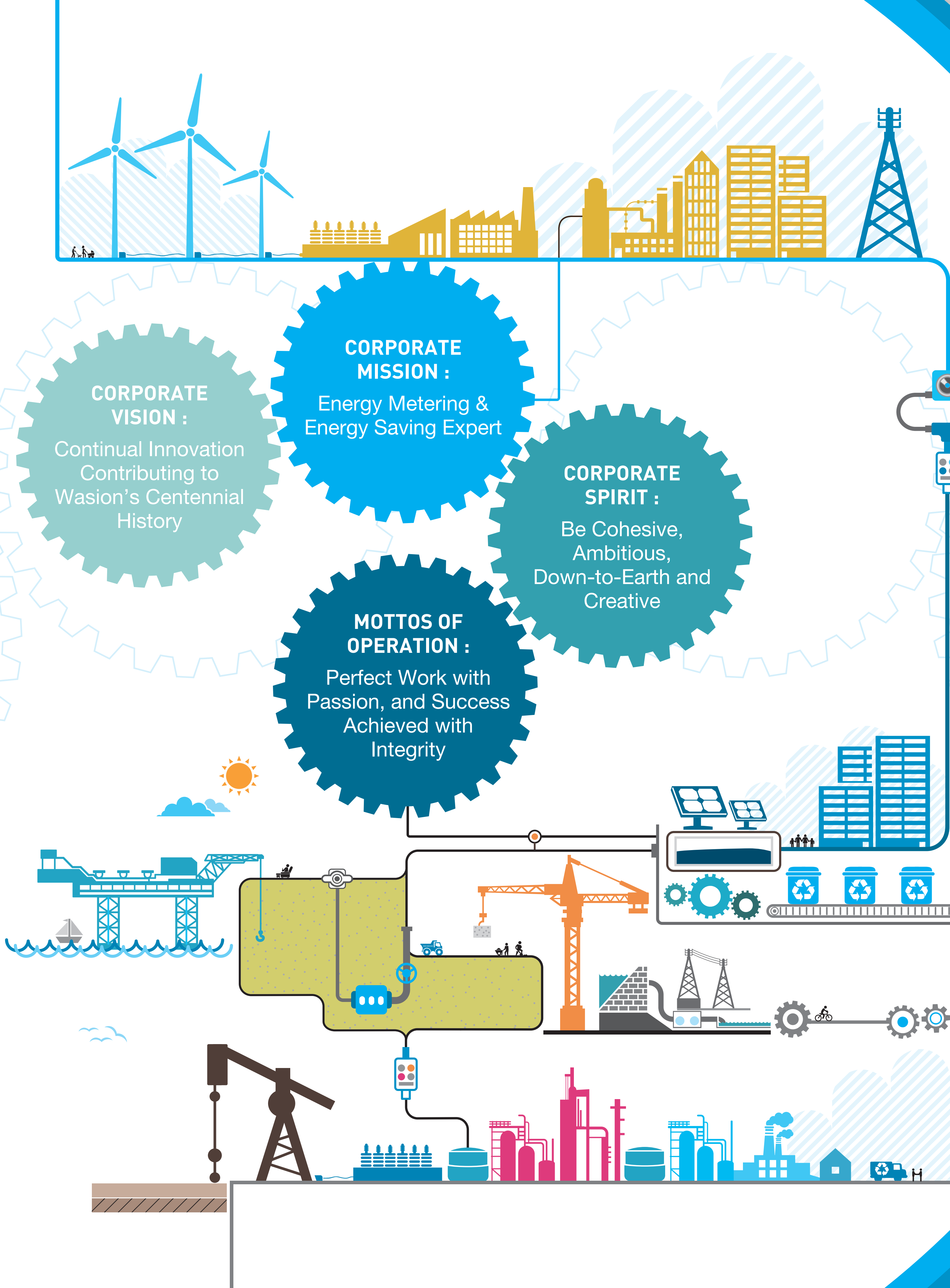
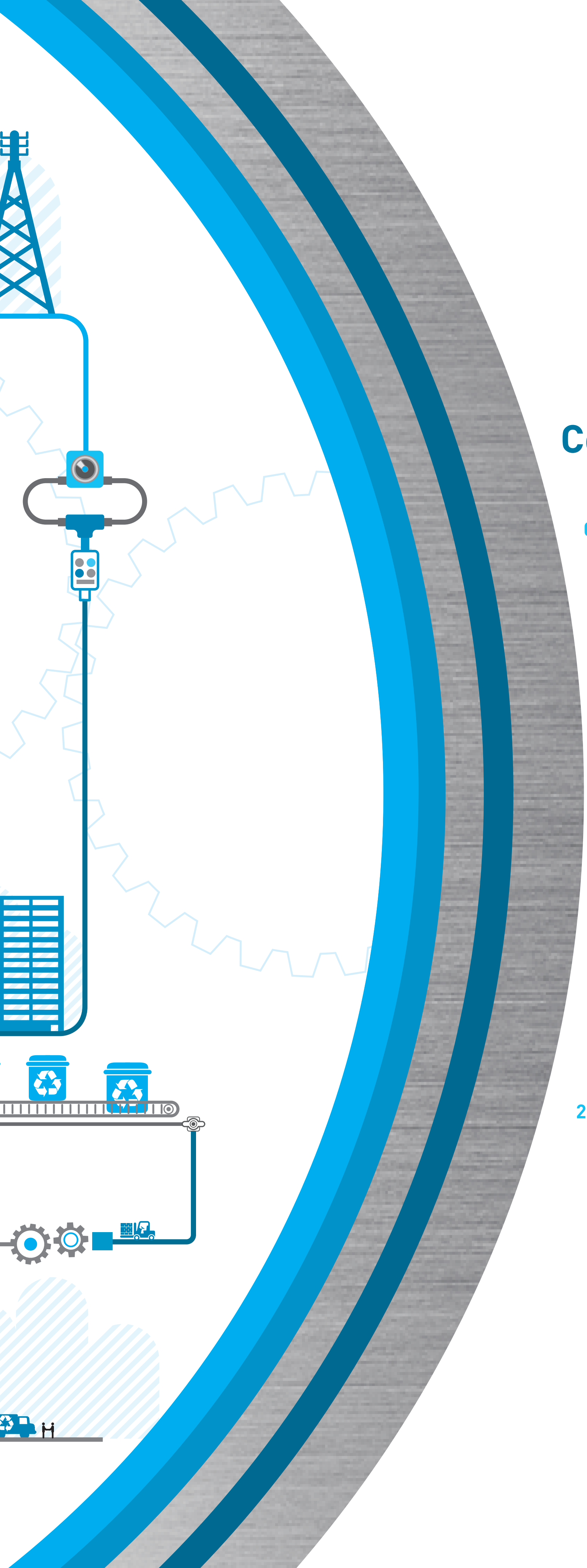
Wasion Group Holdings Limited
威勝集團控股有限公司

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

ENERGY METERING
&
ENERGY SAVING EXPERT


CORPORATE VISION :
Continual Innovation Contributing to Wasion's Centennial History
CORPORATE MISSION :
Energy Metering & Energy Saving Expert
CORPORATE SPIRIT :
Be Cohesive, Ambitious, Down-to-Earth and Creative
MOTTOS OF OPERATION :
Perfect Work with Passion, and Success Achieved with Integrity



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Corporate Information

Executive Directors

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

Non-Executive Director

Mr. Kat Chit

Independent Non-Executive Directors

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

Company Secretary

Mr. Choi Wai Lung Edward *FCCA, FCPA*

Authorised Representatives

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Principal Bankers

In Hong Kong:

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

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

China Construction Bank
Bank of Communications

Legal Adviser

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

Auditor

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

Registered Office

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

Principal Place of Business

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Company Website

www.wasion.com

Stock Code

3393

Corporate Profile

Leading Total Solution Provider of Advanced Metering, Advanced Distribution and Energy Efficiency Management

Wasion Group Holdings Limited ("Wasion Group" or the "Group") is the leading total solution provider of advanced metering, advanced distribution and energy efficiency management in China, and is committed to becoming an "Energy Metering and Energy Saving Expert" in China and across the world. The Group was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2005, which was the first professional syndicate engaged in energy metering and energy efficiency management in China listed overseas, as well as the first company in Hunan Province listed on the Main Board overseas.

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

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

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

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

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

Management Discussion and Analysis

Financial Review

Financial Highlights

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Turnover	**1,367,099**	1,147,543
Gross profit	**456,319**	380,217
Profit from operations	**244,700**	188,593
Net profit attributable to owners of the Company	**202,786**	167,588
Total assets	**5,499,956**	4,440,448
Shareholders' equity attributable to owners of the Company	**2,964,786**	2,636,089
Basic earnings per share (RMB cents)	**21.6**	18.0
Diluted earnings per share (RMB cents)	**21.4**	17.9

Key Financial Figures

	Six months ended 30 June	
	2014	2013
Gross profit margin	**33%**	33%
Operating profit margin	**18%**	16%
Net profit margin	**15%**	15%
Trade receivable turnover period (Days)	**234**	210
Inventory turnover period (Days)	**69**	68
Trade payable turnover period (Days)	**207**	183
Gearing ratio (Total borrowings divided by total assets)	**19%**	17%
Interest coverage (Profit before finance costs and tax divided by finance costs)	**19.13**	15.56

Turnover

During the period under review, turnover increased by 19% to RMB1,367.10 million (six months ended 30 June 2013 ("Period 2013"): RMB1,147.54 million).

Gross Profit

The Group's gross profit increased by 20% to RMB456.32 million for the six months ended 30 June 2014 (Period 2013: RMB380.22 million). The overall gross profit margin is 33% in the first half of 2014 (Period 2013: 33%).

Other Income

The other income of the Group amounted to RMB53.89 million (Period 2013: RMB47.67 million) which was mainly comprised of interest income and government subsidy.

Operating Expenses

In the first half of 2014, the Group's operating expenses amounted to RMB257.63 million (Period 2013: RMB239.22 million). The increase in operating expenses was mainly due to the increase in depreciation, selling expenses and expenditure on research and development. Operating expenses accounted for 19% of the Group's turnover in the first half of 2014, representing a decrease of 2% as compared with 21% in the first half of 2013.

Finance Costs

For the six months ended 30 June 2014, the Group's finance costs amounted to RMB12.72 million (Period 2013: RMB13.04 million). The decrease was attributable to the adjustment of the mix of bank borrowings and the reduction of interest rate of variable-rate borrowings during the period.

Operating Profit

Earnings before finance costs and tax for the six months ended 30 June 2014 amounted to RMB243.33 million (Period 2013: RMB202.92 million), representing an increase of 20% 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 2014 grew by 21% to RMB202.79 million (Period 2013: RMB167.59 million) as compared with the corresponding period of last year.

Capital Structure

For the six months ended 30 June 2014, certain directors and employee have exercised 10,573,000 share options at an exercise price of HK$2.225 and 9,560,000 share options at an exercise price of HK$3.200 under which the issued and fully paid share capital of the Company has been increased by HK$201,330.

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 2014, the Group's current assets amounted to approximately RMB3,750.53 million (31 December 2013: RMB3,121.66 million), with cash and cash equivalents totaling approximately RMB269.18 million (31 December 2013: RMB552.93 million).

As at 30 June 2014, the Group's total bank loans amounted to approximately RMB1,037.69 million (31 December 2013: RMB626.51 million), of which RMB759.77 million (31 December 2013: RMB453.20 million) will be due to repay within one year and the remaining RMB277.92 million (31 December 2013: RMB173.31 million) will be due after one year. Net book value of the Group's pledged assets for the bank loans was approximately RMB159.24 million (31 December 2013: RMB160.83 million). In the first half of 2014, the interest rate for the Group's bank borrowings ranged from 0.23% to 9.23% per annum (31 December 2013: 0.25% to 6.00% per annum).

The gearing ratio (total borrowings divided by total assets) increased from 13% on 31 December 2013 to 19% on 30 June 2014.

Exchange Rate Risk

Most of the businesses of the Group are settled in Renminbi, which is not freely convertible into foreign currencies. Since the amount of foreign currency of the Group used to purchase raw materials exceeded the amount of foreign currency earned from exports, the depreciation of Renminbi during the period resulted in an exchange loss of RMB7.88 million to the Group. 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 2014, the Group had 4,315 (31 December 2013: 3,867) staff. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB128.75 million in the first half of 2014 (Period 2013: RMB110.98 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 RMB2.03 million for the six months ended 30 June 2014 (Period 2013: RMB1.80 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 2014	Reclassification during the period	Granted during the period	Exercised during the period	As at 30 June 2014	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	950,000	–	–	(950,000)	–	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Cao Zhao Hui	1,600,000	–	–	(1,600,000)	–	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Zeng Xin	1,500,000	–	–	(1,500,000)	–	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Zheng Xiao Ping	800,000	–	–	(800,000)	–	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Li Hong	400,000	(50,000)	–	(350,000)	–	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
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	5,550,000	(50,000)	–	(5,500,000)	–					
Other employees	5,023,000	50,000	–	(5,073,000)	–	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Other employees	2,860,000	–	–	(2,860,000)	–	7 February 2007	7 February 2007 to 6 February 2009	7 February 2009 to 6 February 2017	3.200	3.200
Other employees	6,700,000	–	–	(6,700,000)	–	7 February 2007	7 February 2007 to 6 February 2010	7 February 2010 to 6 February 2017	3.200	3.200
Other employees	–	–	9,000,000	–	9,000,000	10 February 2014	10 February 2014 to 9 February 2016	10 February 2016 to 9 February 2024	4.680	4.680
Other employees	–	–	9,000,000	–	9,000,000	10 February 2014	10 February 2014 to 9 February 2017	10 February 2017 to 9 February 2024	4.680	4.680
Sub-total	14,583,000	50,000	18,000,000	(14,633,000)	18,000,000					
Total	20,133,000	–	18,000,000	(20,133,000)	18,000,000					

* 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	10 February 2014	10 February 2014
Fair value per share option	HK$0.835	HK$0.697	HK$1.255	HK$1.301	HK$1.001	HK$1.104	HK$1.846	HK$1.927
Expected volatility	45% per annum	45% per annum	40% per annum	40% per annum	40% per annum	40% per annum	52% per annum	52% per annum
Expected life	7.74 years	5.80 years	7.24 years	7.69 years	5.04 years	5.93 years	6.14 years	6.93 years
Expected dividend	4.5% per annum	4.5% per annum	2% per annum	2% per annum	2% per annum	2% per annum	3.3% per annum	3.3% 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	2.23% per annum	2.23% per annum
Rate of leaving service	Nil	5% per annum	Nil	Nil	8% per annum	8% per annum	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

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

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

Charge on Assets

As at 30 June 2014, the pledge deposits are denominated in Renminbi and Hong Kong dollars and are pledged to banks as security for bills facilities granted to the Group. In addition, the Group's land and buildings are pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 30 June 2014, the capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial information amounted to RMB192.08 million (31 December 2013: RMB14.48 million).

Contingent Liabilities

As at 30 June 2014, the Group had no material contingent liabilities.

Business Segments

As a leading energy metering and energy efficiency management expert focusing in providing integrated total solutions in efficient and effective energy management and energy saving, the Group has positioned itself as a system solution provider since its establishment by developing meters, terminals and systems businesses. Given no clear and concrete definitions in the industry at the time of listing, the business of the Group were categorized as three segments, namely electronic meters, data collection terminals and energy efficiency solutions in order to promote better public understanding towards the business.

Since 2010, the rise of smart power grid across the globe has led to a set of systematic standards and definitions for technical framework in the industry. Based on these newly formulated definitions in the industry, the business of the Group was defined as Advanced Metering Infrastructure ("AMI"). Moreover, the Group has stepped up the development of Advanced Distribution Operations ("ADO") starting from the second half of 2013 through different strategies including negotiation of acquisitions. Given that our efforts have started to pay off in the first half of this year, the Group decided to redefine the businesses according to the standard definition in the industry by categorizing the businesses into two major business segments namely, AMI and ADO.

For the purposes of conducting better resources allocation and performance evaluation for different business segments by the management, the Group has decided to revise the business segments from electronic meters, data collection terminals, and energy efficiency solutions to AMI, Smart Meter and ADO since this year. As smart power meters account for a significant portion of the Group's overall business, the Group decided to single out smart power metering from AMI business as one major business category which mainly refers to the standardized products collectively procured by State Grid Corporation of China (hereinafter referred to as "State Grid") and China Southern Power Grid Corporation (hereinafter referred to as "Southern Grid"); while AMI business mainly includes system solution and services, communication terminals solution and non-standardized advanced metering products.

Market Review

In order to maintain a sustainable economic growth for many generations to come, different countries especially China have spared no efforts in facilitating the development of low-carbon economy. By 2020, the PRC government expects to achieve a 40–50% reduction in carbon emission per unit of GDP from 2005 level to 1990 level through saving of energy cost by promoting efficient renewable and distributed energy.

The gearing up of smart grid development, a major infrastructure development caters to all forms of renewable energy, which heavily emphasizes on precise energy data measurement and communication system as well as flexible and reliable power distribution and management has become a key initiative in driving the expeditious growth in demand for energy saving and efficiency management solutions.

The PRC Government has continued to show its determination and support to energy efficiency by introducing different supporting plans and policies, such as "Energy Monitoring Action Plan (2014–2018)" (《能源監管行動計劃 (2014–2018年)》) published in May 2014. In the reviewing period, the PRC Government also started subsidizing public institutions, including schools and hospitals, to transform into energy-efficient institutions through the construction of smart power distribution system and other energy saving solutions. Moreover, the PRC Government has placed energy efficiency at the top of the energy agenda of the country, which is regarded as the guideline for formulating the 13th Five-Year Plan and the highlights of other national development policies.

On 4 January 2014, the National Development and Reform Commission and Ministry of Housing jointly issued "Accelerating the establishment of a sound system of urban escalating water tariff guidance (2013) (No. 2676)" and driven by the implementation of escalating water price, the demand from water companies all over the country on smart meter has been boosted up significantly. Procurement tenders for smart water meters were first launched in different provincial cities and water companies in cities such as Hefei, Changsha, Guangzhou, Hohhot, Urumqi, Xian, Shanghai, Chongqing, Nanjing, Changchun etc. have implemented escalating water tariff subsequently in order to complete the renovation of installed meters by the end of 2015. Each city will have a demand of 500,000 to 800,000 units of smart water meters within the renovation plan. During the first half of 2014, the sales of Wasion branded escalating water tariff supported smart water meters recorded a growth of 300% in comparing with the same period last year, which shows a desirable growth trend. There are water companies in more than 650 cities and more than 2,000 counties in China. Smart water metering business is currently under its growth period with huge market potential. Benefited by this policy, the sales of smart water meter will become a new revenue driver in the coming 3 to 5 years.

With all these favorable supporting policies, the market demand for AMI, Smart Meter and ADO continued to rise in the reviewing period, which drove the development of the Group's business to build our brandname and leading position successfully in various markets.

Business Review

Advanced Metering Infrastructure ("AMI")

AMI provided by the Group is a technology platform consists of smart meter, data terminal and communication, and smart metering system integration and services that provides two-way communication with the meters with which customers can use information provided by the system to change their normal consumption patterns to save energy and take advantage of lower prices. The Group's AMI business can be subdivided into AMI power business and AMI water, gas and heat business, which address a wider spectrum of customers' needs ranging from power grid companies, state-owned industrial and commercial enterprises from coal, cement, iron & steel, petrochemicals to coking industries, public institutions such as hospitals, schools, airports, as well as residential communities.

AMI business is a stable and strong component to the Group. With our superior comprehensive strengths and rich experience, the Group maintained its leading position in the AMI power business in the reviewing period, and successfully penetrated into more target markets. In the first half of 2014, a turnover of RMB723.2 million (Period 2013: RMB689.1 million) was recorded with an increase of 5% over the same period of 2013 and contributed to 53% of the Group's total turnover (Period 2013: 60%).

The AMI water, gas and heat business of the Group maintained a strong growth by recording a 65% increase over the same period of 2013 to RMB58.1 million. The growth in AMI water business was mainly attributable to the sales to provincial water companies such as water companies in Hefei and Changsha. At the same time, the customer base has been further diversified, of which the sales contribution from corporation and business partners have been significantly increased and we believe it is healthy to the Group's long term development. A representing success in expanding corporate clientele was the contracts received from several large-scale residential development projects such as Huawei Litchi Orchard and Guiyang Flower Garden, two large scales residential development projects located in Shenzhen and Guiyang respectively.

In terms of AMI gas business, the Group focused on developing clientele in overseas market and utilities companies with gas supplies in China in the reviewing period. The Group has also established stable cooperative relationships with newly developed clients include CNP Gas ZhuZhou Co. Ltd, Allsen Technologies Co. Ltd., Linwu County Jin Huang Gas Co. Ltd. and Pingxiang City Natural Gas Company.

The Group has also recorded outstanding performance in the AMI heat business. The Group is also confident that it will be able to secure the contracts in the coming central tendering process in Urumqi and Shandong to be held in the second half of 2014 for bringing even more substantial revenue contribution to the business.

Smart Meter

In the reviewing period, with our superior comprehensive strengths in different aspects such as brand name, technology, market share, quality, business scale and management, the Group continued to maintain a solid and out-performing market position in winning tenders from State Grid and Southern Grid. In the first half of 2014, among the two tenders organised by State Grid, the aggregate value of the tender contracts we won reached RMB695 million, representing a growth rate of 35% over the same period in 2013 (Period 2013: RMB513.9 million); while in the only tender organised by Southern Grid in the reviewing period, the aggregate value of the tender contract we won reached RMB139.9 million, representing a very significant growth rate of 252% over the same period in 2013 (Period 2013: RMB39.7 million). During the period under review, revenue from Smart Meter amounted to RMB529 million (Period 2013: RMB434.3 million), representing an increase of 22% as compared to the corresponding period of last year and accounted for 39% (Period 2013: 38%) of the Group's total turnover.

Advanced Distribution Operations ("ADO")

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

As ADO system is the important foundation and support for new energy power generation and energy efficiency management, the PRC government has already introduced a series of guidelines and regulations to speed up the promotion of ADO application and development. On 13 June 2014, General Secretary, Mr. Xi Jinping formally proposed the China's power system reform during the central financial leaders group meeting, which includes five major focuses such as promoting power supply, power consumption and power technology reform etc. This reform is the most recent, most comprehensive and most authoritative formulation expressed on a national level, which implies a reform of energy production and consumption with the core theme of raising energy efficiency, accelerating the distributive renewable energy, electric cars and energy storage is approaching. ADO business of the Group is our long prepared strategy for tapping such major development opportunity that we have foreseen well beforehand.

During the reviewing period, the Group has pushed forward the ADO business based on our planned strategic path. Firstly, a five-year ADO development plan was formulated and the ADO development platform — Wasion Electric Limited was established, and an experienced senior management team was grouped. Moreover, the acquisition of Hunan Switchgear Co., Ltd and Wuhan Smart Electrical Co., Ltd. (now renamed as Wasion Smart Electrical Co., Ltd.) was completed successfully, which enables the Group to consolidate the resources and capabilities in terms of product resources, customers resources, professional technology and talents, comprehensive electric product design and manufacturing base etc. Thirdly, the Group has consolidated internal resources and talents to build a distribution automation department, a power electronics application technology department and a smart power distribution system integration and energy efficiency department in order to develop most important technological support and core competitive strengths for the Group's ADO business. Fourthly, to build strategic cooperative relationships with international electric giants such as Siemens, ABB, Schneider, particularly through the associated company formed with Siemens, the Group has already obtained the authorised right in producing a number of mid-low voltage electric products which further enhanced the Group's customer services capabilities and enriched the product and service series.

Upon the implementation of the above strategies and market expansion during the reviewing period, ADO business successfully recorded a turnover of RMB114.8 million (Period 2013: RMB24.2 million), representing a 375% growth over the same period last year and contributed to 8% of the Group's total turnover (Period 2013: 2%). Most importantly, the Group has spotted the integrated distributed PV smart grid connection system, the cloud-based distributed PV operation system managing services, the new generation of electric motor technology (Brushless Doubly-fed Electric Motors) and power electronics technology combined high energy efficiency electric motor and fast charging facilities etc. as the major developing areas in the future for product research and development and market distribution planning. This will build a much stronger foundation for the group in seizing and developing new energy power generation as well as industrial energy efficiency markets.

International Market

The Group has always put "Focus on Europe and US, Expand in Asia, Africa and Latin America" as its strategic development plan for international markets. In terms of Asia, Africa and Latin America, the Group has successfully established its market leading position through implementing different pilot projects and securing sales orders and pipelines. For new markets, in the reviewing period, the Group has leveraged on its cooperation with Siemens to establish pilot stations in Malaysia. Regarding other markets under active exploration, such as Korea, the Group also expects satisfactory results in the near future.

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

In the reviewing period, turnover of the overseas business was RMB77.3 million, representing an increase of 99% over the same period of last year (Period 2013: RMB38.8 million), of which the growth was mainly attributable to the turnover recorded in South Africa, Indonesia and Republic of Bangladesh.

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

Research and Development

In order to keep pace with the fast developing technology and the market, the Group has always been focusing on all sorts of research and development. In the reviewing period, the Group invested in numerous hi-tech products research and development, at the same time, expanded its technological research on AMI and ADO, in which 46 patents for its new products and energy saving services were confirmed.

The Group's AMI related research results are even more encouraging. In the reviewing period, the Group successfully launched the two-way interactive system, which meets the needs of State Grid in developing a real-time two-way interactive system between power users and grid company to ensure power users to understand their own electricity, water and gas consumption pattern on real-time basis, as well as to provide power users different power consumption information and notification from power companies. Users can also make more efficient arrangement of power usage at home with reference to the data provided by the two-way system for the sake of saving energy bill and achieving energy saving and emission reduction.

On the other hand, the Group's new AMI invention also includes ZigBee® wireless communications module which is a short-range, low-power wireless communication technology characterized by close distance, low complexity, self-organization, low power consumption, low data rate and low cost module mainly suitable for using in the fields of automatic control and remote control, and can be embedded into a variety of devices. Further, smart meter with mobile payment function is another AMI invention combining both Near Field Communication (NFC) technology and mobile communication technology into power metering management system, which helps to realize mobile payment function of pre-paid meter and make up the shortcomings of current payment mode by providing power users greater convenience.

Seizing the market opportunity from motor-pumped well and river irrigation, the Group has introduced a new project with motor-pumped well and river irrigation power metering functions for new village development. In the reviewing period, the product has gone through the research and development, certificate and pilot stages as well as the early stage of marketing, and completed the production for a sales contract of millions dollars.

Active participation in research and development not only helps the Group further develop its AMI and ADO businesses, but also consolidate the Group's position as one of the leading total solutions providers for the advanced distribution operations in terms of products and services. This further improves the Group's service techniques and quality which helps benefitting more customers and users as well as making a bigger step towards automation and the new era of energy efficiency.

Prospect

Smart power grid is on the global development trend. According to the Twelfth Five-Year Plan, China will complete the smart power grid construction by 2015. For the first half of 2014, State Grid has invested in total RMB158.8 billion in the smart grid construction. To speed up the construction, the Group expects State Grid to massively increase its investment towards smart grid during the second half of 2014 and 2015. Currently, apart from the State Grid's Twelfth Five-Year Plan, another policy which is drawing same level of market attention is the "Southern Power Grid Company Development Plan 2013–2020" (《南方電網發展規劃 (2013–2020年)》). This plan summarizes the core developmental targets for Southern Grid in the coming 8 years including improving smart grid energy saving efficiency. It also mentions, by year 2020, the coverage rate of the automation of the urban smart power distribution grid should reach 80%. All these conclude the determination and solid support from government towards the construction of smart grid and smart power distribution grid.

PRC government has put much effort in promoting the construction of the smart power grid. This is to, take smart grid as the foundation, to gradually develop the AMI systems which possess two-way communication and monitoring functions, and the ADO systems in order to achieve energy saving and attain energy efficiency. Therefore, the Group expects the government to continuously launch new energy policies upon the completion of smart power grid construction to speed up the development of the two systems, among which the Thirteenth Five-Year Plan is the most anticipated. Moreover, during some national meetings, the PRC Government has placed energy efficiency as the top agenda, which is regarded as the guideline for formulating the Thirteenth Five-Year Plan and the highlights of other national development policies. The market expects the government to put the implementation of the AMI and ADO systems and increase of the national coverage rate of AMI and ADO systems into its developmental strategy. It is also the plan to, on one hand support the development of the industry, and on the other hand to encourage corporates to reform and upgrade their AMI and ADO systems to achieve energy efficiency management.

Upon the brighter future for China smart grid market, together with the growing demand for AMI and ADO from various industries, the Group is confident in continuing to expand its AMI and ADO businesses and become the market leader by leveraging its market position in terms of AMI and ADO businesses, as well as its experience and comprehensive capabilities.

In terms of AMI business, the Group will actively explore customers to achieve a more diversified customer base. The Group believes diversified customers are beneficial for our sustainable growth in the future. Looking ahead, the Group will continue to explore different markets in the second half of 2014, other than power market, non-power market will be another key target market for the Group which includes railway transportation, telecommunication, public institutions, oil and gas companies, petrochemical companies, sizable listed or state-owned property developers and China Top 500 enterprises.

For ADO business, the Group will actively consolidate resources, enhance internal synergetic effects, beef up innovation capabilities in order to seize every market opportunity and realize rapid growth potential by increasing the weighing of ADO business among our overall business. In view of state grid clients, not only to strengthen our relationships with existing clients in order to increase our market share, but also to tap the large demand from smart grid market through replacing tradition facilities by newly invented smart facilities in order to promote large scale application of our smart products and total solutions. In dealing with end users market, the Group will emphasize on building some client showcases in smart power distribution total solutions for the purpose of mobilizing more customers from related industry and adjacent area to speed up the development, especially to meet with the requirement and secure the investment opportunities from the government on railway transportation construction, distributive energy construction and industrial energy efficiency and emission reduction. At the same time, to bring in innovative sales model, focus on sales network development, expand new markets and new clients and enhance market coverage. The Group will persist in analyzing market and technology development direction and pay close attention to other ADO related companies that have EPC, design capabilities and capabilities for integrating smart primary distribution technology and smart second distribution technology for merger and acquisition purpose. The Group believes, positive merger and acquisitions are essential for product line consolidation and can increase overall product competitiveness.

While developing AMI and ADO markets, the Group will continue to maintain its market leading position in smart grid industry. For the second half of 2014, the Group expects to continue maintaining its stable and strong stance in winning tenders from State Grid and other provincial power grid companies and to obtain a bigger part of the tender values. Market expects by year 2015, around 230 million units of smart meters will be installed nation-wide which is still a long way from the current level. The Group expects State Grid and Southern Grid to call for large number of smart meters in the centralized tenders in the second half of the year. At the same time, according to the government regulation, in consideration of safety and technology upgrades, smart meters are to be replaced every 5–8 years, meaning the new replacement cycle begins right after the completion of installation of smart meters across China. Hence the local demand for smart meters remains stable and the Group's smart meter business is to maintain steady growth.

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

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

Other Information

Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

Directors' Interests in Shares and Underlying Shares

At 30 June 2014, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ji Wei	Interest of controlled corporation (Note 1)	510,986,888	53.68%
Wang Xue Xin	Beneficial owner (Note 2)	3,682,000	0.39%
Cao Zhao Hui	Beneficial owner	2,000,000	0.21%
Zeng Xin	Beneficial owner	2,000,000	0.21%
Zheng Xiao Ping	Beneficial owner (Note 2)	3,682,000	0.39%
Pan Yuan	Beneficial owner	200,000	0.02%
Wu Jin Ming	Beneficial owner	200,000	0.02%

Notes:

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

(2) 1,692,000 shares and 1,990,000 shares are held by Mr. Wang Xue Xin and Ms. Zheng Xiao Ping respectively. Ms. Zheng Xiao Ping is the spouse of Mr. Wang Xue Xin.

Substantial Shareholders

As at 30 June 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in shares and underlying shares" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

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

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued capital of the Company
Ji Wei	Interest in controlled corporation	510,986,888	53.68%
Star Treasure	Beneficial owner	510,986,888	53.68%

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 2014.

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 2014 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 2014, 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 2014 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 2014.

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 2014.

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 2014, 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, 29 August 2014

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 20 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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 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

29 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Turnover	3	1,367,099	1,147,543
Cost of sales		(910,780)	(767,326)
Gross profit		456,319	380,217
Other income		53,889	47,669
Other gains and losses		(7,875)	(71)
Administrative expenses		(77,130)	(71,878)
Selling expenses		(114,242)	(105,250)
Research and development expenses		(66,261)	(62,094)
Finance costs	5	(12,722)	(13,043)
Gain on disposal of a subsidiary		—	15,667
Share of results of an associate		(1,372)	(1,337)
Profit before taxation		230,606	189,880
Income tax expense	6	(24,887)	(22,292)
Profit for the period	7	205,719	167,588
Profit for the period attributable to			
– Owners of the Company		202,786	167,588
– Non-controlling interests		2,933	—
		205,719	167,588
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		1,097	(800)
Fair value changes on available-for-sale investments		(3,239)	2,696
Other comprehensive (expense) income for the period		(2,142)	1,896
Total comprehensive income for the period		203,577	169,484

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Total comprehensive income for the period attributable to			
– Owners of the Company		200,644	169,484
– Non-controlling interests		2,933	—
		203,577	169,484
Earnings per share	9		
Basic		RMB21.6 cents	RMB18.0 cents
Diluted		RMB21.4 cents	RMB17.9 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	Notes	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	917,416	898,753
Prepaid lease payments		59,819	60,519
Investment properties		16,387	16,558
Goodwill	10	313,929	238,379
Other intangible assets	10	180,813	175,004
Investment in an associate		5,788	7,160
Available-for-sale investments	11	132,293	135,532
Amounts due from related parties	20(b)	20,949	20,926
Other non-current assets	12	102,032	66,723
		1,749,426	1,619,554
CURRENT ASSETS			
Inventories		382,950	307,220
Trade and other receivables	13	2,451,594	1,718,159
Loan receivables	14	408,200	408,200
Pledged bank deposits		238,606	135,157
Bank balances and cash		269,180	552,925
		3,750,530	3,121,661
CURRENT LIABILITIES			
Trade and other payables	15	1,440,148	1,181,853
Tax liabilities		31,665	45,830
Borrowings — due within one year	16	759,769	453,204
		2,231,582	1,680,887
NET CURRENT ASSETS		1,518,948	1,440,774
TOTAL ASSETS LESS CURRENT LIABILITIES		3,268,374	3,060,328

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2014

	Notes	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	17	9,588	9,429
Reserves		2,955,198	2,863,371
Equity attributable to owners of the Company		2,964,786	2,872,800
Non-controlling interests		12,124	400
		2,976,910	2,873,200
NON-CURRENT LIABILITIES			
Borrowings — due after one year	16	277,923	173,308
Deferred tax liability		13,541	13,820
		291,464	187,128
		3,268,374	3,060,328

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	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 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
At 1 January 2014 (audited)	9,429	1,237,360	49,990	(72,404)	189,835	33,164	17,802	5,721	1,401,903	2,872,800	400	2,873,200
Profit for the period	—	—	—	—	—	—	—	—	202,786	202,786	2,933	205,719
Other comprehensive income (expense) for the period	—	—	—	1,097	—	—	—	(3,239)	—	(2,142)	—	(2,142)
Total comprehensive income (expense) for the period	—	—	—	1,097	—	—	—	(3,239)	202,786	200,644	2,933	203,577
Issue of shares upon exercise of share options	159	62,597	—	—	—	—	(17,802)	—	—	44,954	—	44,954
Recognition of equity-settled share-based payments	—	—	—	—	—	—	4,300	—	—	4,300	—	4,300
Acquisition of subsidiaries (Note 18)	—	—	—	—	—	—	—	—	—	—	8,791	8,791
Dividend recognised as distribution (Note 8)	—	—	—	—	—	—	—	—	(157,912)	(157,912)	—	(157,912)
At 30 June 2014 (unaudited)	9,588	1,299,957	49,990	(71,307)	189,835	33,164	4,300	2,482	1,446,777	2,964,786	12,124	2,976,910

Notes:

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

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

(iii) Other reserve represents the excess of the balance of plan asset over the carrying amount of shares held under share award plan of the Company, which was recognised upon termination of the plan in prior years.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 RMB'000 (unaudited)	 2013 RMB'000 (unaudited)
Net cash used in operating activities		(228,516)	(223,568)
Net cash used in investing activities			
Placement of pledged bank deposits		(241,943)	(407,975)
Advance of short-term loan receivables under entrusted loan contract		(230,000)	(100,000)
Repayment of consideration payable on acquisition of a subsidiary		(100,000)	—
Payment for acquisition of subsidiaries, net of cash and cash equivalents acquired	18	(77,724)	(48,438)
Deposit paid for acquisition of property, plant and equipment		(35,000)	—
Expenditure on intangible assets		(19,633)	(26,253)
Purchase of property, plant and equipment		(15,153)	(12,100)
Repayment of advance of short-term loans receivables under entrusted loan contracts		230,000	100,000
Withdrawal of pledged bank deposits		150,345	411,952
Consideration received for disposal of subsidiary		33,000	—
Investment in available-for-sale investment		—	(100,000)
Investment in an associate		—	(20,000)
Other investing cash flows		3,303	28,880
		(302,805)	(173,934)
Net cash from financing activities			
New borrowings raised		782,466	823,901
Proceeds from issue of shares upon exercise of share option		44,954	3,732
Dividend paid		(157,912)	(133,404)
Repayment of borrowings		(409,458)	(677,855)
Other financing cash flows		(12,722)	(13,043)
		247,328	3,331
Net decrease in cash and cash equivalents		(283,993)	(394,171)
Cash and cash equivalents at beginning of the period		552,925	585,986
Effect of foreign exchange rate changes		248	(1,690)
Cash and cash equivalents at end of the period, represented by bank balances and cash		269,180	190,125

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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.

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, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

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

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

The application of the above new Interpretation and amendments in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. Turnover and Segment Information

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

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

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

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

3. Turnover and Segment Information (Continued)

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

During the period ended 30 June 2014, in order to pay more attention to the business operations rather than a product focus approach, management of the Group has restructured its segment reporting in accordance with business lines. CODM has used the new segment information for the decision making, resources allocation and segment performance assessment. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

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

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

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

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

For the six months ended 30 June 2014

	Smart meter RMB'000	Advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Consolidated RMB'000
Segment turnover	529,034	723,239	114,826	1,367,099
Segment profit	54,275	150,826	26,644	231,745
Unallocated income				27,380
Share of results of an associate				(1,372)
Central administration costs				(14,425)
Finance costs				(12,722)
Profit before taxation				230,606

For the six months ended 30 June 2014

3. Turnover and Segment Information (Continued)

For the six months ended 30 June 2013 (restated)

	Smart meter RMB'000	Advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Consolidated RMB'000
Segment turnover	434,246	689,100	24,197	1,147,543
Segment profit	29,008	140,815	349	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

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 2014 is not necessarily an indication of the operations of the Group that would be achieved for the year ending 31 December 2014.

For the six months ended 30 June 2014

5. Finance Costs

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on borrowings		
— wholly repayable within five years	**12,708**	13,043
— not wholly repayable within five years	**14**	—
	12,722	13,043

6. Income Tax Expense

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
— current period	**25,283**	22,965
— (over)underprovision in prior periods	**(118)**	160
	25,165	23,125
Deferred tax credit	**(278)**	(833)
Income tax expense	**24,887**	22,292

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 2013 and 2014.

(ii) PRC

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

(a) Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiaries was exempted from PRC income tax for two years starting from its first profit-making year in 2009, followed by a 50% reduction in the applicable tax rate for the next three years. Accordingly, the subsidiary was subject to a reduced tax rate of 12.5% during the six months ended 30 June 2013. (Six months ended 30 June 2014: 15%).

6. Income Tax Expense (Continued)

Notes: (Continued)

(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% from year 2011 to 2013 or year 2013 to 2015.

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

(iii) Other jurisdictions

Taxation arising in other jurisdictions 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	
	2014	2013
	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	**20,988**	18,275
Release of prepaid lease payments	**700**	728
Depreciation of investment properties	**171**	417
Amortisation of intangible assets	**21,304**	33,218
Interest income from loans receivables	**(21,593)**	(20,825)
Bank interest income	**(3,327)**	(2,384)
Dividend income from an available-for-sale investment	**—**	(5,227)
Exchange loss	**7,875**	93

For the six months ended 30 June 2014

8. Dividends

During the period, a cash dividend of HK$0.21, equivalent to RMB0.166 per share (six months ended 30 June 2013: HK$0.18, equivalent to RMB0.144 per share) was declared and paid to the shareholders as the final dividend for 2013. The aggregate amount of the final dividend declared and paid in the current interim period amounting to RMB157,912,000 (six months ended 30 June 2013: RMB133,404,000).

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2013: 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	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**202,786**	167,588

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**937,857,758**	930,034,145
Effects of dilutive potential ordinary shares in respect of share options	**7,942,106**	8,723,843
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**945,799,864**	938,757,988

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

During current interim period, the Group incurred costs of RMB4,181,000 (six months ended 30 June 2013: RMB6,904,000) on the construction of new factory and office premises and acquired property, plant and equipment of RMB10,972,000 (six months ended 30 June 2013: RMB5,196,000) in order to upgrade its manufacturing capabilities. Development costs of RMB19,625,000 (six months ended 30 June 2013: RMB26,253,000) are capitalised.

In addition, property, plant and equipment of RMB24,494,000 (six months ended 30 June 2013: RMB14,998,000) and intangible assets of RMB7,481,000 (six months ended 30 June 2013: RMB9,443,000) are acquired and goodwill of RMB75,550,000 (six months ended 30 June 2013: RMB106,412,000) is generated through the acquisition of subsidiaries (see Note 18).

11. Available-For-Sale Investments

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Available-for-sale investments comprise:		
Unlisted equity securities, at cost less impairment (Note i)	29,811	29,811
Investment in trust fund, at fair value (Note ii)	102,482	105,721
	132,293	135,532

Notes:

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

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

For the six months ended 30 June 2014

12. Other Non-current Assets

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Life insurance products	32,032	31,723
Consideration receivable for disposal of a subsidiary (Note)	21,000	21,000
Deposit paid for purchase of a piece of land	14,000	14,000
Deposit paid for purchase of certain properties	35,000	—
	102,032	66,723

Note: The balance carries fixed-interest at 6.40% per annum, and is repayable over a period of five years from June 2013. A piece of land has been pledged to the Group until the full settlement of the consideration.

13. 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 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Trade and bills receivables:		
0–90 days	1,230,508	983,211
91–180 days	172,022	155,246
181–365 days	593,251	107,016
Over 1 year	26,825	25,952
	2,022,606	1,271,425
Retentions held by trade customers	125,282	117,000
Deposits, prepayments and other receivables	303,706	296,734
Consideration receivable on disposal of a subsidiary	—	33,000
	2,451,594	1,718,159

14. Loan Receivables

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 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

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 2014, RMB230,000,000 has been settled, and new loans of RMB230,000,000 were arranged with the same borrowers. For the remaining RMB100,000,000, the borrower has negotiated with the Group to extend the loan period for eleven more months to December 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 carries interest at six-months benchmark lending rate offered by the People's Bank of China, and is repayable in December 2014.

Certain land and buildings of the borrowers have been pledged to the Group, and the Group is not permitted to sell these assets in the absence of default of the borrowers. As at 30 June 2014, the fair value of the pledged assets which has been assessed by the management with reference to recent market prices for similar land and buildings in similar locations and conditions is greater than the respective loan balances. The pledge will be released upon settlement of the relevant loans.

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15. Trade and Other Payables

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

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Trade and bills payables:		
0–90 days	**1,000,869**	669,095
91–180 days	**160,055**	167,626
181–365 days	**16,390**	30,215
Over 1 year	**16,308**	22,954
	1,193,622	889,890
Other payables	**230,406**	191,963
Consideration payable on acquisition of a subsidiary (Note 18)	**16,120**	100,000
	1,440,148	1,181,853

16. Borrowings

During the period, the Group obtained bank loans of RMB782,466,000 (six months ended 30 June 2013: RMB823,901,000) and repaid bank loans of RMB409,458,000 (six months ended 30 June 2013: RMB677,855,000). The loans carry interest at market rates ranging from 0.23% to 9.23% (six months ended 30 June 2013: 1.44% to 6.00%) per annum and are repayable in instalments over a period of 4 years. The proceeds were used for general working capital purposes and to finance the acquisition of property, plant and equipment.

For the six months ended 30 June 2014

17. Share Capital

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2013, 30 June 2013, 31 December 2013 and 30 June 2014	100,000,000,000	1,000,000
		RMB'000
Issued and fully paid:		
At 1 January 2013	929,318,675	9,410
Issue of shares upon exercise of share options	2,000,000	16
At 30 June 2013	931,318,675	9,426
Issue of shares upon exercise of share options	400,000	3
At 31 December 2013	931,718,675	9,429
Issue of shares upon exercise of share options (Note)	20,133,000	159
As at 30 June 2014	951,851,675	9,588

Note: During the six months ended 30 June 2014, 20,133,000 (six months ended 30 June 2013: 2,000,000) ordinary shares of HK$0.01 each in the Company were issued upon the exercise of share options under the share option scheme of the Company with proceeds of HK$56,904,000 (equivalent to RMB44,954,000) (six months ended 30 June 2013: HK$4,596,000 (equivalent to RMB3,732,000)).

For the six months ended 30 June 2014

18. Acquisition of Subsidiaries

For the six months ended 30 June 2014

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

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

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

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

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

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

18. Acquisition of Subsidiaries (Continued)

For the six months ended 30 June 2014 (Continued)

	Changsha entity RMB'000	Wuhan entity RMB'000	Xi'an entity RMB'000	Total RMB'000
Considerations transferred:				
Cash considerations paid	5,000	52,900	38,250	96,150
Consideration payable (Note i)	16,120	—	—	16,120
	21,120	52,900	38,250	112,270
Fair value of assets acquired and liabilities recognised at the date of acquisitions (determined on a provisional basis (Note ii)):				
Property, plant and equipment	22,056	2,127	311	24,494
Intangible assets	1,923	5,558	—	7,481
Inventories	27,387	6,662	—	34,049
Trade and other receivables (Note iii)	73,427	11,831	31,582	116,840
Pledged bank deposits	11,851	—	—	11,851
Bank balances and cash	791	4,167	13,468	18,426
Trade and other payables	(102,300)	(15,171)	(17,159)	(134,630)
Borrowings — due with one year	(30,000)	(3,000)	—	(33,000)
	5,135	12,174	28,202	45,511
Goodwill arising on acquisitions (Note iv)				
Consideration	21,120	52,900	38,250	112,270
Plus : non-controlling interests (Note v)	1,797	4,174	2,820	8,791
Less : net assets acquired	(5,135)	(12,174)	(28,202)	(45,511)
	17,782	44,900	12,868	75,550
Net cash outflows (inflows) arising from the acquisition				
Cash consideration paid	5,000	52,900	38,250	96,150
Less: bank balances and cash acquired	(791)	(4,167)	(13,468)	(18,426)
	4,209	48,733	24,782	77,724

18. Acquisition of Subsidiaries (Continued)

For the six months ended 30 June 2014 (Continued)

Notes:

(i) The consideration payable was settled in July 2014.

(ii) The initial accounting of these acquisitions is not yet completed at the end of the reporting period. The fair values of assets acquired and liabilities recognised are provisionally determined at the acquisition date with reference to preliminary professional valuation conducted by an independent valuer.

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

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

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

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

(vii) Included in the profit for the period ended 30 June 2014 was revenue of RMB38,582,000 and profit of RMB3,438,000 attributable to the additional business generated by the Changsha entity.

Had the acquisition of Changsha entity been completed on 1 January 2014, total group revenue for the period ended 30 June 2014 would have been RMB1,376,405,000 and profit for the period would have been RMB190,652,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

The directors of the Company are of the opinion that the other two subsidiaries acquired during the six months ended 30 June 2014 had no significant contribution to the Group's revenue or results for the six months ended 30 June 2014.

For the six months ended 30 June 2013

On 16 May 2013, the Group acquired the entire equity interest in Sparkle Light Investments Limited and its wholly owned subsidiary, Changsha Vitae Plastic Technology Co., Limited from an independent third party, at a final consideration of RMB150,000,000. Details are set out in note 28 to the Group's annual financial statements for the year ended 31 December 2013.

For the six months ended 30 June 2014

19. Capital Commitments

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 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	192,084	14,484

20. Related Party Disclosures

(a) Transactions

Relationship	Transactions	Six months ended 30 June 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
An associate	Sales of goods by the Group	4,768	—
	Rental income received by the Group	431	—
Hunan Widefar Information Technology Co., Ltd (Note)	Rental income received by the Group	—	439

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

For the six months ended 30 June 2014

20. Related Party Disclosures (Continued)

(b) Balances

Details of balances between the Group and an associate are as below:

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Trade receivable due from an associate	4,877	284
Other receivable due from an associate	9,936	9,681
Trade payable due to an associate	—	(5,069)
Other payable due to an associate	(160)	(606)

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

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Companies beneficially owned and controlled by certain directors of the Company (Note)	20,949	20,926

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

(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 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Short-term benefits	2,732	2,450
Retirement benefit scheme contributions	69	50
	2,801	2,500

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

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

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

	Fair value as at		
	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)	Fair value hierarchy
Financial asset			
Available-for-sale investments:			
Investment in trust fund, at fair value (Note 11)	102,482	105,721	Level 2

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

(b) 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.

(c) 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.