.9% (2013: 2.2%) of the then issued share capital of the Company.

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option scheme (Continued)

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

Category	Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.1.2013	Exercised during the year	Outstanding at 31.12.2013	Reclassified during the year	Granted during the year	Exercised during the year	Outstanding at 31.12.2014
Directors	23.2.2006	23.2.2008 to 22.2.2016	2.225	7,300,000	(1,750,000)	5,550,000	(50,000)	—	(5,500,000)	—
Employees/ Consultants	23.2.2006	23.2.2008 to 22.2.2016	2.225	5,323,000	(300,000)	5,023,000	50,000	—	(5,073,000)	—
	7.2.2007	7.2.2009 to 6.2.2017	3.200	3,035,000	(175,000)	2,860,000	—	—	(2,860,000)	—
	7.2.2007	7.2.2010 to 6.2.2017	3.200	6,875,000	(175,000)	6,700,000	—	—	(6,700,000)	—
	10.2.2014	10.2.2016 to 9.2.2024	4.680	—	—	—	—	9,000,000	—	9,000,000
	10.2.2014	10.2.2017 to 9.2.2024	4.680	—	—	—	—	9,000,000	—	9,000,000
				15,233,000	(650,000)	14,583,000	50,000	18,000,000	(14,633,000)	18,000,000
Total				22,533,000	(2,400,000)	20,133,000	—	18,000,000	(20,133,000)	18,000,000
Exercisable at year end				22,533,000		20,133,000				—
Weighted average exercise price (HK$)				2.654	2.367	2.688	2,225	4.680	2.688	4.680

For the year ended 31 December 2014, the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$5.41 (2013: HK$4.36).

Share-based payment expense amounted to RMB9,881,000 (2013: Nil) has been recognised in profit or loss for the year ended 31 December 2014.

On 10 February 2014, 9,000,000 options and 9,000,000 options were granted and the estimated fair values of the options granted were HK$16,617,000 and HK$17,344,000, respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option scheme (Continued)

The fair values were calculated using the Binomial model with the following inputs:

Spot price	HK$4.68
Exercise price	HK$4.68
Vesting period	3 to 4 years
Expected life	10 years
Expected volatility	52.13%
Risk-free rate	2.2315%
Expected dividend yield	3.3%

The variables and assumptions used in the Binomial model in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 8.2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The number of share options granted and which are expected to vest has been reduced to reflect historical forfeiture rate of 7.92% prior to completion of vesting period and accordingly the share-based payment expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit and loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

33. 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.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables:		
Amounts due from related parties	20,956	20,926
Other non-current assets	51,266	51,042
Trade and other receivables	2,188,451	1,504,724
Loan receivables	205,000	408,200
Pledged bank deposits	243,219	135,157
Bank balances and cash	327,434	552,925
	3,036,326	2,672,974
Available-for-sale financial assets:		
Available-for-sale investments	29,811	135,532
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	1,358,537	932,515
Borrowings	750,639	626,512
	2,109,176	1,559,027

(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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

34. FINANCIAL INSTRUMENTS (Continued)

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

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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
HKD	**2,276**	2,083	**127,959**	3,192
USD	**131,058**	115,926	**601,155**	345,513
	133,334	118,009	**729,114**	348,705

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 RMB35,521,000 (2013: RMB95,260,000) which are denominated in RMB as at 31 December 2014.

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.

34. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

	HKD		USD	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit for the year	**6,284**	55	**23,505**	11,479

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(b)) 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(a)) 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 (2013: 10 basis points) increase or decrease for bank balances and 50 basis points (2013: 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 2014.

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 2014 would decrease/increase by RMB2,099,000 (2013: RMB629,000). This is mainly attributable to the Group's exposure to interest rates on its loan receivables, bank balances and floating-rate borrowings.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

34. 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 investments (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. For the year ended 31 December 2013, if the prices of the unlisted trust fund had been 5% higher/lower, investment revaluation reserve would increase/decrease by RMB5,286,000 (2014: Nil) 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 2014, 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 96% (2013: 94%) of the total trade receivables at the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

34. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

The Group has net current assets amounting to RMB1,470,408,000 as at 31 December 2014 (2013: RMB1,440,774,000). 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 2014 RMB'000
2014									
Non-derivative financial liabilities									
Trade and other payables	—	**943,890**	**305,144**	**51,430**	**58,073**	**—**	**—**	**1,358,537**	**1,358,537**
Borrowings	**4.85%**	**229,605**	**150,088**	**130,412**	**263,968**	**9,257**	**1,496**	**784,826**	**750,639**
		1,173,495	**455,232**	**181,842**	**322,041**	**9,257**	**1,496**	**2,143,363**	**2,109,176**

	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

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

34. FINANCIAL INSTRUMENTS (Continued)

(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.

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		
	2014	2013	Fair value hierarchy
	RMB'000	RMB'000	
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 was based on the redemption price provided by the fund manager, which was 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 year.

(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 investments 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.

35. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**125,093**	14,484

36. OPERATING LEASES

(a) The Group as lessee

	2014 RMB'000	2013 RMB'000
Minimum lease payments paid under operating leases during the year in respect of rented premises	**5,068**	4,298

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:

	2014 RMB'000	2013 RMB'000
Within one year	**8,116**	2,876
In the second to fifth year inclusive	**2,887**	1,268
	11,003	4,144

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

36. OPERATING LEASES (Continued)

(b) The Group as lessor

Property rental income earned during the year was RMB1,089,000 (2013: RMB2,248,000). The property is expected to generate rental yields of 6.7% (2013: 13.6%) on an ongoing basis. Certain properties held have committed tenants for the next one (2013: two) years.

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

	2014	2013
	RMB'000	RMB'000
Within one year	**395**	1,160
In the second to fifth year inclusive	**—**	395
	395	1,555

37. 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 RMB16,423,000 (2013: RMB11,879,000) 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.

38. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up/ issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2014	2013	**2014**	2013	
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
Weisheng Energy Industrial Technology Co., Ltd. (formerly known as Changsha Weisheng Energy Industrial Technology Company Limited) ("Weisheng Energy") (Note i)	The PRC	RMB50,000,000 (2013: HK$50,000,000)	**–**	–	**100%**	100%	Development,manufacturing and sale of energy saving products
Changsha Weisheng Import and Export Trading Company Limited ("Weisheng Import and Export") (Note ii)	The PRC	RMB10,000,000	**–**	–	**100%**	100%	Trading of power meters
Changsha Weisheng Information Technology Company Limited ("Weisheng Information") (Note i)	The PRC	RMB270,000,000	**–**	–	**100%**	100%	Development, manufacturing and sale of power meters, data collection terminals and related services
Changsha Vitae Plastic Technology Co., Ltd ("Vitae") (Notes iii and iv)	The PRC	RMB20,000,000 (2013: RMB5,000,000)	**–**	–	**100%**	100%	Development, manufacturing 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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

38. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ operations	Paid up/ issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2014	2013	**2014**	2013	
Hunan Weike Power Meters Company Limited ("Hunan Weike") (Note i)	The PRC	HK$100,000,000	**–**	–	**100%**	100%	Development,manufacturing and sale of power meters
Hunan Weiming Technology Co., Ltd. ("Hunan Weiming") (Note i)	The PRC	RMB50,000,000 (2013: HK$50,000,000)	**–**	–	**100%**	100%	Development, manufacturing and sale of water, gas and heat meters
Wasion Group Limited ("Changsha Weisheng") (Note iii)	The PRC	RMB600,000,000	**–**	–	**100%**	100%	Development, manufacturing and sale of power meters
Wasion Technology Shenzhen Company Limited ("Wasion Shenzhen") (Note ii)	The PRC	RMB10,000,000	**–**	–	**100%**	100%	Trading of power meters
Hunan Switchgear Co. Ltd. ("Changsha entity") (Notes ii and v)	The PRC	RMB84,119,666	**–**	–	**65%**	–	Development, manufacturing and sale of switchgears

Notes:

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

(ii) Weisheng Import and Export, Wasion Shenzhen and Changsha entity are limited liability companies established in the PRC.

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

(iv) Vitae was acquired by the Group during the year ended 31 December 2013 as set out in note 28.

(v) Changsha entity was acquired by the Group during the year ended 31 December 2014 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.

38. PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
				RMB'000	RMB'000	**RMB'000**	RMB'000
Changsha entity	The PRC	**35%**	—	**2,046**	—	**16,758**	—
湖南嘉樂房地產開發有限公司 ("湖南嘉樂")	The PRC	**23.08%**	—	**(3)**	—	**30,003**	—
Individually immaterial subsidiaries with non-controlling interests				**1,692**	—	**13,971**	400
				3,735	—	**60,732**	400

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2014

38. PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	Changsha entity		湖南嘉樂	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current assets	**133,097**	—	**—**	—
Non-current assets	**38,564**	—	**269,318**	—
Current liabilities	**(124,402)**	—	**(27,650)**	—
Non-current liabilities	**—**	—	**(111,784)**	—
Revenue	**85,489**	—	**—**	—
Profit for the year	**5,844**	—	**(12)**	—
Other comprehensive income (expense) for the year	**—**	—	**—**	—
Total comprehensive income for the year	**5,844**	—	**(12)**	—
Profit (loss) attributable to the non-controlling interests	**2,046**	—	**(3)**	—
Total comprehensive income (expense) attributable to the non-controlling interests	**2,046**	—	**(3)**	—
Dividends paid to non-controlling interests	**—**	—	**—**	—
Net cash outflow from operating activities	**(16,173)**	—	**(7,041)**	—
Net cash inflow from investing activities	**298**	—	**1**	—
Net cash inflow from financing activities	**20,746**	—	**7,023**	—
Net cash inflow (outflow)	**4,871**	—	**(17)**	—

Information of the Statement of Financial Position of the Company

Information of the statement of financial position of the Company as at 31 December 2014 and 2013:

	2014 **RMB'000**	2013 RMB'000
Investments in subsidiaries	**195,630**	185,113
Amounts due from subsidiaries	**1,466,746**	1,219,983
Other assets	**43,374**	41,805
	1,705,750	1,446,901
Total liabilities	**(347,539)**	(207,295)
	1,358,211	1,239,606
Share capital	**9,588**	9,429
Reserves	**1,348,623**	1,230,177
	1,358,211	1,239,606

The movements in reserves are as follows:

	RMB'000
At 1 January 2013	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
Profit and total comprehensive income for the year	221,682
Issue of shares upon exercise of share options	44,795
Recognition of equity-settled share-based payment	9,881
Dividend recognised as distribution	(157,912)
At 31 December 2014	1,348,623

Financial Summary

RESULTS

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	1,330,781	1,968,676	2,452,297	2,412,343	**2,811,871**
Profit for the year attributable to:					
Owners of the Company	191,233	247,486	323,149	401,125	**482,439**
Non-controlling interests	—	—	—	—	**3,735**
	191,233	247,486	323,149	401,125	**486,174**

ASSETS AND LIABILITIES

	As at 31 December				
	2010	2011	2012	2013	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	3,614,965	4,445,028	4,265,893	4,741,215	**5,618,550**
Total liabilities	(1,380,268)	(2,059,951)	(1,669,216)	(1,868,015)	**(2,312,309)**
	2,234,697	2,385,077	2,596,677	2,873,200	**3,306,241**
Equity attributable to:					
Owners of the Company	2,234,697	2,384,677	2,596,277	2,872,800	**3,245,509**
Non-controlling interests	—	400	400	400	**60,732**
	2,234,697	2,385,077	2,596,677	2,873,200	**3,306,241**

Wasion Group Holdings Limited

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