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

Interim Report 2013

Contents

Corporate Information

Executive Directors

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

Independent Non-Executive Directors

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

Company Secretary

Mr. Choi Wai Lung Edward *FCCA, FCPA*

Authorised Representatives

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Principal Bankers

In Hong Kong:

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

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

China Construction Bank
Bank of Communications

Legal Adviser

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

Auditor

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

Registered Office

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

Principal Place of Business

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Company Website

www.wasion.com

Stock Code

3393

Corporate Profile

Leading Energy Measurement and Total Solution Provider

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

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

Financial Review

Financial Highlights

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Turnover	**1,147,543**	1,098,491
Gross profit	**380,217**	335,704
Profit from operations	**188,593**	170,316
Net profit	**167,588**	127,578
Total assets	**4,440,448**	4,338,183
Shareholders' equity attributable to owners of the Company	**2,636,089**	2,403,041
Basic earnings per share (RMB cents)	**18.0**	13.7
Diluted earnings per share (RMB cents)	**17.9**	13.7

Key Financial Figures

	Six months ended 30 June	
	2013	2012
Gross profit margin	**33%**	31%
Operating profit margin	**16%**	16%
Net profit margin	**15%**	12%
Trade receivable turnover period (Days)	**210**	180
Inventory turnover period (Days)	**68**	99
Trade payable turnover period (Days)	**183**	183
Gearing ratio (Net borrowings divided by shareholders' equity)	**15%**	21%
Interest coverage (Profit before finance costs and tax divided by finance costs)	**15.56**	5.55

Turnover

During the period under review, turnover increased by 4% to RMB1,147.54 million (six months ended 30 June 2012 ("Period 2012"): RMB1,098.49 million).

Gross Profit

The Group's gross profit increased by 13% to RMB380.22 million for the six months ended 30 June 2013 (Period 2012: RMB335.70 million). The overall gross profit margin is 33% in the first half of 2013 (Period 2012: 31%).

Other Income

The other income of the Group amounted to RMB47.67 million (Period 2012: RMB39.15 million) which was mainly comprised of interest income, dividend income and government subsidy.

Operating Expenses

In the first half of 2013, the Group's operating expenses amounted to RMB239.22 million (Period 2012: RMB203.79 million). The increase in operating expenses was mainly due to the increase in selling expenses and expenditure on research and development. Operating expenses accounted for 21% of the Group's turnover in the first half of 2013, representing an increase of 2% as compared with 19% in the first half of 2012.

Finance Costs

For the six months ended 30 June 2013, the Group's finance costs amounted to RMB13.04 million (Period 2012: RMB30.71 million). The decrease was attributable to the decrease of bank borrowings during the period.

Profit Before Finance Costs and Tax

Profit before finance costs and tax for the six months ended 30 June 2013 amounted to RMB202.92 million (Period 2012: RMB170.32 million), representing an increase of 19% as compared with the same period of last year.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2013 grew by 31% to RMB167.59 million (Period 2012: RMB127.58 million) as compared with the corresponding period of last year.

Capital Structure

For the six months ended 30 June 2013, two directors and one employee have exercised 1,850,000 share options at an exercise price of HK$2.225 and 150,000 share options at an exercise price of HK$3.200 under which the issued and fully paid share capital of the Company has been increased by HK$20,000.

Liquidity and Financial Resources

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

As at 30 June 2013, the Group's current assets amounted to approximately RMB2,770.26 million (31 December 2012: RMB2,802.88 million), with cash and cash equivalents totaling approximately RMB190.13 million (31 December 2012: RMB585.99 million).

As at 30 June 2013, the Group's total bank loans amounted to approximately RMB750.42 million (31 December 2012: RMB605.56 million), of which RMB555.97 million (31 December 2012: RMB548.25 million) will be due to repay within one year and the remaining RMB194.45 million (31 December 2012: RMB57.31 million) will be due after one year. Net book value of the Group's pledged assets for the bank loans was approximately RMB159.30 million (31 December 2012: RMB160.85 million). In the first half of 2013, the interest rate for the Group's bank borrowings ranged from 1.44% to 6.00% per annum (31 December 2012: 1.50% to 7.45% per annum).

The gearing ratio (total borrowings divided by total assets) increased from 14% on 31 December 2012 to 17% on 30 June 2013.

Exchange Rate Risk

Most of the businesses of the Group are settled in Renminbi, which is not freely convertible into foreign currencies. Since the amount of foreign currency of the Group used to purchase raw materials exceeded the amount of foreign currency earned from exports, the appreciation of Renminbi during the period did not have any adverse effect on the Group's results. During the period 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 30 June 2013, the Group had 3,506 (31 December 2012: 3,444) staff. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB110.98 million in the first half of 2013 (Period 2012: RMB90.69 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 RMB1.80 million for the six months ended 30 June 2013 (Period 2012: RMB1.65 million).

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

Share Option Scheme

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 26 November 2005 whereby the Directors are authorised, at their discretion, to invite eligible participants, including directors of any company in the Group, to take up options to subscribe for ordinary shares in the Company.

The exercise price of options granted, as specified in the rules governing the Share Option Scheme, is to be not less 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 the 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 offer of grant of the options and the nominal value of an ordinary share of the company. For acceptance of options granted by the Company, an eligible participant is required to duly sign the duplicate offer document constituting acceptance of the options and remit HK$1 to the company within 30 days from the date of receiving the offer of the options.

The movements in the Company's share options during the period are as follows:

Name and category of participants	Number of share options: As at 1 January 2013	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 June 2013	Date of grant of share options	Vesting period of share options	Exercise period of share options	Exercise price of share options* HK$	Share price of the Company as at the date of the grant of share options** HK$
Directors										
Wang Xue Xin	1,900,000	—	(950,000)	—	950,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Cao Zhao Hui	1,600,000	—	—	—	1,600,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Zeng Xin	1,500,000	—	—	—	1,500,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Zheng Xiao Ping	1,600,000	—	(800,000)	—	800,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Li Hong	400,000	—	—	—	400,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Hui Wing Kuen	100,000	—	—	—	100,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Pan Yuan	100,000	—	—	—	100,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Wu Jin Ming	100,000	—	—	—	100,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Sub-total	7,300,000	—	(1,750,000)	—	5,550,000					
Other employees	5,323,000	—	(100,000)	—	5,223,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Other employees	3,035,000	—	(75,000)	—	2,960,000	7 February 2007	7 February 2007 to 6 February 2009	7 February 2009 to 6 February 2017	3.200	3.200
Other employees	6,875,000	—	(75,000)	—	6,800,000	7 February 2007	7 February 2007 to 6 February 2010	7 February 2010 to 6 February 2017	3.200	3.200
Sub-total	15,233,000	—	(250,000)	—	14,983,000					
Total	22,533,000	—	(2,000,000)	—	20,533,000					

* *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.*

The valuation was conducted based on the binomial model with the following data and assumptions:

Grant date	23 February 2006	23 February 2006	7 February 2007	7 February 2007	7 February 2007	7 February 2007
Fair value per share option	HK$0.835	HK$0.697	HK$1.255	HK$1.301	HK$1.001	HK$1.104
Expected volatility	45% per annum	45% per annum	40% per annum	40% per annum	40% per annum	40% per annum
Expected life	7.74 years	5.80 years	7.24 years	7.69 years	5.04 years	5.93 years
Expected dividend	4.5% per annum	4.5% per annum	2% per annum	2% per annum	2% per annum	2% per annum
Risk-free rate of interest	4.15% per annum	4.12% per annum	4.23% per annum	4.23% per annum	4.20% per annum	4.21% per annum
Rate of leaving service	Nil	5% per annum	Nil	Nil	8% per annum	8% per annum

The binomial model was developed to value option plans which contain vesting and performance conditions. Such option pricing model requires input of highly subjective assumptions, including the expected volatility of the Company's share price which was determined with reference to the historical movements of the share prices of the Company and its comparators. Changes in subjective input assumptions could materially affect the fair value estimate. The binomial model does not necessarily provide a reliable measure of the fair value of share options.

Acquisitions and Disposals

On 16 May 2013, the Group acquired the entire share capital of Sparkle Light Investments Limited ("Sparkle Light") at a total consideration which in any event will not exceed RMB150,000,000. The whole asset of Sparkle Light is its 100% equity interest in Changsha Vitae Plastic Technology Co., Ltd. ("Vitae") which is principally engaged in the development, manufacture and sale of plastic and metal moulds, electric products, transformers and sensors. The purpose of the acquisition is to strengthen the Group's market position, improve the vertical development of supply chain and enjoy synergy effect with Vitae.

On 24 June 2013, the Group has disposed 99% of the equity interest of a wholly-owned subsidiary, Changsha Wasion Industrial Investment Company Limited to an independent third party, at a consideration of RMB70,000,000.

Charge on Assets

As at 30 June 2013, the pledge deposits are denominated in Renminbi and Hong Kong dollars and are pledged to banks as security for bills facilities granted to the Group. In addition, the Group's land and buildings are pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 30 June 2013, the capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial information amounted to RMB7.30 million (31 December 2012: RMB12.85 million).

Contingent Liabilities

As at 30 June 2013, the Group had no material contingent liabilities.

Market Review

The smart meter is the core component of the development of smart grid strategy, State Grid Corporation of China (hereinafter referred to as the "State Grid") plans to achieve "Full Coverage, Collection and Tariff Control" over all users within the direct-supply and direct-management areas during the period of "Twelfth Five-Year Plan". By the end of 2012, State Grid had already accumulated 184 million tendered smart meters. It is expected by 2015, there will be 451 million households in our country. If each has a smart meter installed, there will be demand for installing 511 million smart meters, among which the demand for product replacement would be 59 million. As State Grid has over 300 million household users, it still needs to purchase a total of 420 million smart meters through tender by 2015, of which only less than half is completed at present. Along with the gradual implementation of the new phase of upgrade and transformation project for the grids in rural areas, the demand for smart meters and power information collecting system products will remain high.

A resource-conserving society demands the usage of smart measurement equipment. In carrying out policies of escalating water pricing, gas price and household heat metering, the traditional mechanic liquid measurement equipment cannot satisfy the need for the measurement by phases. When compared with power meters, since the downstream users are scattered, the development of intelligent and information technology of other energy measurement meters began relatively late. However, the rise in labor cost, the acceleration of informational construction and the demand for resource-conserving fee measurement by phases all drive the steady development of smart measurement equipment meters. It is expected that the overall annual average compound growth rate of water meters, gas meters and heat meters will reach approximately 20%, 10% and 33% respectively during the period of "Twelfth Five-Year Plan", of which the growth rate of smart gas meters and smart water meters will reach around 30%, which is higher than the growth rate of the relevant meters as a whole. During the process, the leading corporations with higher market share, strong technology expertise and higher price-performance ratio will excel and achieve a much higher growth rate than that of the whole industry.

As energy saving and emission reduction has become a long-term state policy of the country, the compulsory requirements of energy saving and emission reduction will be very favorable in turning 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 to promote the development of energy efficiency business both in scale and to a higher level.

At present, smart grid has already become the latest focal point of the development and transformation of electricity system, and is considered as a significant technology innovation and development trend of electricity system of the 21st century. Experts estimated that as the integral parts of smart grids, 760 million smart power meters will be installed by 2013, and smart grids will cover 80% of the world population by 2020. Large-scale global smart grid construction will generate higher market demand for smart power meters, and create good market conditions for the exported goods of China's smart power meters manufacturers. In addition, as the technical standards, production and research and development capabilities can already satisfy different demands from the international market and the price competitiveness is obvious, smart power meters manufactured in China possess relatively stronger competitiveness in the international market.

Business Review

Domestic Markets

Two tenders were organized by the State Grid in the first half of 2013 with the aggregate volume of the tenders reaching approximately 52.06 million units. With our superior comprehensive strengths in brand name, technology, market share, quality, business scale as well as management, Wasion Group has consistently performed well in the two tenders, the aggregate amount of the tender contracts that we won reached RMB514 million. China Southern Power Grid Co., Ltd. (hereinafter referred to as the "Southern Grid") is expected to purchase approximately 5.87 million units through tenders in 2013 and has organized a tender in the first half of the year, through which Wasion Group won signed and contracted agreement amounted to RMB88.25 million. The Group reacts proactively towards the market structure transformation brought along by the centralized procurement. In the first half of 2013, on the basis of ensuring that a dominating market share in centralized procurement can be obtained, the Group focused on consolidating and promoting the continuous development of the power retail business. Meanwhile, measures such as reducing costs and improving operating efficiencies enabled the Group to maintain sound profitability.

In the first half of 2013, the Group actively acquired customers in water industry, and continuously increased the proportion of industry customers (such as water companies) in our business. During the period, the Group's business cooperation with water companies developed rapidly and the expansion of tap water businesses in regions across the country from Guangdong in the South to Inner Mongolia in the north achieved breakthrough. At the same time, the Group started to supply to various key water companies such as Changsha Water Company and Guangzhou Water Company in batches and proceeded with the construction of their smart distant centralized meter-reading projects. Through continuously venturing into gas markets of local municipalities and counties, our gas measurement business successfully acquired various well-established agencies, and continued to conduct in-depth communication and cooperation with the headquarters of several leading gas groups, as well as establishing a strong market base. With the gradual expansion of input in heating measurement by the State, the Group further improved the heating measurement products and solutions in the first half of the year. The Group also strengthened efforts into the market and improved the preparation work of entering into markets across the country in order to lay down the foundation for the subsequent growth of the heating measurement business.

The Group repositioned and reshaped the energy efficiency management business in the beginning of 2013, and positioned the energy efficiency management business as modern service industry. It is committed to become a regional leading energy service provider and a large-scale, comprehensive energy saving services provider. In this respect, the energy efficiency business of the Group promoted the management and energy-saving businesses such as energy consumption monitoring and energy measurement steadily in the first half of 2013, while the Group expanded to the fields of comprehensive improvement and operational management of energy saving for heat supply systems and the improvement and operational management of distributed energy systems. The Group had already carried out in-depth research and inspection on heat supply in northern provinces, selected projects with quality, and established strategic cooperation relationship with domestic large-scale power generation groups and leading technology and equipment suppliers, so as to develop pilot works and jointly promote comprehensive energy saving business for heat supply systems.

Electronic Power Meters

During the period under review, the sales of electronic power meters remained as the major source of revenue of the Group. Turnovers from the sales of single-phase electronic power meters and three-phase electronic power meters for the six months ended 30 June 2013 amounted to RMB477.33 million and RMB322.12 million respectively and contributed to 42% and 28% of the Group's total turnover respectively (Period 2012: 52% and 25% respectively).

Data Collection Terminals

In the first half of 2013, revenue from sales of data collection terminals amounted to RMB295.46 million, representing an increase of 39% as compared to the corresponding period of the previous year and accounted for 26% (Period 2012: 19%) of the Group's total turnover.

Fluid Measurement Business

In the first half of 2013, the sales revenue from the fluid measurement business, including the sales of water, gas, and heat meters, amounted to RMB35.23 million, increased by 21% as compared to the corresponding period of the previous year and contributed to 3% of the total Group's turnover (Period 2012: 3%)

System and Energy Efficiency Business

The revenue from the system and energy efficiency business in the first half of 2013 was RMB17.40 million, increased by 118% as compared to the corresponding period of the previous year and accounted for 1% of the total turnover (Period 2012: 1%).

International Market

In the first half of 2013, the Group has realized overseas sales income of RMB38.80 million, decreased by 75% as compared to the Period 2012. Several orders of the Group did not deliver as scheduled at the beginning of the year due to the outburst of political unrest in Egypt and the tender delay in Indonesia and Tanzania during the first half of the year. Meanwhile, the Group explored new markets, such as Southern Africa, Kyrgyzstan and Kazakhstan, in the first half of 2013, as well as realized breakthrough of water meter products in Brazil and Mexico markets.

Research and Development

Leveraging on the core corporate value of "Continual Innovation Contributing to Wasion's Centennial History", in the first half of this year, the Research and Development Department of the Group focused its work on the transformation of the established research achievements, development of new products and research of new technologies, and maintaining high research and development input. The Group's research and development expenses for the first half of 2013 (including the capitalization part) amounted to RMB88.05 million, representing 7.7% of the total turnover of the Group (Period 2012: 7.6%).

In order to further enhance the research and development capacity of the Group, the Group signed a strategic cooperation agreement with Huazhong University of Science and Technology in January 2013, and established the "Joint Energy-Metering and Energy-Saving Laboratory", and commenced numerous technical cooperation in electricity and electron through this platform.

In addition, Smart Metering Solutions (Changsha) Co. Ltd., the associate co-established by the Group and Siemens, commenced operation in April 2013. Both parties will jointly accomplish the design, research and development and production of new products, in order to provide strong support for the sustainable growth of the Group's domestic and overseas businesses.

Prospect

In the second half of 2013, the State Grid will organize two centralized tender procurements, the estimated volume of the tenders will be approximately more than 30 million units. Various power grid companies will continue to maintain the application scale of smart meter. At the same time, the demand for data collection terminal will also maintain at high level, meanwhile, the power grid companies will pay more attention to the product quality and services capability, and the purchase prices will go up steadily. Various power grid companies under the Southern Grid will also continue to promote the application scale of smart meters, and will organize the second centralized tender procurement in the second half of the year. It is expected that the tender volume will maintain at a similar level as the second half of 2012. For the retail business, the Group will continue the business development pattern for the first half of the year, meanwhile, the promotion of new products and cooperative business will also achieve much more progress.

In the second half of the year, the Group's strategy towards the power markets will still be ensuring that we can secure stable market shares in the centralized procurement tenders of the State Grid and the Southern Grid and the procurement tenders of power companies in different provinces. The Group will also continue to step up our efforts to provide key support to the power retailing markets, local power markets, and large enterprise customer markets, which generate high gross profit, so as to strengthen and promote the development of retail business. We will further reinforce the establishment of sales channel network, in order to optimize the business structure of the Group and boost profit.

As one of the core elements of the investment in intelligent technology, the automation system of the distribution network within the area of smart power distribution and the corresponding pilot distribution network integrated management system began to progress well since the second half of last year. With the further promotion of transformation plan of the grids in rural areas and the continuous rise in urbanization rate, the intellectualization of power distribution network will be the key investment area in the coming years. As the intellectualization of power distribution transforms the systematic integration capabilities of the corresponding corporations, the demand on experience in large-scale construction projects and integration ability of software and hardware becomes higher, therefore, only large-scale corporations which possess primary and secondary facilities and systems for producing distribution network will be benefited. In addition, if the automatic transformation of distribution network is in the form of turnkey in the future, market centralization will further increase. According to the above analysis, the Group will grasp the opportunities to increase its investment in power distribution network market.

For water, gas and heat smart meter businesses, the Group will fully leverage on the experience and guidance from customers in such industries and actively seek to participate in the construction of key projects. Through closely aligning with the implementation of the escalating water price and gas price policies and in response to market demands such as heat measurement reform, the Group will accelerate the improvement of its product mix and promptly establish a model market for industry solution by utilizing its advantage in system integration. With the gradual launching of newly-developed small and large gauge full-electronic water, gas and heat meters, a solid foundation for the growth in fluid measurement business of the Group in the second half of the year was laid.

For the energy efficiency management business, through the strategic cooperation with our cooperative partners, the Group 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. The energy efficiency business still need continuous inputs and optimization in the establishment of business model and core capacity, cultivation of talents, as well as internal business control standard and procedure, etc.

As for the overseas market, the Group has three major operation directions for the second half of the year, the first one is to persist in developing the AMI-oriented marketing strategy and to expedite the marketization of products; the second direction is to enlarge its efforts on developing the existing market segments, such as the sales of agricultural irrigation products in Bangladesh, power-consumption monitoring products used by Tanzania industrial users, the new American Standard meter model in Dominican Republic, the pre-dominated small mobile communication products in the Vietnam and Iraq markets, etc.; the third direction is to enlarge its efforts on market development of water meter and gas meter products, and to increase the overseas market sales of relevant products.

Looking forward, both domestic and international markets will have strong and huge demand for advanced energy metering and energy efficiency management products, solutions and services. In this respect, Wasion will follow our motto of operation which is "Perfect Work with Passion and Success Achieved with Integrity" to accomplish our goal of becoming an energy metering and energy saving expert.

Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

Directors' Interests in Shares and Underlying Shares

At 30 June 2013, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange 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	52.28%
Wang Xue Xin	Beneficial owner *(Note 2)*	2,662,000	0.29%
Cao Zhao Hui	Beneficial owner	400,000	0.04%
Zeng Xin	Beneficial owner	500,000	0.05%
Zheng Xiao Ping	Beneficial owner *(Note 2)*	2,662,000	0.29%
Hui Wing Kuen	Beneficial owner	500,000	0.05%
Pan Yuan	Beneficial owner	100,000	0.01%
Wu Jin Ming	Beneficial owner	100,000	0.01%

Notes:

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

(2) 1,462,000 shares and 1,200,000 shares are held by Mr. Wang Xue Xin and Ms. Zheng Xiao Ping respectively. Ms. Zheng Xiao Ping is the spouse of Mr. Wang Xue Xin.

(b) Share options

Name of Director	Number of options to subscribe for shares	Capacity	Number of underlying ordinary shares	Percentage of the issued share capital of the Company
Wang Xue Xin	950,000	Beneficial owner	950,000	0.10%
Cao Zhao Hui	1,600,000	Beneficial owner	1,600,000	0.17%
Zeng Xin	1,500,000	Beneficial owner	1,500,000	0.16%
Zheng Xiao Ping	800,000	Beneficial owner	800,000	0.09%
Li Hong	400,000	Beneficial owner	400,000	0.04%
Hui Wing Kuen	100,000	Beneficial owner	100,000	0.01%
Pan Yuan	100,000	Beneficial owner	100,000	0.01%
Wu Jin Ming	100,000	Beneficial owner	100,000	0.01%

Other than as disclosed above, none of the directors, chief executives nor their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 30 June 2013.

Substantial Shareholders

As at 30 June 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in shares and underlying shares" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

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

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued capital of the Company
Ji Wei	Interest in controlled corporation	486,888,888	52.28%
Star Treasure	Beneficial owner	486,888,888	52.28%
JPMorgan Chase & Co.	Interest in controlled corporation *(Note)*	46,767,028	5.02%

Note: JPMorgan Chase & Co. wholly owns JPMorgan Chase Bank, N.A., which holds the 46,767,028 shares.

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 30 June 2013.

Audit Committee

The audit committee of the Company (the "Audit Committee") is responsible for assisting the board of directors (the "Board") in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties as assigned by the Board.

All the members of the Audit Committee are independent non-executive directors of the Company.

The interim results of the Group for the six months ended 30 June 2013 have been reviewed by the auditors of the Company, Deloitte Touche Tohmatsu, and the Audit Committee.

Compliance with the Corporate Governance Code of the Listing Rules

During the six months ended 30 June 2013, save for Code Provision A.6.7, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 and Mr. Pan Yuan, who are independent non-executive directors of the Company, failed to attend the annual general meeting of the Company held on 16 May 2013 due to conflicts with their schedules.

Save as disclosed, there has been no deviation from the code provisions of the Corporate Governance Code as set forth in the Appendix 14 of the Listing Rules for the six months ended 30 June 2013.

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 with all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2013.

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

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2013, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

Appreciation

The Board would like to take this opportunity to express gratitude to our shareholders, customers, banks, professional parties and employees for their continuous patronage and support.

By order of the Board

Ji Wei
Chairman

Hong Kong, 22 August 2013

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

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

Introduction

We have reviewed the condensed consolidated financial statements of Wasion Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion on 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22 August 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

		Six months ended 30 June	
	Notes	**2013**	2012
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Turnover	*3*	**1,147,543**	1,098,491
Cost of sales		**(767,326)**	(762,787)
Gross profit		**380,217**	335,704
Other income		**47,669**	39,154
Other gains and losses		**(71)**	(757)
Administrative expenses		**(71,878)**	(64,565)
Selling expenses		**(105,250)**	(87,762)
Research and development expenses		**(62,094)**	(51,458)
Finance costs	*5*	**(13,043)**	(30,713)
Gain on disposal of a subsidiary	*18*	**15,667**	—
Share of results of an associate	*19*	**(1,337)**	—
Profit before taxation		**189,880**	139,603
Income tax expense	*6*	**(22,292)**	(12,025)
Profit for the period, attributable to owners of the Company	*7*	**167,588**	127,578
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**(800)**	1,236
Fair value gain on available-for-sale investments		**2,696**	2,863
Other comprehensive income for the period, attributable to owners of the Company		**1,896**	4,099
Total comprehensive income for the period, attributable to owners of the Company		**169,484**	131,677
Earnings per share	*9*		
Basic		**RMB18.0 cents**	RMB13.7 cents
Diluted		**RMB17.9 cents**	RMB13.7 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**909,992**	918,335
Prepaid lease payments		**61,190**	70,674
Investment properties		**11,063**	37,125
Investment in an associate	*19*	**18,663**	—
Goodwill		**216,738**	110,326
Intangible assets	*10*	**193,069**	190,591
Available-for-sale investments	*13*	**118,107**	14,811
Amounts due from related parties	*21(b)*	**20,965**	21,376
Life insurance product		**21,202**	21,580
Loan receivable	*11*	**78,200**	78,200
Consideration receivable on disposal of a subsidiary	*18*	**21,000**	—
		1,670,189	1,463,018
CURRENT ASSETS			
Inventories		**257,215**	323,271
Loan receivables	*11*	**330,000**	330,000
Trade and other receivables	*12*	**1,839,794**	1,406,260
Prepaid lease payments		**1,399**	1,655
Pledged bank deposits		**151,726**	155,703
Bank balances and cash		**190,125**	585,986
		2,770,259	2,802,875
CURRENT LIABILITIES			
Trade and other payables	*14*	**1,007,132**	1,010,241
Tax liabilities		**32,458**	40,983
Borrowings — due within one year	*15*	**555,971**	548,251
		1,595,561	1,599,475
NET CURRENT ASSETS		**1,174,698**	1,203,400
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,844,887**	2,666,418

At 30 June 2013

	Notes	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	*16*	**9,426**	9,410
Reserves		**2,626,663**	2,586,867
Equity attributable to owners of the Company		**2,636,089**	2,596,277
Non-controlling interest		**400**	400
		2,636,489	2,596,677
NON-CURRENT LIABILITIES			
Borrowings — due after one year	*15*	**194,446**	57,311
Deferred tax liability		**13,952**	12,430
		208,398	69,741
		2,844,887	2,666,418

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company											
	Share capital RMB'000	**Share premium** RMB'000	**Merger reserve** RMB'000 *(Note i)*	**Exchange reserve** RMB'000	**PRC statutory reserves** RMB'000 *(Note ii)*	**Other reserve** RMB'000 *(Note iii)*	**Share option reserve** RMB'000	**Investment revaluation reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interest** RMB'000	**Total** RMB'000
At 1 January 2012 (audited)	9,409	1,231,015	49,990	(70,684)	142,648	33,164	19,477	(1,875)	971,533	2,384,677	400	2,385,077
Profit for the period	–	–	–	–	–	–	–	–	127,578	127,578	–	127,578
Other comprehensive income for the period	–	–	–	1,236	–	–	–	2,863	–	4,099	–	4,099
Total comprehensive income for the period	–	–	–	1,236	–	–	–	2,863	127,578	131,677	–	131,677
Dividend recognised as distribution *(Note 8)*	–	–	–	–	–	–	–	–	(113,313)	(113,313)	–	(113,313)
At 30 June 2012 (unaudited)	9,409	1,231,015	49,990	(69,448)	142,648	33,164	19,477	988	985,798	2,403,041	400	2,403,441
At 1 January 2013 (audited)	**9,410**	**1,231,253**	**49,990**	**(70,977)**	**163,798**	**33,164**	**19,420**	**–**	**1,160,219**	**2,596,277**	**400**	**2,596,677**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**167,588**	**167,588**	**–**	**167,588**
Other comprehensive (expense) income for the period	**–**	**–**	**–**	**(800)**	**–**	**–**	**–**	**2,696**	**–**	**1,896**	**–**	**1,896**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**(800)**	**–**	**–**	**–**	**2,696**	**167,588**	**169,484**	**–**	**169,484**
Issue of shares upon exercise of share options	**16**	**5,059**	**–**	**–**	**–**	**–**	**(1,343)**	**–**	**–**	**3,732**	**–**	**3,732**
Dividend recognised as distribution *(Note 8)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(133,404)**	**(133,404)**	**–**	**(133,404)**
At 30 June 2013 (unaudited)	**9,426**	**1,236,312**	**49,990**	**(71,777)**	**163,798**	**33,164**	**18,077**	**2,696**	**1,194,403**	**2,636,089**	**400**	**2,636,489**

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.*

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Note	Six months ended 30 June 2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Net cash (used in) from operating activities		**(223,568)**	17,114
Net cash used in investing activities			
Placement of pledged bank deposits		**(407,975)**	(209,385)
Advance of short-term loans receivables under entrusted loan contract		**(100,000)**	(330,000)
Investment in available-for-sale investment		**(100,000)**	—
Payment for acquisition of a subsidiary, net of cash and cash equivalents acquired	*17*	**(48,438)**	—
Investment in an associate		**(20,000)**	—
Purchase of property, plant and equipment		**(12,100)**	(133,721)
Withdrawal of pledged bank deposits		**411,952**	246,391
Repayment of advance of short-term loans receivables under entrusted loan contracts		**100,000**	—
Other investing cash flows		**2,627**	(5,929)
		(173,934)	(432,644)
Net cash from (used in) financing activities			
New borrowings raised		**823,901**	437,669
Dividend paid		**(133,404)**	(113,313)
Repayment of borrowings		**(677,855)**	(534,627)
Other financing cash flows		**(9,311)**	(37,108)
		3,331	(247,379)
Net decrease in cash and cash equivalents		**(394,171)**	(662,909)
Cash and cash equivalents at beginning of the period		**585,986**	986,908
Effect of foreign exchange rate changes		**(1,690)**	(104)
Cash and cash equivalents at end of the period, represented by bank balances and cash		**190,125**	323,895

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current period, the Group has adopted the following new accounting policies:

Business combinations

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

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

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

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

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

2. Principal Accounting Policies (Continued)

Business combinations (Continued)

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2. Principal Accounting Policies (Continued)

Investments in associates (Continued)

The results and assets and liabilities of associates are incorporated in these condensed consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's condensed consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Application of new and revised HKFRSs

In the current interim period, the Group has also applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the presentation of the Group's condensed consolidated financial statements.

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

2. Principal Accounting Policies (Continued)

Application of new and revised HKFRSs (Continued)

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

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

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

Amendments to HKAS 34 "Interim Financial Reporting" (as part of the Annual Improvements to HKFRSs 2009–2011 Cycle)

The Group has applied the amendments to HKAS 34 "Interim Financial Reporting" as part of the Annual Improvements to HKFRSs 2009–2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Total assets and total liabilities information is not disclosed in the condensed consolidated interim financial information since the directors of the Company consider that there has not been any material change from the amounts disclosed in the last annual financial statements in any reportable segments.

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

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of HKFRS 10 is set out below.

2. Principal Accounting Policies (Continued)

Application of new and revised HKFRSs (Continued)

Impact of the application of HKFRS 10

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

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

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information in accordance with the consequential amendments of HKAS 34 are set out in Note 22 and additional disclosures in accordance with the requirements of HKFRS 13, especially relating to fair value of the Group's investment properties, will be disclosed in the annual consolidated financial statements for the year ending 31 December 2013. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in this condensed consolidated financial information.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements of the Group.

3. Turnover and Segment Information

Information reported to the Group's Chief Executive Officer, being the CODM, for the purposes of resources 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.

The following is an analysis of the Group's turnover and results by operating segments for the periods under review:

For the six months ended 30 June 2013

	Electronic meters RMB'000	Data collection terminals RMB'000	Energy efficiency solution RMB'000	Consolidated RMB'000
TURNOVER				
External sales	834,685	295,457	17,401	1,147,543
Inter-segment sales	2,130	77,096	407	79,633
Segment turnover	836,815	372,553	17,808	1,227,176
Elimination				(79,633)
Group turnover				1,147,543
Segment profit	87,194	80,588	2,390	170,172
Unallocated income				29,027
Gain on disposal of a subsidiary				15,667
Share of results of an associate				(1,337)
Central administration costs				(10,606)
Finance costs				(13,043)
Profit before taxation				189,880

3. Turnover and Segment Information (Continued)

For the six months ended 30 June 2012

	Electronic meters RMB'000	Data collection terminals RMB'000	Energy efficiency solution RMB'000	Consolidated RMB'000
TURNOVER				
External sales	877,441	213,071	7,979	1,098,491
Inter-segment sales	3,878	12,255	515	16,648
Segment turnover	881,319	225,326	8,494	1,115,139
Elimination				(16,648)
Group turnover				1,098,491
Segment profit	97,221	58,986	942	157,149
Unallocated income				26,147
Central administration costs				(12,980)
Finance costs				(30,713)
Profit before taxation				139,603

Segment profit represents the profit earned by each segment without allocation of certain items of other income and central administration costs, gain on disposal of a subsidiary, share of results of an associate, directors' salaries, finance costs and taxation. This is the measure reported to the CODM, for the purposes of resources allocation and performance assessment.

4. Seasonality of Operations

The Group's operations are subject to seasonal fluctuations. The Group sees the second half of every year as its peak season of operations when demands for its products are significantly higher due to the increase of purchases by the power grid customers in the second half of the year. Accordingly, the interim result for the six months ended 30 June 2013 is not necessarily an indication of the operations of the Group that would be achieved for the year ending 31 December 2013.

5. Finance Costs

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on borrowings wholly repayable within five years	**13,043**	37,221
Less: amounts capitalised in property, plant and equipment	**—**	(6,508)
	13,043	30,713

For the six months ended 30 June 2012, the borrowing costs capitalised arose on the general borrowing pool and were calculated by applying a capitalisation rate of 6.40% per annum to expenditures on qualifying assets.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax — The PRC Enterprise Income Tax ("EIT")		
— current period	**22,965**	12,766
— underprovision in prior years	**160**	557
	23,125	13,323
Deferred tax credit — current period	**(833)**	(1,298)
Income tax expense	**22,292**	12,025

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 each of the six months ended 30 June 2012 and 2013.

6. Income Tax Expense (Continued)

Notes: (Continued)

(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 six months ended 30 June 2013 (six months ended 30 June 2012: 12.5%).

(b) Certain PRC subsidiaries which are approved as enterprises that satisfied the condition as high technology development enterprises and obtained the Certificate of High New Technology Enterprise continue to enjoy the preferential tax rate of 15% for the year 2012 to 2014.

According to the notice of "Preferential Policies on Enterprise Income Tax" (Cai Shui [2008] No. 1) issued by State Administration of Taxation, the tax holidays and concessions from EIT entitled as set out in (a) above had continued to be applicable until the end of the five year period, which is 2009 to 2013. The preferential treatment set out in (b) above continues under the implementation of the Enterprise Income Tax.

(iii) Other jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Decree Law No. 58/99/M Chapter 2, Article 12, dated 18 October 1999, a Macao company incorporated under that Law ("58/59/M Company") is exempted from Macao Complementary Tax (Macao Income Tax) as long as the 58/59/M Company does not sell its products to a Macao resident company.

No deferred taxation has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries arising on or after 1 January 2008 as the directors consider that such earnings will not be distributed in the foreseeable future.

7. Profit for the Period

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**18,275**	17,648
Release of prepaid lease payments	**728**	829
Depreciation of investment properties	**417**	353
Amortisation of intangible assets	**33,218**	35,785
Interest income from loans receivables	**(20,825)**	(10,009)
Interest income from consideration receivable for disposal of assets	**—**	(4,760)
Bank interest income	**(2,384)**	(6,746)
Dividend income from an available-for-sale investment	**(5,227)**	(2,258)
Exchange loss	**93**	715

8. Dividends

During the period, a cash dividend of HK$0.18, equivalent to RMB0.14 (six months ended 30 June 2012: HK$0.15, equivalent to RMB0.12) per share was declared and paid to the shareholders as the final dividend for 2012. The aggregate amount of the final dividend declared and paid in the current interim period amounting to RMB133,404,000 (six months ended 30 June 2012: RMB113,313,000).

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2012: nil).

9. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**167,588**	127,578

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**930,034,145**	929,218,675
Effects of dilutive potential ordinary shares in respect of share options	**8,723,843**	3,640,535
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**938,757,988**	932,859,210

10. Movements in Property, Plant and Equipment and Intangible Assets

During the period, the Group incurred RMB6,904,000 (six months ended 30 June 2012: RMB131,748,000) on the construction of new factory and office premises and RMB5,196,000 (six months ended 30 June 2012: RMB8,481,000) on additions of the property, plant and equipment in order to upgrade its manufacturing capabilities. Development costs (included in intangible assets) of RMB26,253,000 (2012: RMB32,834,000) are capitalised.

During the current interim period, property, plant and equipment of RMB14,998,000 and intangible assets of RMB9,443,000 are acquired through the acquisition of a subsidiary (see Note 17).

11. Loan Receivables

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Fixed-rate loan receivables *(Note i)*	**330,000**	330,000
Variable-rate loan receivable *(Note ii)*	**78,200**	78,200
	408,200	408,200
Analysed as:		
Current	**330,000**	330,000
Non-current	**78,200**	78,200
	408,200	408,200

Notes:

(i) The amounts represent short-term loans advanced by the Group to certain independent third parties under entrusted loan contracts. During the six months ended 30 June 2013, RMB100,000,000 has been settled, and a new loan of RMB100,000,000 is arranged with the same borrower. For the remaining RMB230,000,000, the borrowers have negotiated with the Group to extend the loan period for one more year to April 2014. These entrusted loans carry fixed interests at 12% per annum and are repayable within twelve months from the end of the reporting period.

(ii) The amount represents loan receivable due from an independent third party. The loan is repayable in December 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 30 June 2013, the fair value of the pledged assets which has been assessed by the management with reference to recent market prices for similar land and buildings in similar locations and conditions is greater than the respective loan balances. The pledge will be released upon settlement of the loans.

12. Trade and Other Receivables

The Group allows a credit period ranging from 90 days to 365 days to its trade customers.

The following is an analysis of the Group's trade and bills receivables, net of allowance for doubtful debts, presented based on the revenue recognition dates at the end of the reporting period:

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Trade and bills receivables:		
0–90 days	**955,558**	659,420
91–180 days	**173,280**	195,169
181–365 days	**225,590**	138,808
Over 1 year	**28,361**	20,686
	1,382,789	1,014,083
Retentions held by trade customers	**134,931**	129,254
Consideration receivable on disposal of a subsidiary *(Note 18)*	**33,000**	—
Deposits, prepayments and other receivables	**289,074**	262,923
	1,839,794	1,406,260

13. Available-for-Sale Investments

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Available-for-sale investments comprise:		
Unlisted equity securities, at cost less impairment	**15,411**	14,811
Investment in trust fund, at fair value *(Note)*	**102,696**	—
	118,107	14,811

Note:

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

14. Trade and Other Payables

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

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Trade and bills payables:		
0–90 days	578,941	551,240
91–180 days	127,980	226,010
181–365 days	18,428	12,948
Over 1 year	26,980	10,095
	752,329	800,293
Contingent consideration payable on acquisition of a subsidiary *(Note 17)*	78,359	—
Other payables	176,444	209,948
	1,007,132	1,010,241

15. Borrowings

During the period, the Group obtained bank loans of RMB823,901,000 (six months ended 30 June 2012: RMB437,669,000) and repaid bank loans of RMB677,855,000 (six months ended 30 June 2012: RMB534,627,000). The loans carry interest at market rates ranging from 1.44% to 6.00% (six months ended 30 June 2012: 1.49% to 7.22%) per annum and are repayable in instalments over a period of 5 years. The proceeds were used for general working capital purposes and to finance the acquisition of property, plant and equipment.

16. Share Capital

	Number of shares	Nominal value
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2012, 30 June 2012, 31 December 2012 and 30 June 2013	100,000,000,000	1,000,000
		RMB'000
Issued and fully paid:		
At 1 January 2012 and 30 June 2012	929,218,675	9,409
Issue of shares upon exercise of share options	100,000	1
At 31 December 2012	929,318,675	9,410
Issue of shares upon exercise of share options *(Note)*	2,000,000	16
As at 30 June 2013	931,318,675	9,426

Note: During the six months ended 30 June 2013, 2,000,000 (six months ended 30 June 2012: nil) 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 with proceeds of approximately HK$4,596,000 (equivalent to approximately RMB3,732,000).

17. Acquisition of a Subsidiary

For the six months ended 30 June 2013

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

17. Acquisition of a Subsidiary (Continued)

For the six months ended 30 June 2013 (Continued)

	RMB'000
The provisional contingent consideration for the acquisition comprises the following *(note (a))*:	
Cash consideration paid *(note (b))*	50,000
Contingent consideration payable *(note (b))*	78,359
	128,359
Provisional fair value of assets acquired and liabilities recognised at the date of acquisition are as follow (note (a)):	
Property, plant and equipment	14,998
Intangible assets	9,443
Inventories	15,697
Trade and other receivables *(note (c))*	15,395
Bank balances and cash	1,562
Trade and other payables	(32,793)
Deferred tax liability	(2,355)
	21,947
Goodwill arising on acquisition *(note (d))*	106,412
Cash consideration paid	50,000
Less: Bank balances and cash acquired	(1,562)
Net cash outflow	48,438

17. Acquisition of a Subsidiary (Continued)

For the six months ended 30 June 2013 (Continued)

Notes:

(a) *The initial accounting for the acquisition has been determined provisionally, subject to the finalisation in relation to the estimation of Vitae's net profit after tax for the year ending 31 December 2013 and professional valuation of certain underlying assets and liabilities of Vitae.*

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

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

(ii) *the remaining consideration will be payable in cash within 30 days from the day on which the audited accounts of Vitae for the year ended 31 December 2013 have been issued by the auditor appointed by the Group.*

The fair value of the contingent consideration of the RMB128,359,000 at the completion date is determined provisionally based on the management estimation of the net profit after tax of Vitae for the year ending 31 December 2013.

(c) *The fair value of trade and other receivables at the date of acquisition amounted to RMB15,395,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB15,395,000 at the date of acquisition.*

(d) *The goodwill mainly attributable to the difference between the fair values of the consideration and the underlying assets and liabilities acquired, all of which are determined provisionally and therefore, the goodwill may be subject to further changes upon the finalisation of initial accounting.*

Goodwill arose in the acquisition of Sparkle because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies arising from revenue growth and future market development of the targets. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition is not expected to be deductible for tax purposes, and has been allocated to electronic meters segment and data collection terminals segment.

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

(f) *Pro-forma revenue and profit*

Included in the profit for the six months ended 30 June 2013 was profit of RMB4,610,000 attributable to the additional businesses generated by Vitae. Revenue for the six months ended 30 June 2013 include RMB1,907,000 generated from Vitae (RMB27,213,000 before inter group elimination).

Had the acquisition been completed on 1 January 2013, total group revenue for the six months ended 30 June 2013 would have been RMB1,150,689,000, (excluding revenue of RMB59,221,000 in respect of transactions between the Group and Vitae) and profit for the same period would have been RMB169,423,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

18. Disposal of a Subsidiary

For the six months ended 30 June 2013

On 24 June 2013, the Group completed the disposal of 99% of the equity interest in Changsha Wasion Industrial Investment Company Limited ("Wasion Industrial"), a wholly-owned subsidiary of the Group, to an independent third party for a consideration of RMB70,000,000. Wasion Industrial owns certain investment properties which are leased out for earning rental income.

The remaining 1% equity interest of Wasion Industrial owned by the Group has been classified as an available-for-sale investment. The aggregate net assets of the subsidiary at the date of disposal were as follows:

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

Notes:

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

(b) The consideration is to be settled in the following manner:

(i) a first payment of RMB16,000,000 to be settled within 30 days after the transaction completed;

(ii) a second payment of RMB33,000,000 to be settled on or before 31 December 2013; and

(iii) the remaining balance of RMB21,000,000 carries interest of 6.40% per annum, and repayable over a period of 5 years upon the transaction date.

The first payment of RMB16,000,000 has been settled subsequently before the issuance of this report. A piece of land has been pledged to the Group until the full settlement of remaining consideration, and the Group is not permitted to sell the asset in absence of default of the acquirer.

19. Investment in an Associate

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Cost of investment in an associate, unlisted	20,000	—
Share of result of the associate	(1,337)	—
	18,663	—

At 30 June 2013, the Group has invested in a newly set up company namely Smart Metering Solution (Changsha) Co. Ltd. ("Smart Metering"). Smart Metering was established in the PRC. The principal activities of Smart Metering are research, development, manufacturing, and selling meter products and provision of relevant consulting services. The proportion of voting power and equity interest held by the Group is 40% and the Group is able to exercise influence over Smart Metering because it has the power to appoint two out of the five directors.

The summarised financial information in respect of the Group's associate is set out below:

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Total assets	47,778	—
Total liabilities	(1,121)	—
Net assets	46,657	—
The Group's share of net assets of the associate	18,663	—
Total revenue	719	—
Loss for the period	(3,343)	—
The Group's share of loss of the associate	(1,337)	—

20. Capital Commitments

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**7,304**	12,852

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. During the period, the entity has been established and accounted for as an associate of the Group, as described in Note 19.

21. Related Party Disclosures

(a) Transaction

		Six months ended 30 June	
Company	**Transaction**	**2013 RMB'000 (unaudited)**	2012 RMB'000 (unaudited)
Hunan Widefar Information Technology Co., Ltd *(Note)*	Rental income received	**439**	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

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Companies beneficially owned and controlled by certain directors of the Company	**20,965**	21,376

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

21. Related Party Disclosures (Continued)

(c) The remuneration of directors and other members of key management of the Group during the period were as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term benefits	**2,450**	2,194
Retirement benefit scheme contributions	**50**	48
	2,500	2,242

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

(d) Guarantees

The Company is a party to certain bank facilities that include conditions specifying, among other things, the minimum equity interest of the Company to be held, directly or indirectly, by Mr. Ji Wei, an executive director and the controlling shareholder of the Company, and any breach of such obligation will cause a default in respect of the loans. At 31 December 2012, bank borrowings under such facilities amounted to RMB141,383,000 has been drawn. During the six months ended 30 June 2013, the bank borrowings under such facilities has been fully repaid.

22. Fair Value Measurements of Financial Instruments

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

22. Fair Value Measurements of Financial Instruments (Continued)

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

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. In the level 2 fair value measurements, the Group derived the inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly with reference to the market information. As at 30 June 2013, the fair value of contingent consideration payable is determined on a provisional basis as set out below.

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

	Fair value as at		
	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)	Fair value hierarchy
Financial asset			
Available-for-sale investments (at fair value) *(note i)*	**102,696**	—	Level 2
Financial liability			
Contingent consideration payable *(note ii)*	**78,359**	—	Level 3

Notes:

(i) Available-for-sale investment (at fair value) represents investment in a trust fund, which invested in ranges of debt instrument products which are generally government bonds and corporate loans. The fair value is based on the redemption price provided by the fund manager, which is based on net assets value of the fund.

(ii) Contingent consideration payable represents amounts for acquisition of Sparkle. For detail, please refer to Note 17. The valuation is based on the management estimation of the present value of the net profit after tax of Vitae for the year ending 31 December 2013 multiplied by a price-earnings ratio of 6 times. The contingent consideration is determined provisionally. The significant unobservable input is Vitae's operating profit, taking into account management's experience and knowledge of the market conditions of the industry. The higher Vitae's profit after tax, the higher the fair value of the contingent consideration payable. If the projected net profit after tax of Vitae for the year ending 31 December 2013 were 5% higher/lower while all the other variables were held constant, the fair value of the contingent consideration payable would increase/decrease by RMB6,418,000.

22. Fair Value Measurements of Financial Instruments (Continued)

(b) Reconciliation of level 3 fair value measurements of financial liability

	Contingent Consideration Payable RMB'000
At 1 January 2013	—
Arising from acquisition of a subsidiary	78,359
At 30 June 2013	78,359

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

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

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