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)

ENERGY METERING & ENERGY SAVING EXPERT

Annual Report 2012


能化综合能效管理技术国家地方联合
流程工业
能省重点实验室
国家地方联合
工程研究中心
国家发展和改革委员会


威胜


威胜集团
Wasion Group
胜集团有限公司精
革新启动大会

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Ji Wei *(Chairman)*
Ms. Cao Zhao Hui
Mr. Zeng Xin
Ms. Zheng Xiao Ping
Mr. Wang Xue Xin
Mr. Liao Xue Dong
(resigned on 3 September 2012)
Ms. Li Hong (appointed on 3 September 2012)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Choi Wai Lung Edward *FCCA, FCPA*

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

PRINCIPAL BANKERS

In Hong Kong:

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

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

China Construction Bank
Bank of Communications

LEGAL ADVISER

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

AUDITOR

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY WEBSITE

www.wasion.com

STOCK CODE

3393

Corporate Profile

LEADING ENERGY MEASUREMENT EQUIPMENT AND TOTAL SOLUTION PROVIDER

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

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

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

September 2012

The "Accurate Measurement and Traceability Technology, Equipment and Application for Dynamic and Traction Load Power" project jointly conducted by Wasion Group was awarded the "First Prize of Scientific Technology Improvement" by China Southern Power Grid and the "First Prize of Scientific Technology Improvement" by Guangdong Power Grid

June 2013

Establishment of Wasion Research Institute

QUALIFICATIONS AND AWARDS

January 2012

Changsha Weisheng Energy Industrial Technology Company Limited ("Weisheng Energy") was awarded "2011 Outstanding Enterprise of Energy Saving Service in China" by EMCA Organization

The "Key Technology Research and Application of Smart Calculation Terminals under Advanced Metering Infrastructure" project of Changsha Weisheng Information Technology Company Limited ("Weisheng Information") was awarded the "Second Prize of Scientific Technology" by China Southern Power Grid

Weisheng Energy was recognised as "The Energy Saving Model Enterprise in Changsha City" by Changsha Municipal Government

March 2012

The WPEG200 low voltage reactive power harmonics integrated compensation device of Weisheng Energy was recognised as a "National Key New Product"

The Key Technology Research and Application for High-performance Meters of Wasion Group Limited ("Changsha Weisheng") was awarded "2011 First Prize of Scientific Technology Improvement in Changsha City"

Changsha Weisheng was recognised as "2011 Advanced Enterprise for Statistics in Changsha Hi Tech Zone"

Changsha Weisheng was awarded the "Certificate of AAA Grade Credit Rating Enterprise"

April 2012

Changsha Weisheng was recognised as an "Advanced Enterprise for Measurement"

May 2012
The "Key Technology Research and Application of Smart Calculation Terminals under Advanced Metering Infrastructure" of Changsha Weisheng was awarded the "First Prize" by China Southern Power Grid

May 2012
The Academician Specialists Workstation, the first workstation in the field of energy measurement and energy efficiency management in China, commenced its operation in Wasion Science and Technology Park

September 2012
The Group has signed an agreement to establish an entity engaging in smart measurement with Siemens in China

August 2012	Changsha Weisheng was recognised as a "Model Enterprise for Intellectual Property"
October 2012	The test centre of Changsha Weisheng was recognised by the China National Accreditation Service for Conformity Assessment (CNAS)
December 2012	Changsha Weisheng and Weisheng Information were respectively recognised as a "Class A Tax Payment and Credit Enterprise"
	Changsha Weisheng was recognised as the "Best Employer in China 2012"
	Weisheng Energy and the Hi Tech Zone Committee of Changsha City entered into the "Cooperation Framework Agreement Regarding the Natural Gas Distributed Energy Project in the Changsha Hi Tech Zone", which is our first distributed energy project and also the key project under the distributed energy plan of Changsha Hi Tech Zone
January 2013	The Group established a joint laboratory for energy measurement and energy efficiency management with Huazhong University of Science and Technology
February 2013	Changsha Weisheng was awarded the "Best 30 Changsha Industrial Enterprise 2012" by Changsha Municipal Government
March 2013	Weisheng Information was awarded the "2012 Key Enterprise with Outstanding Achievement in Changsha Hi Tech Zone"
	Hunan Weiming Energy Technology Company Limited was awarded the "Invention Patent Award 2012 in Changsha Hi Tech Zone"

MOTTOS OF OPERATION:

PERFECT WORK WITH PASSION
AND SUCCESS ACHIEVED
WITH INTEGRITY

Chairman's Statement

To All Shareholders

On behalf of Wasion Group Holdings Limited (the "Group"), I am pleased to present the operating results of the Group for the financial year ended 31 December 2012.

Ji Wei
CHAIRMAN

Chairman's Statement (Continued)

The year of 2012 was an important year for the full implementation and proceeding of the National 12th Five-Year Plan ("12th Five-Year Plan"), and the key year for the implementation and acceleration of the Group's Third Five-Year Plan ("Third Five-Year Plan"). The Group saw a significant growth in contract volume, sales volume and net profits in 2012 compared to those in the year of 2011. In addition, the Group's other financial indicators, such as turnover days for receivables and inventory, have significantly reduced, and the overall business operation showed a strong momentum of growth, in which overseas operations and fluid measurement business grew more than double. For the year ended 31 December 2012, the Group achieved sales revenue of RMB2,452.30 million, representing an increase of 25% over that for the previous year. Net profit amounted to RMB323.15 million, representing an increase of 31% over 2011. The Group's consolidated gross profit margin was 33%, representing an increase of 3% compared to that for the previous year. The Board has recommended to distribute a final dividend of HK$0.18 per share (equivalent to RMB 0.144) for the year ended 31 December 2012.

During 2012, under the profound impact of the global financial crisis and the continuous implementation of macroeconomic control policies, the Group actively entered into new markets and new businesses, as external measures, to broaden its income sources and exercised cost saving control, as internal measures, through reduction of costs and expenses based on the enterprise's spirit of "cohesive, ambitious, down-to-earth and creative" in response of the complicated changes in internal and external environment. It made significant progress in the building of enterprise culture, corporate governance, business expansion, product development, market response, and internal operations, which further enhanced the comprehensive competitive edges of the Group. The core business maintained a stable and sustainable trend of growth which solidified the Group's leading position in the industry.

For domestic power business, the Group actively entered into new businesses and new markets, sustained its growth and continued to strengthen its key support on power retailing and package business, and timely captured market opportunities through the adjustment of marketing policies and sales team. While ensuring to maintain its dominant market shares in the centralised procurement tender of State Grid and China Southern Power Grid, the Group continued to maintain its market shares in retailing business. This would bring a positive and far-reaching effect on the improvement of the Group's business structure, increase in the consolidated gross profit margin, and minimization of the operational risks arising from over-reliance on central procurement business. At the same time, we

Chairman's Statement (Continued)

actively innovated and developed new products and new businesses for distribution network and power distribution to form a new point of profit growth. The Group set up Academicians and Experts Workstation of Wasion Group and Wasion Research Institute last year, which enhanced the Group's joint technical capacity and accelerated the development of new products.

For non-power business, the Group continued to make significant investment in and focus on fluid measurement business and energy efficiency business to maintain sustainability of the growth in the Group's results and improve our business structure. For fluid measurement business, we continued to improve the product lines for water, gas, heat meters and enhanced our competitive edges, laying a foundation for further market expansion and the increase in market shares. For energy efficiency business, the Group made a step of innovation on the road of transformation to modern service business, focused on finding new profit model, strictly managed the investment risk and the receivables risk and proceeded its symbolic projects.

For overseas business, the Group ambitiously proceeded to build up our own sale channels on one hand and took advantage of the cooperative marketing channels on the other hand. The Group entered into a contract with Siemens to jointly set up an entity in September 2012, and will take full advantage of the Siemens and other cooperation projects to enter into overseas markets, and build up cost advantage in the middle to low-end market and planning and integration capabilities for AMI — cored systems in the high-end market.

Chairman's Statement (Continued)

Looking ahead to 2013, as the state has specified the strategy of continuous urbanization, the total market demand for power, water, gas and heat will continue to grow, and the trend of growth for energy saving and emission reduction market and overseas market will also be the same. In addition, the outline of the national "12th Five-Year Plan" set out the opinion on the planning of distributed energy industry in the ten key energy projects. This policy laid a foundation for the Group's focus on the development of energy efficiency business. Despite of the challenges in 2013, the Group is still optimistic and sees opportunities. The Group's corporate mission is to become an expert in the areas of energy measurement and energy efficiency management. We shall firmly consolidate and develop our established energy measurement business and at the same time make innovation and breakthrough in new businesses, so that we shall continue to move toward the three strategic directions of power market, non-power market and international market. For business operation, we shall adjust the product mix to improve our profitability. For management, we shall improve efficiency, reduce the costs, standardize the operation, and avoid risks, so as to broaden the income sources and reduce expenses, continue the innovative activities, and repay our shareholders for their support with brilliant results.

Yours faithfully,
Ji Wei
Chairman

Hong Kong, 22 March 2013

CORPORATE SPIRIT:

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

Management Discussion and Analysis

FINANCIAL REVIEW

Financial Highlights

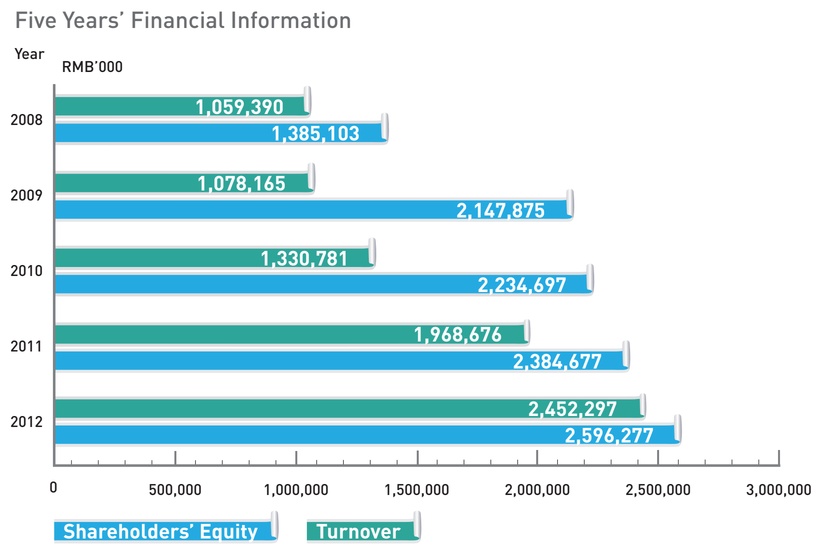
	2012 RMB'000	2011 RMB'000
Turnover	**2,452,297**	1,968,676
Gross profit	**804,502**	595,833
Net profit	**323,149**	247,486
Total assets	**4,265,893**	4,445,028
Shareholders' equity attributable to owners of the Company	**2,596,277**	2,384,677
Basic earnings per share (RMB)	**0.35**	0.27
Diluted earnings per share (RMB)	**0.35**	0.26

Management Discussion and Analysis (Continued)

Key Financial Figures

	2012	2011
Gross profit margin	33%	30%
Operating profit margin	17%	16%
Net profit margin	13%	13%
Return on equity	12%	10%
Current ratio	1.75	1.93
Quick ratio	1.55	1.66
Inventory turnover period (Days)	72	117
Trade receivable turnover period (Days)	170	184
Trade payable turnover period (Days)	177	204
Gearing ratio (Total borrowings divided by total assets)	14%	24%
Interest coverage (Profit from operations divided by finance costs)	7.54	6.03

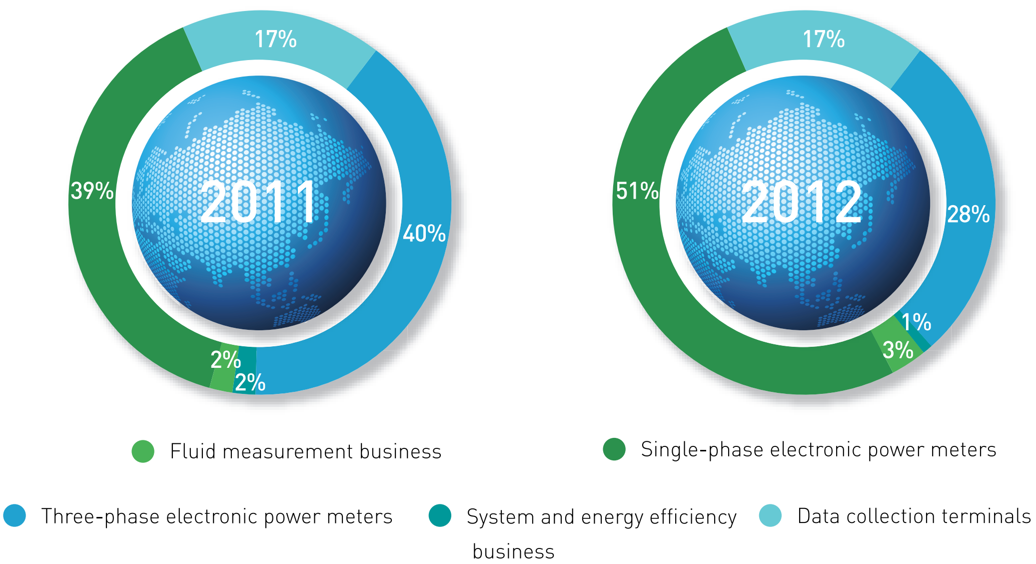
Five Year Financial Summary



Management Discussion and Analysis (Continued)

	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Turnover	**2,452,297**	1,968,676	1,330,781	1,078,165	1,059,390
Profit for the year attributable to equity shareholders of the Company	**323,149**	247,486	191,233	262,041	261,530
Total assets	**4,265,893**	4,445,028	3,614,965	3,176,027	2,543,842
Total liabilities	**1,669,216**	2,059,951	1,380,268	1,028,152	1,158,739
Shareholders' equity attributable to owners of the Company	**2,596,277**	2,384,677	2,234,697	2,147,875	1,385,103

Turnover Breakdown by Business Segments



Management Discussion and Analysis (Continued)

Turnover

During the year under review, turnover increased by 25% to RMB2,452.30 million (2011: RMB1,968.68 million).

Gross Profit

The Group's gross profit increased by 35% to RMB804.50 million for the year ended 31 December 2012 (2011: RMB595.83 million). The overall gross profit margin has increased from 30% in 2011 to 33% in 2012.

Other Income

The other income of the Group amounted to RMB77.23 million (2011: RMB75.64 million) which was mainly comprised of interest income, dividend income, rental income, government grants and refund of value-added tax.

Operating Expenses

In 2012, the Group's operating expenses amounted to RMB473.29 million (2011: RMB356.92 million). The increase in operating expenses was mainly due to the increase in selling expenses, depreciation and expenditure on research and development. Operating expenses accounted for 19% of the Group's turnover in 2012 (2011: 18%).

Operating Profit

Earnings before finance costs and tax for the year ended 31 December 2012 amounted to RMB409.67 million (2011: RMB324.41 million), representing an increase of 26% as compared with 2011.

Finance Costs

For the year ended 31 December 2012, the Group's finance costs amounted to RMB54.34 million (2011: RMB53.83 million), representing a mild increase of 1% as compared with 2011.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the year ended 31 December 2012 increased by 31% to RMB323.15 million (2011: RMB247.49 million) as compared with 2011.

Capital Structure

For the year ended 31 December 2012, one employee has exercised 100,000 share options at an exercise price of HK$2.225 under which the issued and fully paid share capital of the Company has been increased by HK$1,000.

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 2012, the Group's current assets amounted to approximately RMB2,802.88 million (2011: RMB3,193.06 million), with cash and cash equivalents totaling approximately RMB585.99 million (2011: RMB986.91 million).

As at 31 December 2012, the Group's total bank loans amounted to approximately RMB605.56 million (2011: RMB1,088.95 million), of which RMB548.25 million (2011: RMB700.03 million) will be due to repay within one year and the remaining RMB57.31 million (2011: RMB388.92 million) will be due after one year. Net book value of the Group's pledged assets for the bank loans was approximately RMB160.85 million (2011: RMB207.16 million). In 2012, the interest rate for the Group's bank borrowings ranged from 1.50% to 7.45% per annum (2011: 1.50% to 7.35% per annum).

The gearing ratio (total borrowings divided by total assets) decreased from 24% on 2011 to 14% on 2012 as a result of decrease in the Group's bank borrowings.

Exchange Rate Risk

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

Emolument Policy

As at 31 December 2012, the Group had 3,444 (2011: 3,295) staff. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB200.31 million in 2012 (2011: RMB145.26 million). Employee remuneration is determined on performance, experience and prevailing market conditions, with compensation policies being reviewed on a regular basis. The aggregate amount of the emoluments of the Company's directors was RMB3.75 million in 2012 (2011: RMB3.61 million).

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

Management Discussion and Analysis (Continued)

Share Option Scheme

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

Charge on Assets

As at 31 December 2012, the pledge deposits are denominated in Renminbi and US dollars and are pledged to banks as security for bills facilities granted to the Group. In addition, certain of the Group's land and buildings are pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 31 December 2012, the capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated statement of financial position amounted to RMB12.85 million (2011: RMB140.93 million).

In September 2012, the Group has signed an agreement with an independent third party to establish an entity in which the Group will invest approximately RMB20,000,000, which represent 40% equity interest of that entity.

Contingent Liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

Management Discussion and Analysis (Continued)

MARKET REVIEW

During the period of "Twelfth Five-Year Plan", State Grid Corporation of China (hereinafter referred to as the "State Grid") will invest RMB1.7 trillion in the construction of Strong Smart Grid, of which, the investment scale for power consumption is the largest, and the system for collecting data on power consumption is one of the main areas of investment. China Southern Power Grid Co., Ltd. (hereinafter referred to as the "Southern Grid") also recommended to focus on the development and planning of the eight key strategic areas, while the construction of the system for collecting data on power consumption would be one of them. Meanwhile, based on the uniform deployment of the State Council, the two major power grid companies will also invest RMB500 billion to complete the construction of new rural power grid. This will provide a broader room of market development for the system for collecting data on power consumption.

The construction of the system for collecting data on power consumption is the key investment area of smart grid development. In general, the domestic system for collecting data on power consumption has entered the stage of full construction. We aim to establish a nation-wide system for collecting data on power consumption which features "Full Coverage, Collection and Tariff Control" by 2015. The years 2016 to 2020 will be a stage of upgrade and enhancement, during which the smart meters will have full coverage and would be mutually interactive, and the smart domestic electrical appliances will become common home appliances. Meanwhile, from 2016, the new generation of products and equipment of the systems for collecting data on power consumption will gradually enter the market. The supporting state policies and finalized arrangements of the funds, as well as the continuous upgrade, improvement and large-scale promotion of the smart grid technology have provided a firm market foundation for the sustainable development of the system for collecting data on power consumption.

The business opportunities arising from the potential huge market for smart meters will emerge resulting from the national reform of escalating water prices and the implementation of "One Household One Meter" policy for drinking water in rural areas. In particular, as cities of various tiers across the country have introduced and implemented the escalating water price policies one by one, the market demand for various types of smart water meters with communication functions and high degree of accuracy, and the zoning measurement and monitoring products for pipe network have recorded explosive growth, which is very favorable for the development of the water measurement business of the Group.

Management Discussion and Analysis (Continued)

With the commencement of operation of the West-East Gas Pipeline and Sichuan-East Gas Pipeline projects, gas demand from the industrial and civilian sectors in China continued to increase, and the annual consumption of natural gas will grow to 178.2 billion cubic meters from the current level of 101 billion cubic meters over the next three years. In particular, the implementation of interactive price policies for natural gas in various provinces and cities including Guangdong and Hunan will greatly drive the rapid development of the gas measurement industry. Currently, the coverage of the city pipe network is increasing rapidly, creating a fast growing market for the first time installation of gas meters. Smart gas meter has already become the first choice in the market as it can solve problems such as difficulties in door-to-door meter reading and the escalating gas price, and there is a tremendous room of development for the industry of smart gas meters.

Focusing on the centralized heat supply areas in the north, the implementation of heat supply measurement reform has a significant effect on energy saving and emission reduction. The Technical Specifications for Heat Supply Measurement mandatorily requires the installation of heat measurement devices for any energy-saving reconstruction works in new and existing buildings. On one hand, heat supply measurement has just been recognised and adopted as a compulsory measure, while on the other hand, the centralized heat supply areas in the north just accounted for 50% of the total heat supply area, and therefore, there is a considerable room of market development for the heat measurement products.

At the 18th CPC National Congress, the idea of "Beautiful China" was for the first time proposed as the magnificent goal for future ecological civilization construction, with focus on promoting economic growth in green, and recycling and energy-efficient ways. Energy saving and emission reduction has become a long-term policy for China. The compulsory requirements of energy saving and emission reduction will be very favorable for us to turn the potential markets into specific target markets, while the heavy energy saving demands will bring genuine opportunities to the energy efficiency management market, and help promote energy efficiency business to develop both in scale and to a higher level.

Smart grid development has become a mainstream development direction in the international market, and enormous demand has shown in the markets of developed countries like Europe and the United States of America, or the markets in developing countries like South East Asia and South America. All of the factors, including the meters, communication terminals and the overall solution capacity of the systems, as well as the comprehensive cost advantages that Wasion possesses, and the channels and first-mover advantages established through Wasion's efforts in market expansion for years, or the new opportunities brought by the strategic cooperation with Siemens, would help the Group gain more opportunities in competing and participating in the international market.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW

Domestic Markets

Four tenders were invited by the State Grid and the tender openings were held in Hefei, Harbin, Urumqi and Shijiazhuang respectively in the year 2012 with the aggregate volume of the tenders was approximately 91.37 million units. With our superior comprehensive strengths in different aspects, such as brand name, technology, market shares, quality, business scale as well as management, Wasion Group performed a stable and strong stance in the past tenders. The aggregate value of the tender contracts that we won reached RMB1.21 billion, of which the contract volume for three-phase meter was 480,000 units, ranking first in terms of the market shares, and the contract volume for single-phase meter was 4.12 million units, ranking first in terms of aggregate contract value and volume. In 2012, the Group rapidly expanded its market shares in the single-phase meter sector while maintaining its leading position in the three-phase meter sector in terms of market shares, which enhanced the Group's leading position in the power business. The Southern Grid invited two tenders in 2012 for approximately 3.57 million units in total. The aggregate contract value won by the Wasion Group was RMB140 million, which demonstrated that the Wasion Group led its competitors with relative superiority and the comprehensive strength in the power measurement market.

The Group took active measures in response to the change in market structure brought from the centralized procurement. In 2012, on the basis of ensuring that a dominating market share in centralized procurement can be obtained, the Group focuses on consolidating and promoting the continuous development of the power retail business. Meanwhile, measures such as minimizing costs and improving operating efficiencies enable the Group to maintain sound profitability, and various operating indicators have all recorded different degree of improvements.

During the year under review, the Group actively secured customers in such fields as water companies, gas companies and heating companies, and continuously increased the proportion of industry customers in our business. The Group has participated in the construction projects of smart measurement and escalating water pricing pilots modeling projects of various key water companies such as Guangzhou Water Company, Changsha Water Company, Hefei Water Company, Zhengzhou Water Company, and successfully enlarged its customer base to include such urban gas companies as China Gas, Kunlun Gas, China City Natural Gas and Hainan Minsheng Gas. Heat supply measurement as a compulsory measure was favorable for growing the market for the Group's heat measurement products. In 2012, the Group also successfully won the heating reform projects in Jilin Province, and achieved breakthroughs in the markets of Liaoning, Shaanxi, Gansu and Hebei where numerous city heating companies locate.

Management Discussion and Analysis (Continued)

In 2012, the Group focused the energy efficiency management on the modern service industry and is committed to become a regional leading energy service provider and a large comprehensive energy saving services provider. The key areas for the Group's energy efficiency management business were identified as comprehensive improvement and operational management of energy saving for heat supply systems and the improvement and operational management of distributed energy systems. The use of distributed energy systems is the irreversible trend of global energy revolution and such system is one of the most efficient systems for energy efficiency management business. In December 2012, the Group entered into the Agreement Regarding the Natural Gas Distributed Energy Project in the Changsha Hi Tech Zone with the Hi Tech Zone Committee of Changsha City. The project was a key promotion project for development of low-carbon economy in Changsha City, and aimed to make Changsha Hi Tech Zone to become the first industrial park to demonstrate the use of distributed energy in Hunan Province, and targeted to make the industrial park to become a national demonstration zone for distributed energy. Successfully entering into the agreement demonstrated the achievements the Group had made in the distributed energy systems and would bring the Group significant first-mover advantages, which would lay a solid foundation for future business growth.

Electronic Power Meters

During the year under review, the sales of electronic power meters remained as the major source of revenue of the Group. Revenue from sales of single-phase electronic power meters and three-phase electronic power meters for the year ended 31 December 2012 amounted to RMB1,239.17 million and RMB697.94 million respectively and contributed to 51% and 28% of the Group's total sales revenue respectively (2011: 39% and 40% respectively).

Data Collection Terminals

In 2012, revenue from sales of data collection terminals amounted to RMB409.21 million, representing an increase of 21% as compared to that of the previous year and accounted for 17% (2011: 17%) of the Group's total turnover.

Fluid Measurement Business

In 2012, the sales revenue from the fluid measurement business, including the sales of water meters, gas meters, and heat meters, amounted to RMB77.64 million, increased by 133% as compared to that of the previous year and contributed to 3% (2011: 2%) of the Group's total turnover.

Management Discussion and Analysis (Continued)

System and Energy Efficiency Business

The revenue from the system and energy efficiency business of the Group in 2012 was RMB28.35 million and accounted for 1% (2011: 2%) of the total revenue.

International Market

In 2012, the Group has realized a rapid growth in the international market, and the income amounted to RMB197.13 million, represented an increase of 115% as compared to that of 2011. While the traditional markets and products continued to grow steadily, significant breakthroughs were achieved in the opening up of new market and new product development. Our product series for the overseas market have become more comprehensive and our products have become more mature and stable. Various products have obtained certification from the relevant overseas authorities such as PLN and TUV certification. The Group has ventured into key markets on all continents, and realized stable sales of a significant size, and these markets have become models and bridgeheads for further market expansion. The development prospect of new markets and potential markets is optimistic, which lays a solid foundation for the steady growth of overseas operations in subsequent periods. Existing markets where we have secured stable purchase orders included Egypt, Indonesia, Dominica, Tanzania and Ecuador. In respect of the cooperative project, the Group has signed an agreement with Siemens in September 2012 to establish an entity to provide innovative software and solutions for metering data management and high value-added operational services in China, in order to help customers improve their operational efficiency. With respect to the export of metering products, the Group will seek to leverage on Siemens' global network through the joint venture to rapidly expand its overseas business.

Research and Development

Leveraging on the core corporate value of "continuous innovation and centurial prestige", in 2012, the Research and Development Department of the Group focused its work on the transformation of the established research achievements, development of new product and research of new technology, and maintaining high research and development input. The research expenses for 2012 (including the capitalization part) was RMB162.27 million, representing 6.6% of the total turnover of the Group (2011: 6.5%).

Management Discussion and Analysis (Continued)

Bulk delivery of new products used in the field of automation of the distribution network has been completed and these new products were put into use in eleven provinces and cities including Jilin, Shandong, Henan and Guangxi. The marketing campaign for the system for collecting data on power consumption using optical fiber is also underway.

In order to further enhance the research and development capacity of the Group, the Group established Wasion Academician Specialists Workstation and Wasion Research Institute in May and June 2012 respectively for the provision of technical support for the Group's sustainable growth in the future through integration of technology and resources and introduction of high-tech talents. The research and development of new technologies mainly focuses on the electric and electronic technologies and on the completion of the development of new products used in power quality control, and will have significant meaning and impact on the enhancement of core competitive strengths of our energy measurement business in China and the sustainable growth of the energy efficiency management.

Expansion of production capacity

To match the future development of the Group in overseas markets, fluid measurement and energy efficiency business, in 2011, the Group has commenced the construction of the second stage of the Wasion Science and Technology Park which has been put into use continually in the third quarter of 2012.

PROSPECT

In 2013, various power grid companies, under the leadership of the State Grid, will continue to maintain the application scale of smart meters which will simultaneously keep the strong demand on the terminals unchanged. Meanwhile, the power grid companies will pay more attention to the product quality and the services, pushing the purchase price to go up steadily. Various power grid companies under the Southern Grid will also continue to promote the application scale of smart meters. For the retailing business, the Group expected that the market structure and direction would not have significant changes, and the Group will continue the business pattern for the year of 2012. Meanwhile, the promotion of new products and cooperative business will also achieve much more progress.

Management Discussion and Analysis (Continued)

In the future, the Group will firmly grasp the market opportunities to ensure that we are able to maintain dominant market shares in the centralized procurement tenders from the State Grid and the Southern Grid, and the procurement tenders from power companies in different provinces. We will continue to step up our efforts to provide key support to the power retailing markets, local power markets, and large enterprise customer markets so as to strengthen and promote the development of retailing business. We will further reinforce the establishment of channel sales network and establish a sales network combined with direct sales and channel sales, in order to constantly enlarge the market shares, optimize the business structure and increase the consolidated gross profit margin of the Group.

While ensuring that the existing dominating position of our products can be maintained, we will also move forward to the development of high-end products, and increase the research input to the products with high degree of accuracy and reliability, and to focus on the promotion and development of the high-end products such as grid metering devices, smart substation metering devices and metering verification devices, further consolidating the dominant position of Wasion Group in the power measurement industry. Moreover, the Group has developed the products of smart distribution network and smart power distribution to enter into the automation of the distribution network and power distribution and broaden the market, with a view to improving the profitability of the Group.

For the fluid business, the focus on the supply of water, gas and heat will be one of the key projects in the new round of urbanization in China in 2013. Following the extensive utilization of smart meters in the market, smart water meters, smart gas meters and smart heat meters are becoming new highlights in the market. The Group will fully capitalize its own technological capability and competitive product edge, and closely align with the implementation of relevant national policies and the market demand in order to concentrate the resources and focus on key markets to facilitate breakthrough and forward-leaping development.

For the energy efficiency management business, the Group will focus on the key markets of "Energy Conservation Program for 10,000 Enterprises" project and the comprehensive modeling projects in Changsha City and Jilin City. Through the strategic cooperation with our cooperative partners, we will continue to build up our own risk management capacity, resources integration capacity and optimization capacity for the system, while at the same time dedicating to develop a typical modeling project in order to lay a sound foundation for replication and promotion of projects in the future.

Management Discussion and Analysis (Continued)

As for the overseas markets, sales in Africa and Asia regions are expected to maintain a healthy and steady growth. The Group will further strengthen and improve the research and planning for pre-paid and AMI products in the overseas markets, and will target to make progress in entering into South American market. The Group will also enlarge its efforts on market expansion of water meters and gas meters. In addition, the cooperation with Siemens in the overseas markets is expected to bring new opportunities to us.

"Seek improvement and foster innovation whilst maintaining stability" is the direction for the Group's operation in 2013. We adhere to study the market, industry and technology while keeping up with the innovation in the thoughts, technologies, mechanism and methods, in order to promote a rapid, healthy and sustainable development in the three business sectors, i.e. power measurement, fluid measurement and efficiency and international market.

We strongly believe that the market would strongly demand for the advanced technologies and products, effective solutions and quality services for the power measurement and energy efficiency management in domestic and international markets in a long period of time in the future. In this regard, while seizing this valuable opportunity, we will continue to apply our innovation with integrity to serve our markets and customers, which helps Wasion become the most competitive, valuable and influential public company, and a long-lasting enterprise to enjoy the mutual benefits with the worldwide clients, staff and shareholders, and to protect the society and environment.

CORPORATE VISION:

CONTINUAL INNOVATION
CONTRIBUTING TO WASION'S
CENTENNIAL HISTORY


威在品质 胜在质量

Biographical Details of **Directors and Senior Management**

DIRECTORS

Executive Directors

Mr. Ji Wei (吉為), aged 57, is an executive Director, the chairman of the Company and the founder of the Group. Mr. Ji is responsible for the Group's overall strategic planning and the formulation of corporate policies and has over 28 years of experience in management. Prior to founding the Group in 2000, Mr. Ji was a business manager of Hunan Province Minerals Import and Export Company (湖南省五金礦產進出口公司) between 1980 and 1985 and the import and export manager of Hunan International Economic Development (Group) Company (湖南省國際經濟開發（集團）公司) between 1985 and 1989. Mr. Ji is also a director of each of Hunan Willfar Information Technology Co., Ltd. (湖南威遠信息技術有限公司) ("Hunan Willfar"), Hunan Classic Investment Co., Ltd. (湖南經典投資有限公司) ("Hunan Classic"). Mr. Ji was appointed as an executive Director with effect from 20 July 2004. Mr. Ji was appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province from 2007 to 2012 and he was re-electd 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 45, is an executive Director and the chief executive officer. Ms. Cao graduated from Hunan Commerce College in financial accounting and graduated from the Hunan Financial and Economic College with a degree in Economics. She also obtained a degree in executive master of business administration (EMBA) from the University of Hunan (湖南大學). Ms. Cao was employed as the director of finance with Hunan Weisheng Electronics Co., Ltd. (湖南威勝電子有限公司) ("Hunan Weisheng") between 1998 and 2000. She joined the Group in 2000 and was the director of finance and the director of the general manager's office from 2000 to 2003. She was appointed as a director of Changsha Weisheng Electronics Co., Ltd. (長沙威勝電子有限公司) ("Changsha Weisheng") in March 2004 and as an executive Director in March 2005. Ms. Cao is also a director of each of Hunan Willfar, Changsha Weihua Property Development Co., Ltd. (長沙威華置業有限公司) ("Weihua Property"), Changsha Weizhong Chemical Machinery Co., Ltd. (長沙威重化工機械有限公司) ("Weizhong Machinery") and Hunan Classic. Ms. Cao was appointed as the executive Director with effect from 3 March 2005. Ms. Cao was accredited the honor of "Woman Pioneer" and "Excellent Entrepreneur" of Changsha in 2005. Ms. Cao was appointed as a member of the Chinese People's Political Consultative Conference of Changsha and the Vice President of the Women Entrepreneurs Organization of Changsha (長沙市女企業家協會) in 2007, and she was awarded with "Woman Pioneer" and "Excellent Entrepreneur of Changsha Hi Tech Zone" in 2010 and 2012 respectively.

Mr. Zeng Xin (曾辛), aged 43, is an executive Director and General Manager of Changsha Weisheng Energy Industrial Technology Company Limited. Mr. Zeng graduated from the National University of Defense Technology with a degree in system engineering in 1992. During 1992 to 1993, he studied in the Qinghua University for a postgraduate degree programme. In 1995, Mr. Zeng obtained a master degree in engineering from the China Academy of Space Technology (中國空間技術研究院) and participated in several research projects in the China Academy of Space Technology (中國空間技術研究院) during his studies and after graduation. Mr. Zeng worked with Hunan Weisheng as a system engineer, vice-director of research, director of research and director of system between 1995 and 1999 and as the general manager with Hunan Willfar between 1999 and July 2004, and a director from December 1999 to January 2005. Mr. Zeng joined the Group in July 2004 and was appointed as an executive Director with effect from 1 September 2005.

Biographical Details of Directors and Senior Management (Continued)

Ms. Zheng Xiao Ping (鄭小平), aged 50, is an executive Director and general manager of the power business division. Ms. Zheng graduated from the Taiyuan University of Technology with a degree in industrial automation. She obtained a master degree in engineering from the North China Institute of Technology. Between 1987 and 1988, Ms. Zheng was a teaching assistant at the Taiyuan University of Technology. She lectured at the Taiyuan University of Technology between 1988 and 1993 and was appointed as the research director of Hunan Weisheng from 1993 to 2000 being responsible for the research and development work. She joined the Group in 2000 and was responsible for the research and development work of the Group. Ms. Zheng was appointed as the executive Director with effect from 1 September 2005. Ms. Zheng was appointed as a director of Changsha Weisheng in March 2004 and an executive director in September 2005. Ms. Zheng was awarded the "Technical Expert with Outstanding Achievement" in 1998 and 2000 respectively by the Changsha High and New Technological Development Zone. Ms. Zheng was also awarded with various honourary titles such as "Individual with Advanced Technology Creation in Hunan", "Excellent Entrepreneur of Changsha Hi Tech Zone", "Excellent Management of Quality Control in Machinery (Automobile) Industry of Hubei Province", "The Seventh Group of Outstanding Experts in Changsha", "Top Ten Women Entrepreneurs with Outstanding Achievement in Changsha City" and "Awarded Women with Contribution and Improvement in Changsha Hi Tech Zone". Ms. Zheng is the spouse of Mr. Wang Xue Xin.

Mr. Wang Xue Xin (王學信), aged 51, is an executive Director and the general manager of international marketing. Mr. Wang obtained a master degree in automation from the Harbin Industrial University in 1987 and was certified as a senior engineer. Mr. Wang lectured at the Taiyuan University of Technology between 1987 and 1990 and was the director of the development team of Taiyuan University of Technology Technological Development Company from 1990 to 1993. Mr. Wang worked as the engineer and the deputy manager of Hunan Weisheng from 1993 to 2000. Mr. Wang joined the Group in 2000 and is responsible for carrying out the research and development functions of the Group. Mr. Wang obtained the Changsha Award for Scientific Advancement and Elite Expert of Changsha in 1998 and 2003 respectively. Mr. Wang was a director of Hunan Willfar from February 2000 to January 2005, a director of Hunan Weike Power Meters Company Limited from May 2002 to January 2005 and a director of Hunan Weiming Technology Co., Ltd. from May 2002 to May 2004. Mr. Wang was appointed as an executive Director with effect from 3 March 2005. Mr. Wang is the spouse of Ms. Zheng Xiao Ping.

Ms. Li Hong (李鴻), aged 38, is an Executive Director and an EMT director. Ms. Li graduated from the Hunan University, majoring in law, and obtained an EMBA degree from the Renmin University of China. Ms. Li is currently studying for a doctoral degree in business administration at the University of Management and Technology of the United States of America. Ms. Li joined the Group in 2000 and held various management positions within the Group, including the director of personnel, and served as executive vice president and vice president from 2000 to 2011. She is also a director of Hunan Weike Power Meters Company Limited, Hunan Weiming Energy Technology Company Limited, Changsha Weisheng Energy Industrial Technology Company Limited, Changsha Wasion Industrial Investment Company Limited, Changsha Ruisheng Electronic Company Limited and Beijing Weisheng Technology Company Limited, all being subsidiaries of the Group. Ms. Li was awarded the "Excellent HR Manager in China" award by China Human Resources (中國人力資源) in 2007. Moreover, she was awarded with various honourary titles such as "Outstanding Person" in promotion of ideology in Changsha, "Representative of the New Social Class in Changsha" and "Outstanding Managing Officer with a Doctoral Degree". Ms. Li was appointed as an executive Director with effect from September 2012.

Biographical Details of Directors and Senior Management (Continued)

Independent Non-Executive Directors

Mr. Wu Jin Ming (吳金明), aged 50, is an independent non-executive Director. Mr. Wu graduated from the Agricultural University of Hunan in 1986 with a degree in agricultural economics and undertook further studies in 1987 in economics at the Wuhan University. During 1986 to 1998, Mr. Wu was a teaching assistant, a lecturer and a vice-professor at the faculty of agricultural economics, head of the teaching and research section and the dean of the faculty of economics and business in the Agricultural University of Hunan. He was a visiting scholar at the Shiga University of Japan. Mr. Wu has been a professor of the College of Commerce of the Central South University since 2001 and is now the instructor of doctorial students and doctors of economics. Mr. Wu was a member of the Chinese People's Political Consultative conference of Hunan Province in 2003 and was appointed as the advisory consultant as regards the decisions on substantial projects of the Hunan provincial government in June 2004. Mr. Wu has been appointed as chairman of the economic and technological committee of the Chinese People's Political Consultative Conference of Hunan Province since 2008. Mr. Wu was appointed as an independent non-executive Director in September 2005.

Mr. Pan Yuan (潘垣), aged 80, is an independent non-executive Director. Mr. Pan graduated from the Electricity Faculty of the Central China Industrial College (華中工學院電力系) and worked in the Second Ministry of Mechanical Industry (第二機械工業部) 401 Institute, 585 Institute and at the China Academy of Sciences and was a researcher, a teaching assistant and a director of the academic study of the Institute of Plasma Science and Technology of the China Academy of Sciences. Mr. Pan worked at the European United Tokamak Fusion Centre and at the Fusion Centre of the University of Texas. Mr. Pan was appointed as an academician of the China Engineering Institute (中國工程學院) in 1997. Mr. Pan is currently a professor at the Central China Technical University (華中科技大學), a mentor for doctorate students and the honourary dean of the Electricity and Electronic Engineering College and the vice-director of the academic committee of the Central China Technical University. Mr. Pan has completed the research on the theory and the new application on the improvement of tokamak magnetic confinement performance (改善托卡馬克等離子體磁約束性能的新理論和新途徑), a major project sponsored by the National Natural Science Fund. Mr. Pan was appointed as an independent non-executive Director in September 2005.

Mr. Hui Wing Kuen (許永權), aged 65, is an independent non-executive Director. Mr. Hui has extensive experience in taxation and financial management. Mr. Hui worked in the Inland Revenue Department of Hong Kong for more than 25 years and was an assistant commissioner at his retirement in 1995. Mr. Hui is a member of the Taxation Institute of Australia, the Australian Society of Certified Practising Accountants, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Company Secretaries. Mr. Hui was appointed as an independent non-executive Director in September 2005.

SENIOR MANAGEMENT OF THE GROUP

Mr. Choi Wai Lung Edward (蔡偉龍), aged 44, 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 22 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 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 61 of the annual report. No interim dividend was paid to the shareholders during the year.

The directors has proposed a final dividend of HK$0.18 (2011: HK$0.15) per share to shareholders of the Company whose name appear in the register of members on 23 May 2013 and a resolution to this effect will be proposed and subject to the shareholders' approval in the forthcoming annual general meeting. The final dividend is expected to be paid on or before 31 May 2013.

FIXED ASSETS

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 14 and 15, respectively to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2012 comprised the merger reserve and retained profits of RMB202,328,000 (2011: RMB328,666,000) 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)*
Wang Xue Xin
Zheng Xiao Ping
Zeng Xin

Li Hong	(appointed on 3 September 2012)
Liao Xue Dong	(resigned on 3 September 2012)

Independent non-executive directors:

Wu Jin Ming
Pan Yuan
Hui Wing Kuen

In accordance with article 87 of the Articles of Association of the Company (the "Articles"), one-third of the directors for the time being shall retire from office by rotation at each annual general meeting of the Company provided that every director shall be subject to retirement at least once every three years. Mr. Ji Wei and Ms. Zheng Xiao Ping, the executive directors and Mr. Pan Yuan, the independent non-executive director, shall retire from their offices at the Annual General Meeting and shall be eligible to offer themselves for re-election at the Annual General Meeting.

In accordance with article 86(3) of the Articles, any director appointed by the Board to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election. Therefore Ms. Li Hong, who was appointed as executive director on 3 September 2012 to fill the vacancy left by the resignation of Mr. Liao Xue Dong, shall retire from her office at the Annual General Meeting and shall be eligible to offer herself for re-election at the Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

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

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

Directors' Report (Continued)

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2012, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

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

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ji Wei	Interest of controlled corporation (Note 1)	486,888,888	52.39%
Wang Xue Xin	Beneficial owner (Note 2)	912,000	0.10%
Cao Zhao Hui	Beneficial owner	400,000	0.04%
Zeng Xin	Beneficial owner	500,000	0.05%
Zheng Xiao Ping	Beneficial owner (Note 2)	912,000	0.10%
Hui Wing Kuen	Beneficial owner	500,000	0.05%
Pan Yan	Beneficial owner	100,000	0.01%
Wu Jin Ming	Beneficial owner	100,000	0.01%

Notes:

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

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

Directors' Report (Continued)

(b) Share options

Name of Director	Number of options to subscribe for shares	Capacity	Number of Underlying ordinary shares	Percentage of the issued share capital of the Company
Wang Xue Xin	1,900,000	Beneficial owner	1,900,000	0.20%
Cao Zhao Hui	1,600,000	Beneficial owner	1,600,000	0.17%
Zeng Xin	1,500,000	Beneficial owner	1,500,000	0.16%
Zheng Xiao Ping	1,600,000	Beneficial owner	1,600,000	0.17%
Li Hong	400,000	Beneficial owner	400,000	0.04%
Hui Wing Kuen	100,000	Beneficial owner	100,000	0.01%
Pan Yuan	100,000	Beneficial owner	100,000	0.01%
Wu Jin Ming	100,000	Beneficial owner	100,000	0.01%

Other than as disclosed above, none of the directors, chief executives nor their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2012.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, 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	486,888,888	52.39%
Star Treasure	Beneficial owner	486,888,888	52.39%

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 2012.

Directors' Report (Continued)

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

The Company entered into a facility agreement (the "Facility Agreement") with two banks as the lead arranger pursuant to which a term loan facility in the total amount of US$30,000,000 for a tenure of three years has been granted to the Company that include conditions specifying that it will be an event of default if Mr. Ji Wei, the chairman, executive director and a controlling shareholder of the Company (i) does not or ceases to legally and beneficially own, directly or indirectly, at least 40% of the entire issued share capital of and equity interests of the Company; (ii) does not or ceases to either directly or indirectly remain as the single largest shareholder of the Company; and (iii) does not or ceases to exercise control over the management and affairs of the Group and/or the composition of the board of directors of the Company. At 31 December 2012, the balance utilised under the above facility amounted to US$22,500,000 (equivalent to RMB141,383,000).

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

RELATED PARTY TRANSACTIONS

Related party transactions entered into for the year are set out in note 33 to the consolidated financial statements.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

Directors' Report (Continued)

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 28 to the consolidated financial statements.

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

	Number of share options										
Name and category of participation	As at 1 January 2012	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Reclass-ification during the year	As at 31 December 2012	Date of grant of share options	Vesting period of share options	Exercise period of share options	Exercise price of share options*	Share price of the Company as at the date of grant of share options**
Directors											
Wang Xue Xin	1,900,000	–	–	–	–	1,900,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Cao Zhao Hui	1,600,000	–	–	–	–	1,600,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Zeng Xin	1,500,000	–	–	–	–	1,500,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Zheng Xiao Ping	1,600,000	–	–	–	–	1,600,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Li Hong	–	–	–	–	400,000	400,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Liao Xue Dong	1,200,000	–	–	–	(1,200,000)	–	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 22 February 2016	2.225	2.225
Hui Wing Kuen	100,000	–	–	–	–	100,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Pan Yuan	100,000	–	–	–	–	100,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Wu Jin Ming	100,000	–	–	–	–	100,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Sub-total	8,100,000	–	–	–	(800,000)	7,300,000					
Other employees/ consultants	4,623,000	–	(100,000)	–	800,000	5,323,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Other employees/ consultants	3,035,000	–	–	–	–	3,035,000	7 February 2007	7 February 2007 to 6 February 2009	7 February 2009 to 6 February 2017	3.200	3.200
Other employees/ consultants	6,875,000	–	–	–	–	6,875,000	7 February 2007	7 February 2007 to 6 February 2010	7 February 2010 to 6 February 2017	3.200	3.200
Other employees/ consultants	–	6,500,000	–	(6,500,000)	–	–	11 April 2012	11 April 2012 to 10 April 2014	11 April 2014 to 10 April 2022	3,600	3,600
Other employees/ consultants	–	6,500,000	–	(6,500,000)	–	–	11 April 2012	11 April 2012 to 10 April 2015	11 April 2015 to 10 April 2022	3,600	3,600
Sub-total	14,533,000	13,000,000	(100,000)	(13,000,000)	800,000	15,233,000					
Total	22,633,000	13,000,000	(100,000)	(13,000,000)	–	22,533,000					

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

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

Directors' Report (Continued)

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 41 to 58 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 2012.

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.

Directors' Report (Continued)

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 2012.

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 128 of the annual report.

AUDIT COMMITTEE

The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2012.

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
22 March 2013

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 Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 of the Listing Rules and effective until 31 March 2012 and the code provisions included in the amendments of the Old Code which took effect since 1 April 2012 (the "New Code").

During the period from 1 January 2012 to 31 March 2012, the Company has applied the principles of and has complied with all code provisions of the Old Code. For the period from 1 April 2012 to 31 December 2012, save for Code Provision A.6.7, the Company has complied with the New Code.

Code Provision A.6.7 provides that independent non-executive directors and non-executive directors of the Company should attend general meetings of the Company. Mr. Wu Jin Ming, Mr. Pan Yuan and Mr. Hui Wing Kuen, all independent non-executive directors of the Company, failed to attend the annual general meeting of the Company ("2012 AGM") held on 16 May 2012 due to conflicts with their schedules.

Save as disclosed, there has been no deviation from the code provisions as set forth in the Old Code and the New Code for the year ended 31 December 2012.

The Company regularly reviews its organisational structure to ensure that operations are conducted in accordance with the standards of the New 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 2012.

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.

Corporate Governance Report (Continued)

BOARD OF DIRECTORS

Responsibilities

The overall management of the Company's business is vested with the board of Directors of the Company (the "Board"), which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

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

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

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

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

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

Board Composition

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

The Board currently comprises nine members, consisting of six executive Directors and three independent non-executive Directors. Their biographical details are set out on pages 30 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
Mr. Liao Xue Dong (resigned on 3 September 2012)
Ms. Li Hong (appointed on 3 September 2012)

Independent Non-executive Directors:

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

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

Mr. Pan Yuan, member of the Audit Committee

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

During the year under review, the Board at all times met the requirements of rule 3.10(1) and (2), and 3.10A the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

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

Appointment and Succession Planning of Directors

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

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

Mr. Hui Wing Kuen	:	up to the 2013 annual general meeting
Mr. Wu Jin Ming	:	up to the 2013 annual general meeting
Mr. Pan Yuan	:	up to the 2013 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 A.6.5 of the New Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of the directors.

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

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. During the year in question, Ms. Li Hong was appointed to fill the vacancy left by the resignation of Mr. Liao Xue Dong, and Ms. Li has received formal induction to enable her to understand her responsibilities and obligations as a director under the Listing Rules and relevant regulatory requirements.

Corporate Governance Report (Continued)

During the year ended 31 December 2012, 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
Mr. Liao Xue Dong*	A,C,D
Independent Non-Executive Directors:	
Mr. Hui Wing Kuen	A,D
Mr. Wu Jin Ming	A,B,D
Mr. Pan Yuan	A,B,D

A: attending conferences, seminars and forums
B: giving talks at conferences, seminars and forums
C: participation in in-house seminars
D: private study of materials relevant to the Company's business or director's duties and responsibilities
*: Mr. Liao Xue Dong resigned on 3 September 2012.

Board Meetings

Number of Meetings and Directors' Attendance

In 2012, the Company has held nine board meetings. The Company will endeavour to hold at least four regular board meetings a year.

Corporate Governance Report (Continued)

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)*	9/9
Ms. Cao Zhao Hui	9/9
Mr. Zeng Xin	9/9
Ms. Zheng Xiao Ping	9/9
Mr. Wang Xue Xin	9/9
Mr. Liao Xue Dong (resigned on 3 September 2012)	7/9
Ms. Li Hong (appointed on 3 September 2012)	3/9
Independent Non-Executive Directors:	
Mr. Hui Wing Kuen	8/9
Mr. Wu Jin Ming	5/9
Mr. Pan Yuan	7/9

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.

Corporate Governance Report (Continued)

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 of the Committees have been revised and adopted with effect from 6 March 2012. 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 42 to 43.

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.

Corporate Governance Report (Continued)

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

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

Four Nomination Committee meetings have been held during the year to review the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company. During the year, the Nomination Committee nominated Ms. Li Hong as executive Director to take the position of Mr. Liao Xue Dong who resigned as executive Director on 3 September 2012.

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

	Attendance/ Number of Meetings
Mr. Ji Wei *(Chairman)*	4/4
Mr. Hui Wing Kuen	4/4
Mr. Wu Jin Ming	2/4

Corporate Governance Report (Continued)

In accordance with the Articles, Mr. Ji Wei, Ms. Zheng Xiao Ping and Mr. Pan Yuan shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting. Ms. Li Hong who was appointed as executive Director during the year to replace a casual vacancy shall also retire and being eligible, offer herself for re-election at the next forthcoming annual general meeting.

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

REMUNERATION COMMITTEE

The duties of the Remuneration Committee include the following:

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

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

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

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

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

(f) To ensure that no director or any of his associate is involved in deciding his own remuneration.

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

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

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

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

	Attendance/ Number of Meetings
Mr. Hui Wing Kuen *(Chairman)*	4/4
Mr. Ji Wei	4/4
Mr. Wu Jin Ming	2/4

AUDIT COMMITTEE

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

The duties of the Audit Committee include the following:

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

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

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

Corporate Governance Report (Continued)

(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 focuse particularly on:

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from the audit;

  (iv) the going concern assumption;

  (v) compliance with accounting standards; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Attendance/ Number of Meetings
Mr. Hui Wing Kuen *(Chairman)*	4/4
Mr. Wu Jin Ming	2/4
Mr. Pan Yuan	4/4

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

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

The Company's annual results for the year ended 31 December 2012 have been reviewed by the Audit Committee.

Corporate Governance Report (Continued)

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 2012, the Board has reviewed the Company's corporate governance practices, including the revised terms of reference for the Nomination Committee, Remuneration Committee and Audit Committee.

AUDITORS' REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 59 to 60 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 2012 amounted to RMB2.5 million, which comprises RMB2.1 million for the audit of the Group's consolidated financial statements for the year ended 31 December 2012 and RMB0.4 million for the review of the Group's interim report for the six months ended 30 June 2012.

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 2012.

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 2012 is sufficient to safeguard the interest of shareholders and the Group's assets.

COMPANY SECRETARY

During the year ended 31 December 2012, 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.

Corporate Governance Report (Continued)

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

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

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

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

Procedures by which enquiries may be put to the Board

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

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

- communications relating to matters within the Board's purview to the executive directors of the Company;

- communications relating to matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and

- communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate management of the Company.

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

- If a shareholder wishes to propose a person other than a director of the Company (the "Director") for election as a Director, the shareholder must deposit a written notice (the "Notice") to the principal place of business of the Company in Hong Kong at Unit 2605, 26/F West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong or the branch share registrar of the Company, Boardroom Share Registrars (HK) Ltd., at 12/F, the Lee Gardens, 23 Hysan Avenue, Causeway Bay, 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.

Corporate Governance Report (Continued)

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 2012, the 2012 AGM was held on 16 May 2012. All the resolutions proposed at the 2012 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 2012 AGM to answer Shareholders' questions. Mr. Hui Wing Kuen, an independent non-executive director and chairman of Remuneration Committee and Audit Committee and member of Nomination Committee, 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 2012 AGM due to conflicts with their schedules. The external auditor of the Company, Deloitte Touche Tohmatsu, attended the 2012 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 2012 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
Mr. Liao Xue Dong (resigned on 3 September 2012)	0/1
Ms. Li Hong (appointed on 3 September 2012)	0/1
Independent Non-Executive Directors:	
Mr. Hui Wing Kuen	0/1
Mr. Wu Jin Ming	0/1
Mr. Pan Yuan	0/1

The forthcoming annual general meeting of the Company will be held on 16 May 2013 ("2013 AGM"). The notice convening the 2013 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 2013.

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 2012.

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 61 to 126, which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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 2012 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
22 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Turnover	5	2,452,297	1,968,676
Cost of sales		(1,647,795)	(1,372,843)
Gross profit		804,502	595,833
Other income	6	77,229	75,637
Other gains and losses	7	1,229	9,855
Administrative expenses		(148,453)	(146,116)
Selling expenses		(207,275)	(145,109)
Research and development expenses		(117,559)	(65,691)
Finance costs	8	(54,340)	(53,830)
Profit before taxation	9	355,333	270,579
Income tax expense	10	(32,184)	(23,093)
Profit for the year, attributable to owners of the Company		323,149	247,486
Other comprehensive (expense) income			
Exchange difference arising on translation		(293)	(6,743)
Fair value gain (loss) on available-for-sale investments		3,187	(5,448)
Reclassification upon disposal of available-for-sale investments		(1,312)	—
Other comprehensive income (expense) for the year, attributable to owners of the Company		1,582	(12,191)
Total comprehensive income for the year, attributable to owners of the Company		324,731	235,295
Earnings per share	13		
Basic		RMB35 cents	RMB27 cents
Diluted		RMB35 cents	RMB26 cents

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**918,335**	775,882
Prepaid lease payments	14	**70,674**	72,329
Investment properties	15	**37,125**	35,691
Goodwill	16	**110,326**	110,326
Intangible assets	17	**190,591**	209,992
Available-for-sale investments	18	**14,811**	26,169
Amounts due from related parties	33(b)	**21,376**	—
Life insurance product	19	**21,580**	21,577
Loan receivable	20	**78,200**	—
		1,463,018	1,251,966
CURRENT ASSETS			
Inventories	21	**323,271**	441,849
Loan receivables	20	**330,000**	—
Trade and other receivables	22	**1,406,260**	1,527,969
Amounts due from related parties	33(b)	**—**	20,970
Prepaid lease payments	14	**1,655**	1,655
Pledged bank deposits	23	**155,703**	213,711
Bank balances and cash	23	**585,986**	986,908
		2,802,875	3,193,062
CURRENT LIABILITIES			
Trade and other payables	24	**1,010,241**	927,861
Tax liabilities		**40,983**	28,573
Borrowings — due within one year	25	**548,251**	700,035
		1,599,475	1,656,469
NET CURRENT ASSETS		**1,203,400**	1,536,593
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,666,418**	2,788,559

Consolidated Statement of Financial Position (Continued)

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CAPITAL AND RESERVES			
Share capital	26	**9,410**	9,409
Reserves		**2,586,867**	2,375,268
Equity attributable to owners of the Company		**2,596,277**	2,384,677
Non-controlling interest		**400**	400
		2,596,677	2,385,077
NON-CURRENT LIABILITIES			
Borrowings — due after one year	25	**57,311**	388,918
Deferred tax liability	27	**12,430**	14,564
		69,741	403,482
		2,666,418	2,788,559

The consolidated financial statements on pages 61 to 126 were approved and authorised for issue by the Board of Directors on 22 March 2013 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 2012

	Attributable to owners of the Company											
	Share capital RMB'000 (note 26)	**Share premium** RMB'000	**Merger reserve** RMB'000 (Note i)	**Exchange reserve** RMB'000	**PRC statutory reserves** RMB'000 (Note ii)	**Share option reserve** RMB'000	**Investment revaluation reserve** RMB'000	**Other reserve** RMB'000 (Note iii)	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interest** RMB'000	**Total** RMB'000
At 1 January 2011	9,406	1,230,154	49,990	(63,941)	127,821	19,692	3,573	33,164	824,838	2,234,697	–	2,234,697
Profit for the year	–	–	–	–	–	–	–	–	247,486	247,486	–	247,486
Other comprehensive expense for the year	–	–	–	(6,743)	–	–	(5,448)	–	–	(12,191)	–	(12,191)
Total comprehensive (expense) income for the year	–	–	–	(6,743)	–	–	(5,448)	–	247,486	235,295	–	235,295
Issue of shares upon exercise of share options	3	861	–	–	–	(215)	–	–	–	649	–	649
Transfer to PRC statutory reserves	–	–	–	–	14,827	–	–	–	(14,827)	–	–	–
Dividend recognised as distribution (note 12)	–	–	–	–	–	–	–	–	(85,964)	(85,964)	–	(85,964)
Capital contribution for a non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	400	400
At 31 December 2011	9,409	1,231,015	49,990	(70,684)	142,648	19,477	(1,875)	33,164	971,533	2,384,677	400	2,385,077
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**323,149**	**323,149**	**–**	**323,149**
Other comprehensive (expense) income for the year	**–**	**–**	**–**	**(293)**	**–**	**–**	**1,875**	**–**	**–**	**1,582**	**–**	**1,582**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**(293)**	**–**	**–**	**1,875**	**–**	**323,149**	**324,731**	**–**	**324,731**
Issue of shares upon exercise of share options	**1**	**238**	**–**	**–**	**–**	**(57)**	**–**	**–**	**–**	**182**	**–**	**182**
Transfer to PRC statutory reserves	**–**	**–**	**–**	**–**	**21,150**	**–**	**–**	**–**	**(21,150)**	**–**	**–**	**–**
Dividend recognised as distribution (note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(113,313)**	**(113,313)**	**–**	**(113,313)**
At 31 December 2012	**9,410**	**1,231,253**	**49,990**	**(70,977)**	**163,798**	**19,420**	**–**	**33,164**	**1,160,219**	**2,596,277**	**400**	**2,596,677**

Notes:

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	355,333	270,579
Adjustments for:		
Finance costs	54,340	53,830
Bank interest income	(9,708)	(7,093)
Interest income from entrusted loan contracts	(28,897)	(26,679)
Interest income from consideration receivable for disposal of assets	(9,049)	(10,037)
Dividend income from available-for-sale investments	(3,987)	(5,549)
(Gain) loss on disposal of property, plant and equipment	(1,055)	133
Depreciation of property, plant and equipment	36,183	35,096
Depreciation of investment properties	753	705
Release of prepaid lease payments	1,655	1,655
Amortisation of intangible assets	64,645	69,443
Net foreign exchange gain	(174)	(9,071)
Allowance of inventories	1,108	—
Operating cash flows before movements in working capital	461,147	373,012
Decrease in inventories	117,470	1,236
Increase in trade and other receivables	(41,482)	(165,889)
Increase in trade and other payables	81,301	99,808
Cash generated from operations	618,436	308,167
Income tax paid	(21,908)	(25,958)
NET CASH FROM OPERATING ACTIVITIES	596,528	282,209
INVESTING ACTIVITIES		
Placement of pledged bank deposits	(353,944)	(1,016,719)
Advances of short-term loans receivables under entrusted loan contracts	(330,000)	(330,000)
Purchase of property, plant and equipment	(179,586)	(170,467)
Expenditure on intangible assets	(45,244)	(65,099)
(Advances to) repayment from related parties	(406)	368
Proceeds on disposal of property, plant and equipment	8,257	—
Dividends received from available-for-sale investments	2,211	5,549
Interest received	47,654	43,809
Repayment of consideration receivable for disposal of assets	100,000	—
Withdrawal of pledged bank deposits	411,952	945,386
Payment for a life insurance product	—	(21,762)
Increase in available-for-sale investments	—	(14,275)
Repayment of advances of short-term loans receivables under entrusted loan contracts	—	330,000
NET CASH USED IN INVESTING ACTIVITIES	(339,106)	(293,210)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
FINANCING ACTIVITIES		
Repayment of borrowings	**(1,090,843)**	(685,974)
Dividends paid	**(113,313)**	(85,964)
Interest paid on borrowings	**(62,732)**	(56,319)
Proceeds on issue of shares upon exercise of share options	**182**	649
New borrowings raised	**608,292**	1,273,088
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(658,414)**	445,480
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(400,992)**	434,479
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**986,908**	553,530
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**70**	(1,101)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**585,986**	986,908

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL

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

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

The Company is an investment holding company. Particulars of the principal activities of its principal subsidiaries are set out in note 35.

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

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset; and
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets.

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

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[1]
Amendment to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

- The most significant effect of HKFRS 9 regarding the classification and 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 attributable to a financial liability's 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 at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for the Group for annual period beginning on 1 January 2015, with earlier application permitted.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

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

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

HKFRS 13 Fair Value Measurement

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

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretation will have no impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

Goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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.

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and the titles have passed, at which time all the following conditions are satisfied:

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

Deposits and instalments received from customers prior to meeting the above criteria on revenue recognition are include 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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.

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.

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

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

An item of property, plant and equipment is transferred to investment property when there is a change of use, as evidenced by end of owner-occupation. The 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are review at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets — research and development expenditure (Continued)

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.

Intangible assets acquired in a business combination

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

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

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 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. Subsequent to initial recognition, loans and receivables (including the deposit component of the life insurance product, loan receivables, trade and other receivables, amounts due from related parties, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Retention amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Available-for-sale financial assets

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

Equity securities traded in an active market are measured at fair value at the end of the reporting period. Changes in the fair values are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

Dividends on available-for-sale equity investments are recognised in profit or loss.

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

For loans and receivables, objective evidence of impairment could include:

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

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

Derecognition

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

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

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

When share options are exercised, the amount previously recognised in share option reserve will be transferred to 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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

Government grants

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

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

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(i) Estimated impairment of intangible assets

The Group tests whether intangible assets have suffered any impairment in accordance with its accounting policy whenever there is any indication that the assets may have been impaired. The recoverable amounts of intangible assets have been determined based on discounted cash flows method. The directors consider that the recoverable amount exceeded the carrying amount of the intangible assets and no impairment was recognised during the year. Where the actual future cash flows is different from the original estimate, an impairment loss may arise. As at 31 December 2012, the carrying amount of intangible assets was approximately RMB190.6 million (2011: RMB210.0 million).

(ii) 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 RMB110.3 million (2011: RMB110.3 million) as at 31 December 2012 was allocated to the electronic meters segment. Details of the recoverable amount calculation are disclosed in note 16.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(iii) Estimated impairment of loan receivables, trade and bills 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 2012, (i) the carrying amount of trade and bills receivables is approximately RMB1,014.1 million (2011: RMB906.2 million), net of allowance for doubtful debts of approximately RMB16.6 million (2011: RMB16.6 million), (ii) the carrying amount of loan receivables as at 31 December 2012 is approximately RMB408.2 million (2011: consideration receivable RMB178.2 million) and (iii) amounts due from related parties are approximately RMB21.4 million (2011: RMB21.0 million).

5. TURNOVER AND SEGMENT INFORMATION

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

	2012 **RMB'000**	2011 RMB'000
Sales of goods	**2,423,947**	1,928,527
Service income for energy efficiency solutions	**28,350**	40,149
	2,452,297	1,968,676

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

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 2012

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment turnover and results (Continued)

For the year ended 31 December 2011

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

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, central administration costs, directors' salaries, finance costs and taxation. This is the measure reported to the Group's Chief Executive Officer, being its chief operating decision maker, for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2012 RMB'000	2011 RMB'000
SEGMENT ASSETS		
Electronic meters	2,209,141	2,158,920
Data collection terminals	688,483	598,029
Energy efficiency solution	57,934	79,717
Total segment assets	2,955,558	2,836,666
Unallocated assets	1,310,335	1,608,362
Consolidated assets	4,265,893	4,445,028
SEGMENT LIABILITIES		
Electronic meters	821,439	723,591
Data collection terminals	133,410	122,183
Energy efficiency solution	8,231	14,840
Total segment liabilities	963,080	860,614
Unallocated liabilities	706,136	1,199,337
Consolidated liabilities	1,669,216	2,059,951

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

- all assets are allocated to operating segments other than certain property, plant and equipment, investment properties, prepaid lease payments, available-for-sale investments, life insurance product, 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2012

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

	Electronic meters RMB'000	Data collection terminals RMB'000	Energy efficiency solution RMB'000	Segment total RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to non-current assets (Note)	**46,702**	**10,592**	**2,811**	**60,105**	**173,117**	**233,222**
Depreciation and amortisation of property, plant and equipment and intangible assets	**75,996**	**20,700**	**2,335**	**99,031**	**1,797**	**100,828**
Release of prepaid lease payments	**559**	**1,035**	**21**	**1,615**	**40**	**1,655**
Loss (gain) on disposal of property, plant and equipment	**48**	**(2)**	**1**	**47**	**(1,102)**	**(1,055)**

For the year ended 31 December 2011

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

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

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 2012.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Geographical information

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

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

	Turnover from external customers Year ended 31 December		Non-current assets (note)	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**2,255,171**	1,877,029	**1,326,960**	1,200,337
Overseas	**197,126**	91,647	**91**	3,883
	2,452,297	1,968,676	**1,327,051**	1,204,220

Note: Non-current assets exclude financial instruments.

6. OTHER INCOME

	2012	2011
	RMB'000	RMB'000
Interest income from entrusted loan contracts (Note i)	**28,897**	26,679
Interest income from consideration receivable for disposal of assets	**9,049**	10,037
Bank interest income	**9,708**	7,093
Refund of value-added tax ("VAT") (Note ii)	**12,024**	11,579
Government grants (Note iii)	**10,207**	10,429
Dividend income from available-for-sale investments	**3,987**	5,549
Rental income from investment properties	**2,953**	2,704
Others	**404**	1,567
	77,229	75,637

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

6. OTHER INCOME (Continued)

Notes:

(i) The amount represented the interest income from short-term loans advanced by the Group to third parties under entrusted loan contracts. Details of the loans are disclosed in note 20.

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

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

7. OTHER GAINS AND LOSSES

	2012 RMB'000	2011 RMB'000
Other gains and losses comprises:		
Net foreign exchange gain	**174**	9,988
Gain (loss) on disposal of property, plant and equipment	**1,055**	(133)
	1,229	9,855

8. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interest on borrowings wholly repayable within five years	**62,716**	56,202
Interest on borrowings not wholly repayable within five years	**16**	117
	62,732	56,319
Less: amounts capitalised in property, plant and equipment	**(8,392)**	(2,489)
	54,340	53,830

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.59% (2011: 5.86%) per annum to expenditures on qualifying assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

9. PROFIT BEFORE TAXATION

	2012 RMB'000	2011 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Staff costs including directors' emoluments:		
Salaries and benefits	**191,665**	138,551
Retirement benefit scheme contributions	**8,642**	6,704
	200,307	145,255
Auditor's remuneration	**2,093**	2,061
Depreciation of property, plant and equipment	**36,183**	35,096
Depreciation of investment properties	**753**	705
Release of prepaid lease payments	**1,655**	1,655
Amortisation of intangible assets (included in selling expenses, administrative expenses and research and development expenses)	**64,645**	69,443
Cost of inventories recognised as expense including allowance of inventories of RMB1,108,000 for the year ended 31 December 2012 (2011: nil)	**1,647,795**	1,372,843

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

10. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
— Current year	35,188	25,451
— (Over)underprovision in prior years	(870)	786
	34,318	26,237
Deferred taxation (note 27)		
— Current year	(2,134)	(3,144)
	32,184	23,093

Notes:

(i) Hong Kong

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

(ii) PRC

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

(a) Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiaries is exempted from PRC income tax for two years starting from its first profit-making year in 2009, followed by a 50% reduction in the applicable tax rate for the next three years. Accordingly, the subsidiary is subject to a reduced tax rate of 12.5% during the year ended 31 December 2012 (2011: 12.5%).

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

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

10. INCOME TAX EXPENSE (Continued)

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

	2012 **RMB'000**	2011 RMB'000
Profit before taxation	**355,333**	270,579
Tax at the income tax rate of 25% (2011: 25%)	**88,833**	67,645
Tax effect of expenses not deductible for tax purpose	**6,631**	4,237
Tax effect of income not taxable for tax purpose	**(1,109)**	(201)
Tax effect of tax losses not recognised	**1,426**	7,522
Utilisation of tax losses previously not recognised	**(1,057)**	—
Effect of tax concessions/exemption granted to PRC and Macao subsidiaries	**(61,670)**	(56,896)
(Over)underprovision in prior years	**(870)**	786
Tax charge for the year	**32,184**	23,093

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Details of emoluments paid or payable to each of the ten (2011: nine) directors are set out as follows:

For the year ended 31 December 2012

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

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2011

	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	—	498	—	10	508
Cao Zhao Hui (note ii)	—	549	50	17	616
Wang Xue Xin	—	549	—	17	566
Zheng Xiao Ping	—	399	30	17	446
Zeng Xin	—	469	35	17	521
Liao Xue Dong (note iv)	—	369	—	17	386
Independent non-executive directors:					
Wu Jin Ming	125	—	—	—	125
Pan Yuan	125	—	—	—	125
Hui Wing Kuen	316	—	—	—	316
	566	2,833	115	95	3,609

No directors waived any emoluments for both years.

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 is also Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended 31 December 2012 included four (2011: four) directors of the Company, details of whose emoluments are included above. The emoluments of the remaining one (2011: one) individual for the year are as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other benefits	1,275	1,149
Retirement benefit scheme contributions	11	10
	1,286	1,159

The above emoluments were within the band of HK$1,500,001 to HK$2,000,000 for current year (2011: HK$1,000,001 to HK$1,500,000).

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

	2012 RMB'000	2011 RMB'000
Dividends recognised as distribution during the year: 2011 final dividend — HK$0.15, equivalent to RMB0.122, per share (2011: 2010 final dividend HK$0.11, equivalent to RMB0.093, per share)	113,313	85,964
Dividends proposed after the end of the reporting period: 2012 final dividend — HK$0.18, equivalent to RMB0.144, per share (2011: 2011 final dividend of HK$0.15, equivalent to RMB0.122, per share)	133,822	113,365

The proposed dividend is subject to approval by the shareholders at the forthcoming annual 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:

	2012 RMB'000	2011 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**323,149**	247,486

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**929,248,812**	929,067,442
Effect of dilutive potential ordinary shares in respect of share options	**3,690,772**	5,294,669
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**932,939,584**	934,362,111

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

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 2011	581,487	6,583	126,780	26,353	22,647	4,118	767,968
Additions	16,116	1	28,992	2,764	372	124,711	172,956
Transfer	1,025	—	—	—	—	(1,025)	—
Transfer to investment properties	(29,644)	—	—	—	—	—	(29,644)
Disposals	—	(112)	(15)	(14)	—	—	(141)
Exchange realignment	(129)	(89)	—	(34)	(50)	—	(302)
At 31 December 2011	568,855	6,383	155,757	29,069	22,969	127,804	910,837
Additions	1,221	803	12,644	2,299	495	170,516	187,978
Transfer	34,542	—	266	—	—	(34,808)	—
Transfer to investment properties	(2,604)	—	—	—	—	—	(2,604)
Disposals	(3,437)	(584)	(6,957)	(398)	(1,346)	(10)	(12,732)
Exchange realignment	27	13	—	12	(1)	—	51
At 31 December 2012	**598,604**	**6,615**	**161,710**	**30,982**	**22,117**	**263,502**	**1,083,530**
DEPRECIATION							
At 1 January 2011	17,658	3,958	62,556	9,323	8,707	—	102,202
Provided for the year	10,214	573	16,767	5,292	2,250	—	35,096
Transfer to investment properties	(2,245)	—	—	—	—	—	(2,245)
Eliminated on disposals	—	—	(2)	(6)	—	—	(8)
Exchange realignment	(2)	(40)	—	(21)	(27)	—	(90)
At 31 December 2011	25,625	4,491	79,321	14,588	10,930	—	134,955
Provided for the year	10,466	975	15,807	6,794	2,141	—	36,183
Transfer to investment properties	(417)	—	—	—	—	—	(417)
Eliminated on disposals	(125)	(108)	(4,566)	(26)	(705)	—	(5,530)
Exchange realignment	1	1	—	3	(1)	—	4
At 31 December 2012	**35,550**	**5,359**	**90,562**	**21,359**	**12,365**	**—**	**165,195**
CARRYING VALUES							
At 31 December 2012	**563,054**	**1,256**	**71,148**	**9,623**	**9,752**	**263,502**	**918,335**
At 31 December 2011	543,230	1,892	76,436	14,481	12,039	127,804	775,882

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

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 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 2012, the formal titles of certain buildings with an aggregate carrying value of RMB78,989,000 (2011: RMB45,277,000) have not been granted to the Group.

(b) Prepaid lease payments

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

	2012 **RMB'000**	2011 RMB'000
Non-current assets	**70,674**	72,329
Current assets	**1,655**	1,655
	72,329	73,984

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

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

(c) Pledge of assets

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

	2012 RMB'000	2011 RMB'000
Buildings	136,213	181,966
Leasehold land	24,636	25,196
	160,849	207,162

15. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2011	9,180
Transfer from property, plant and equipment	29,644
At 31 December 2011	38,824
Transfer from property, plant and equipment	2,604
At 31 December 2012	41,428
DEPRECIATION	
At 1 January 2011	183
Provided for the year	705
Transfer from property, plant and equipment	2,245
At 31 December 2011	3,133
Provided for the year	753
Transfer from property, plant and equipment	417
At 31 December 2012	4,303
CARRYING VALUE	
At 31 December 2012	37,125
At 31 December 2011	35,691

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

15. INVESTMENT PROPERTIES (Continued)

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

The fair value of the Group's investment properties at 31 December 2012 was RMB41,051,000 (2011: RMB36,319,000). The fair value has been arrived at based on a valuation carried out by 湖南鵬程資產評估有限責任公司, independent valuers not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions.

16. GOODWILL

	RMB'000
CARRYING AMOUNT	
At 1 January 2011, 31 December 2011 and 2012	110,326

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

During each of the year ended 31 December 2011 and 2012, management of the Group determines that there is no impairment of the CGU containing goodwill.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 12.2% (2011: 7%). The cash flows beyond the 5-year period are extrapolated using a steady growth rate of 3% (2011: 5%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

17. INTANGIBLE ASSETS

	Development costs	Acquired patents, copyrights and trademarks	Acquired technology	Customer relationship and contracts	Premium on land	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2011	199,981	61,715	81,309	37,917	46,713	427,635
Additions	62,534	2,565	—	—	—	65,099
At 31 December 2011	262,515	64,280	81,309	37,917	46,713	492,734
Additions	44,713	531	—	—	—	45,244
At 31 December 2012	**307,228**	**64,811**	**81,309**	**37,917**	**46,713**	**537,978**
AMORTISATION						
At 1 January 2011	82,335	47,457	52,764	27,351	3,392	213,299
Provided for the year	37,638	7,025	16,262	7,584	934	69,443
At 31 December 2011	119,973	54,482	69,026	34,935	4,326	282,742
Provided for the year	49,459	1,402	9,920	2,930	934	64,645
At 31 December 2012	**169,432**	**55,884**	**78,946**	**37,865**	**5,260**	**347,387**
CARRYING VALUES						
At 31 December 2012	**137,796**	**8,927**	**2,363**	**52**	**41,453**	**190,591**
At 31 December 2011	142,542	9,798	12,283	2,982	42,387	209,992

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

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

17. INTANGIBLE ASSETS (Continued)

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

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

18. AVAILABLE-FOR-SALE INVESTMENTS

	2012 **RMB'000**	2011 RMB'000
Available-for-sale investments comprise:		
Equity securities listed in Hong Kong, at fair value (Note i)	**—**	13,134
Unlisted equity securities, at cost less impairment (Note ii)	**14,811**	13,035
	14,811	26,169

Notes:

(i) The entire amount of the listed securities has been disposed to an independent third party during the year ended 31 December 2012. The consideration of HK$17,265,000 (equivalent to RMB13,999,000) has not yet been received as at 31 December 2012 and included in other receivables. Such amount will be received in 2013 according to the agreement with the independent third party.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

19. LIFE INSURANCE PRODUCT

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

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

The carrying amount of the life insurance product as at 31 December 2012 approximates the Cash Value of the insurance policy and the expected life of the policy remained unchanged from the initial recognition. The entire balance of the life insurance policy is denominated in United States Dollar ("USD"), being a currency other than the functional currency of the relevant group entity.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

20. LOAN RECEIVABLES

	2012 RMB'000	2011 RMB'000
Fixed-rate loan receivables (Note i)	**330,000**	—
Variable-rate loan receivable (Note ii)	**78,200**	—
	408,200	—
Analysed as:		
Current	**330,000**	—
Non-current	**78,200**	—
	408,200	—

Notes:

(i) The amounts represent short-term loans advanced by the Group to certain independent third parties under entrusted loan contracts. During the year, the Group entered into entrusted loan contracts with several independent third parties pursuant to which short-term entrusted loans in aggregate amount of RMB330,000,000 has been advanced to them through certain banks in the PRC. These entrusted loans carry fixed interests at 12% per annum and are repayable within twelve months from the end of the reporting period.

(ii) The amount represents loan receivable due from an independent third party. The loan is repayable in 2014 and carries interest at one to three years benchmark lending rate offered by the People's Bank of China.

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 2012, 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 loans.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

21. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials	118,305	157,887
Work in progress	96,226	134,144
Finished goods	108,740	149,818
	323,271	441,849

22. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade and bills receivables	1,030,706	922,782
Less: Allowance for doubtful debts	(16,623)	(16,623)
	1,014,083	906,159
Retentions held by trade customers	129,254	87,385
Consideration receivable for disposal of assets (Note)	—	178,200
Deposits, prepayments and other receivables	262,923	356,225
	1,406,260	1,527,969

Note: The amount represented the consideration receivable for the disposal of certain assets to an independent third party in prior years. Pursuant to the agreement signed in 2010, the amount should be repayable within two years from the date of the agreement. The amount carried interest at six months benchmark lending rate offered by the People's Bank of China, and secured by the disposed assets. During the year ended 31 December 2012, an amount of RMB100,000,000 has been settled, and the counterparty has negotiated with the Group for the repayment term of the remaining RMB78,200,000. Such amount is then reclassified as a loan receivable which is repayable in 2014 (see note 20).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

22. TRADE AND OTHER RECEIVABLES (Continued)

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:

	2012 RMB'000	2011 RMB'000
0–90 days	659,420	594,764
91–180 days	195,169	195,513
181–365 days	138,808	100,025
Over 1 year	20,686	15,857
	1,014,083	906,159

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. 98% (2011: 98%) of the trade receivables that are neither past due nor impaired have good credit rating.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB20,692,000 (2011: RMB16,310,000) 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 525 days (2011: 461 days).

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

	2012 RMB'000	2011 RMB'000
Days overdue:		
0–90 days	2,258	4,049
91–180 days	6,190	4,062
181–365 days	7,566	6,409
Over 1 year	4,678	1,790
	20,692	16,310

The Group estimates the future discounted cash flow of those receivables with whom the Group has ceased business over two years and considered the receivables are not recoverable because based on historical experience receivables that are past due beyond two years are generally not recoverable.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

22. TRADE AND OTHER RECEIVABLES (Continued)

The entire balance of the allowance for doubtful debts with an aggregate balance of RMB16,623,000 at 31 December 2011 and 2012 are individually impaired trade receivables which are in severe financial difficulties.

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

	2012	2011
	RMB'000	RMB'000
Hong Kong dollars ("HKD")	**13,999**	—
USD	**19,685**	35,940
	33,684	35,940

Included in the retentions held by trade customers, amount of RMB119,655,000 (2011: RMB14,872,000) are expected to be realised after twelve months from the end of the reporting period.

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 2.80% (2011: 0.50% to 3.30%) per annum and will be released upon settlement of the relevant borrowings.

At 31 December 2012, pledged bank deposits of the Group amounting to RMB8,800,000 (2011: Nil) were denominated in USD, being a currency other than the functional currency of the relevant group entities.

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 2.60% (2011: 0.01% to 3.60%) per annum and have original maturity of three months or less.

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

	2012 RMB'000	2011 RMB'000
HKD	9,743	5,160
USD	25,841	19,214
	35,584	24,374

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:

	2012 RMB'000	2011 RMB'000
Trade and bills payables		
0–90 days	551,240	487,484
91–180 days	226,010	263,255
181–365 days	12,948	12,399
Over 1 year	10,095	5,644
	800,293	768,782
Other payables	209,948	159,079
	1,010,241	927,861

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

24. TRADE AND OTHER PAYABLES (Continued)

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

	2012 RMB'000	2011 RMB'000
HKD	**6,968**	3,041
USD	**2,000**	2,000
	8,968	5,041

25. BORROWINGS

	2012 RMB'000	2011 RMB'000
Bank loans and trust receipt loans	**605,562**	1,088,953
Analysed as:		
Secured	**72,510**	205,700
Unsecured	**533,052**	883,253
	605,562	1,088,953

25. BORROWINGS (Continued)

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

	2012 Fixed-rate borrowings RMB'000	2012 Floating-rate borrowings RMB'000	2012 Total RMB'000	2011 Fixed-rate borrowings RMB'000	2011 Floating-rate borrowings RMB'000	2011 Total RMB'000
Within one year	**56,197**	**492,054**	**548,251**	111,345	588,690	700,035
More than one year, but not exceeding two years	**—**	**49,391**	**49,391**	—	331,391	331,391
More than two years, but not exceeding five years	**—**	**6,791**	**6,791**	—	54,119	54,119
More than five years	**—**	**1,129**	**1,129**	—	3,408	3,408
	56,197	**549,365**	**605,562**	111,345	977,608	1,088,953
Less: Amounts due within one year shown under current liabilities	**(56,197)**	**(492,054)**	**(548,251)**	(111,345)	(588,690)	(700,035)
Amounts due after one year	**—**	**57,311**	**57,311**	—	388,918	388,918

The variable-rate borrowings carry interest at the benchmark lending rate offered by the People's Bank of China, London Interbank Offer Rate or such interest rates 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:

	2012	2011
Effective interest rate:		
Fixed-rate borrowings	**2.31% to 5.60% per annum**	4.42% to 7.35% per annum
Variable-rate borrowings	**1.50% to 7.45% per annum**	1.50% to 7.22% per annum

At 31 December 2012, borrowings of the Group amounting to RMB214,552,000 (2011: RMB266,252,000) 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 2012

25. BORROWINGS (Continued)

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

	2012 RMB'000	2011 RMB'000
Expiring within one year	561,502	416,212
Expiring over one year	227,182	119,744
	788,684	535,956

26. SHARE CAPITAL OF THE COMPANY

Ordinary shares of HK$0.01 each:

	Number of shares	Nominal value HK$'000
Authorised		
At 1 January 2011, 31 December 2011 and 31 December 2012	100,000,000,000	1,000,000

	Number of shares	Nominal value RMB'000
Issued and fully paid		
At 1 January 2011	928,868,675	9,406
Issue of shares upon exercise of share options (Note)	350,000	3
At 31 December 2011	929,218,675	9,409
Issue of shares upon exercise of share options (Note)	100,000	1
At 31 December 2012	929,318,675	9,410

Note: During the year, 100,000 (2011: 350,000) 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 28 with proceeds of approximately HK$223,000 (equivalent to approximately RMB182,000) (2011: HK$779,000 (equivalent to approximately RMB649,000)).

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 2011	17,708
Credit to profit or loss	
— release upon amortisation of intangible assets	(3,144)
At 31 December 2011	14,564
Credit to profit or loss	
— release upon amortisation of intangible assets	(2,134)
At 31 December 2012	12,430

As at 31 December 2012, the Group had unused tax losses of RMB44,239,000 (2011: RMB45,914,000). 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 RMB806 million (2011: RMB787 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 2012

28. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

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

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

As at 31 December 2012, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 22,533,000 (2011: 22,633,000), representing approximately 2.4% (2011: 2.4%) of the then issued share capital of the Company.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option scheme (Continued)

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

Category	Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.1.2011	Exercised during the year	Outstanding at 31.12.2011	Granted during the year	Exercised during the year	Cancelled lapsed during the year	Reclassification during the year	Outstanding at 31.12.2012
Directors	23.2.2006	23.2.2008 to 22.2.2016	2.225	8,200,000	(100,000)	8,100,000	–	–	–	(800,000)	7,300,000
Employees/ Consultants	23.2.2006	23.2.2008 to 22.2.2016	2.225	4,873,000	(250,000)	4,623,000	–	(100,000)	–	800,000	5,323,000
	7.2.2007	7.2.2009 to 6.2.2017	3.200	3,035,000	–	3,035,000	–	–	–	–	3,035,000
	7.2.2007	7.2.2010 to 6.2.2017	3.200	6,875,000	–	6,875,000	–	–	–	–	6,875,000
	11.4.2012	11.4.2014 to 10.4.2022	3.600	–	–	–	6,500,000	–	(6,500,000)	–	–
	11.4.2012	11.4.2015 to 10.4.2022	3.600	–	–	–	6,500,000	–	(6,500,000)	–	–
				14,783,000	(250,000)	14,533,000	13,000,000	(100,000)	(13,000,000)	800,000	15,233,000
Total				22,983,000	(350,000)	22,633,000	13,000,000	(100,000)	(13,000,000)	–	22,533,000
Exercisable at year end						22,633,000					22,533,000
Weighted average exercise price (HK$)				2.645	2.225	2.652	3.600	2.225	3.600	2.225	2.654

For the year ended 31 December 2012, the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$2.83 (2011: HK$3.85).

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

29. 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 RMB'000	2011 RMB'000
Financial assets		
Loans and receivables:		
Loan receivables	**408,200**	—
Life insurance product	**20,387**	20,284
Trade and other receivables	**1,183,042**	1,241,091
Amounts due from related parties	**21,376**	20,970
Pledged bank deposits	**155,703**	213,711
Bank balances and cash	**585,986**	986,908
	2,374,694	2,482,964
Available-for-sale financial assets:		
Available-for-sale investments	**14,811**	26,169
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	**838,703**	784,140
Borrowings	**605,562**	1,088,953
	1,444,265	1,873,093

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, the deposit component of the life insurance product, 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.

30. 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 product, 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
HKD	**23,742**	5,160	**6,968**	3,041
USD	**74,713**	75,438	**216,552**	268,252
	98,455	80,598	**223,520**	271,293

Sensitivity analysis

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

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

	HKD		USD	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit for the year	**(839)**	(106)	**7,092**	9,641

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

30. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate loan receivable (see note 20), bank balances (see note 23) and 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 fixed rate loan receivables (see note 20), pledged bank deposits (see note 23) and 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 Offer Rate arising from the Group's loan receivables, bank balances and RMB borrowings and USD borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates of loan receivable, bank balances and borrowings. The analysis is prepared assuming the amount of the outstanding at the end of reporting period was outstanding for the whole year. A 10 basis points (2011: 10 basis points) increase or decrease for bank balances and 50 basis points (2011: 50 basis points) for loan receivables and borrowings are used and represents management's assessment of the reasonably possible change in interest rates for the two years ended 31 December 2012.

If interest rates had been 10 or 50 basis points higher/lower, as appropriate, and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would decrease/increase by RMB1,770,000 (2011: RMB3,027,000). This is mainly attributable to the Group's exposure to interest rates on its loan receivables, bank balances and variable-rate borrowings.

(iii) Equity price risk

The Group is exposed to equity price risk through its available-for-sale investments in listed equity securities (see note 18). The Group's equity price risk is mainly concentrated on the listed equity instrument operating in the power supply industry sector quoted in the Stock Exchange.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate applied is 5% in the year ended 31 December 2011. No sensitivity analysis is performed in the year ended 31 December 2012, as all the listed investment has been disposed during the year.

For the year ended 31 December 2011, if the prices of the respective equity instruments had been 5% higher/lower, investment valuation reserve would increase/decrease by RMB657,000 for the Group as a result of the changes in fair value of the listed equity securities classified as available-for-sale investments.

30. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

As at 31 December 2012, 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 20 are concentrated on 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 98% (2011: 96%) of the total trade receivables at the end of the reporting period.

Liquidity risk

The Group has net current assets amounting to RMB1,203,400,000 at 31 December 2012 (2011: RMB1,536,593,000). 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

30. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

The following table details the Group's contractual maturity for its financial liabilities based on the agreed repayment terms. The table for non-derivative financial liabilities has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

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

	Weighted average interest rate	Less than 90 days RMB'000	91 to 180 days RMB'000	181 to 365 days RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2011 RMB'000
2011									
Non-derivative financial liabilities									
Trade and other payables	—	483,633	192,867	82,930	24,710	—	—	784,140	784,140
Borrowings	4.56%	317,121	231,054	170,455	348,348	56,925	3,630	1,127,533	1,088,953
		800,754	423,921	253,385	373,058	56,925	3,630	1,911,673	1,873,093

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.

30. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

As at 31 December 2011, the fair value of available-for-sale investments traded in active liquid market was determined with reference to quoted market bid price (i.e. level 1 fair value measurement under HKFRS 7 in the prior year).

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

31. CAPITAL COMMITMENTS

	2012 **RMB'000**	2011 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**12,852**	140,929

In September 2012, the Group has signed an agreement with an independent third party to establish an entity in which the Group will invest approximately RMB20,000,000, which represent 40% equity interest of that entity.

32. OPERATING LEASE

The Group as lessee

	2012 **RMB'000**	2011 RMB'000
Minimum lease payments paid under operating leases during the year in respect of rented premises	**4,367**	5,600

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

32. OPERATING LEASE (Continued)

The Group as lessee (Continued)

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:

	2012 RMB'000	2011 RMB'000
Within one year	**2,307**	3,281
In the second to fifth year inclusive	**651**	1,827
	2,958	5,108

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.

The Group as lessor

Property rental income earned during the year was RMB2,953,000 (2011: RMB2,704,000). The property is expected to generate rental yields of 8.0% (2011: 7.6%) on an ongoing basis. All of the properties held have committed tenants for the next two (2011: three) years.

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

	2012 RMB'000	2011 RMB'000
Within one year	**2,148**	1,931
In the second to fifth year inclusive	**3,472**	5,302
	5,620	7,233

33. RELATED PARTY DISCLOSURES

(a) Transaction

Company	Transaction	2012 RMB'000	2011 RMB'000
Hunan Widefar Information Technology Co., Ltd (Note)	Rental income received	**781**	391

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

(b) Balances

Particulars of amounts due from related parties

			Maximum amounts outstanding for the year ended 31 December	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Companies beneficially owned and controlled by certain directors of the Company	**21,376**	20,970	**21,432**	21,338

The amounts are unsecured, interest-free and expected to be recovered after twelve months from the end of the reporting period (2011: within one year).

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

	2012 RMB'000	2011 RMB'000
Short-term benefits	**4,942**	4,663
Retirement benefit scheme contributions	**98**	105
	5,040	4,768

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

33. RELATED PARTY DISCLOSURES (Continued)

(d) Guarantees

The Company is a party to certain bank facilities that include conditions specifying, among other things, the minimum equity interest of the Company to be held, directly or indirectly, by Mr. Ji and any breach of such obligation will cause a default in respect of the loans. At 31 December 2012, bank borrowings under such facilities amounted to RMB141,383,000 (2011: RMB189,220,000) has been drawn.

34. 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 RMB8,642,000 (2011: RMB6,704,000) charged to profit or loss represents contribution paid or payable to the above retirement benefit plans by the Group for the year.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012

35. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up/issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly 2012	Directly 2011	Indirectly 2012	Indirectly 2011	Principal activities
Oceanbase Group Limited	BVI/Hong Kong	US$1,000,000	100%	100%	—	—	Investment holding
Power Well Creation Limited	Hong Kong	HK$2	100%	100%	—	—	Investment holding
Changsha Wasion Industrial Investment Company Limited ("Wasion Industrial") (note i)	The PRC	RMB60,000,000	—	—	100%	100%	Investment holding
Changsha Weisheng Energy Industrial Technology Company Limited ("Weisheng Energy") (note ii)	The PRC	HK$50,000,000	—	—	100%	100%	Development, manufacture and sale of energy saving products
Changsha Weisheng Import and Export Trading Company Limited ("Weisheng Import and Export") (note i)	The PRC	RMB10,000,000	—	—	100%	100%	Trading of power meters
Changsha Weisheng Information Technology Company Limited ("Weisheng Information") (note ii)	The PRC	RMB270,000,000	—	—	100%	100%	Development, manufacture and sale of power meters, data collection terminals and related services
Gam Sheng Macao Commercial Offshore Limited	Macao	MOP1,000,000	—	—	100%	100%	Trading of electronic components
Hunan Weike Power Meters Company Limited ("Hunan Weike") (note ii)	The PRC	HK$100,000,000	—	—	100%	100%	Development, manufacture and sale of power meters
Hunan Weiming Technology Co., Ltd. ("Hunan Weiming") (note ii)	The PRC	HK$50,000,000	—	—	100%	100%	Development, manufacture and sale of water, gas and heat meters
Wasion Group Limited ("Changsha Weisheng") (note iii)	The PRC	RMB600,000,000	—	—	100%	100%	Development, manufacture and sale of power meters
Wasion Technology Shenzhen Company Limited ("Wasion Shenzhen") (note i)	The PRC	RMB10,000,000	—	—	100%	100%	Development and sale of power meters

Notes:

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

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

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

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

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

Information of the Statement of Financial Position of the Company

Information of the statement of financial position of the Company as at 31 December 2012 and 2011:

	2012 RMB'000	2011 RMB'000
Investments in subsidiaries	200,347	200,347
Amounts due from subsidiaries	1,213,729	1,332,619
Other assets	21,996	78,954
	1,436,072	1,611,920
Total liabilities	(158,255)	(207,954)
	1,277,817	1,403,966
Share capital	9,410	9,409
Reserves (Note)	1,268,407	1,394,557
	1,277,817	1,403,966

Note:

Reserves:

	Total reserves RMB'000
At 1 January 2011	1,221,639
Profit and total comprehensive income for the year	258,236
Issue of shares upon exercise of share options	646
Dividend recognised as distribution	(85,964)
At 31 December 2011	1,394,557
Loss and total comprehensive income for the year	(13,018)
Issue of shares upon exercise of share options	181
Dividend recognised as distribution	(113,313)
At 31 December 2012	1,268,407

Financial Summary

RESULTS

	Year ended 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Profit for the year, attributable to owners of the Company	261,530	262,041	191,233	247,486	**323,149**

ASSETS AND LIABILITIES

	As at 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Total assets	2,543,842	3,176,027	3,614,965	4,445,028	**4,265,893**
Total liabilities	(1,158,739)	(1,028,152)	(1,380,268)	(2,059,951)	**(1,669,216)**
	1,385,103	2,147,875	2,234,697	2,385,077	**2,596,677**
Equity attributable to:					
Owners of the Company	1,385,103	2,147,875	2,234,697	2,384,677	**2,596,277**
Non-controlling interest	—	—	—	400	**400**
	1,385,103	2,147,875	2,234,697	2,385,077	**2,596,677**