



Wasion Meters Group Limited
威勝儀表集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3393)



Interim Report

2007

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Choi Wai Lung Edward FCCA, FHKICPA

AUTHORISED REPRESENTATIVES

Mr. Ji Wei
Mr. Choi Wai Lung Edward FCCA, FHKICPA

AUDIT COMMITTEE

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

PRINCIPAL BANKERS

In Hong Kong:

Bank of Communications Hong Kong Branch
Bank of China

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

AUDITORS

KPMG
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Room 2903, Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

www.wasion.com
www.iraisa.com/listco/hk/wasion/index.htm

STOCK CODE

3393



CORPORATE PROFILE

LEADING GENERAL POWER SOLUTION PROVIDERS

Wasion Meters Group Limited (the “Company” or “Wasion Meters”) (stock code: 3393) and its subsidiaries (collectively, the “Group”) are leading power solution providers in the PRC specialized in the provision of electronic power meters and power management systems. Its products are widely applied for the measurement and management of power generation, transmission, distribution and usage.

At present, the “” brand has become one of most renowned brands of three-phase electronic power meters in the PRC. In addition, the Group and its products have received numerous awards, certificates and accolades for their superior quality and reputation over the years, including Logo Certificate for Products Adopting International Standards (採用國際標準產品標誌證書), Postdoctoral Research Station (博士後科研工作站) and the Certificate for High and New Technology Enterprise (高新技術企業認定證書). In September 2006, the “” brand power meters were appraised as “China’s Famous Products” by the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China, which further recognised the Group’s leading position in the power meter industry.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Highlights

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Turnover	291,716	203,680
Gross profit	134,475	96,426
Profit from operations	67,926	46,153
Profit attributable to equity shareholders of the Company	59,053	41,047
Basic earnings per share (RMB)	0.08	0.06

Key Financial Figures

	Six months ended 30 June	
	2007	2006
Gross profit margin (%)	46	47
Operating profit margin (%)	23	23
Net profit margin (%)	20	20
Interest coverage (in times)	9.86	9.28

Turnover

The Group posted considerable growth in turnover and net profit in the first half of 2007. The growth was mainly attributable to the advanced technology, reliability and reasonable prices of the Group's products, and most of all, innovation. Turnover rose by 43% to RMB291.72 million in the period under review as compared to the corresponding period last year ("period 2006").

Gross Profit

The robust sales growth in the first half of 2007 drove the growth of gross profit. The Group's gross profit increased by 39% to RMB134.48 million for the six months ended 30 June 2007. The overall gross profit margin is 46% in the first half of 2007, which has a mild decrease as compared with 47% in period 2006.



MANAGEMENT DISCUSSION AND ANALYSIS

Operating Expenses

In the first half of 2007, the Group's operating expenses amounted to RMB72.47 million (2006: RMB53.63 million). The increase in operating expenses was mainly due to the expansion of the Group's operation and the inclusion of equity-settled share-based payment expenses of RMB8.28 million (period 2006: RMB4.90 million). Operating expenses accounted for 25% of the Group's turnover in the first half of 2007 which slightly decreased as compared with 26% for period 2006.

Profit from Operations

Following the rapid growth in turnover, earnings before finance costs and tax for the first half of 2007 amounted to RMB67.93 million (period 2006: RMB46.15 million), representing an increase of 47% as compared with the first half of 2006. Operating profit margin for the first half of 2007 is 23% which is similar to that for period 2006.

Profit Attributable to the Shareholders of the Company

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2007 grew by 44% to RMB59.05 million as compared with period 2006 which came in line with the growth of the Group's turnover.

Capital Structure, 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 2007, the Group's current assets amounted to approximately RMB769.14 million (31 December 2006: RMB729.82 million), with cash and cash equivalents totaling approximately RMB66.40 million (31 December 2006: RMB158.18 million).

As at 30 June 2007, the Group's total bank loans amounted to approximately RMB324.55 million (31 December 2006: RMB163.70 million). Net book value of the Group's pledged assets for the bank loans was approximately RMB118.63 million (31 December 2006: RMB123.28 million). In the first half of 2007, the interest rate for the Group's bank borrowings ranged from 5.02% to 7.34% (31 December 2006: 5.02% to 6.73%) per annum.

The gearing ratio (total borrowings divided by total assets) increased from 18% as at 31 December 2006 to 27% as at 30 June 2007. The change was due to the increase in bank borrowings of the Group in the first half of 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

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 first half of 2007, 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 2007, the Group had 1,549 employees (31 December 2006: 1,294). The staff costs (including other benefits and contributions to defined contribution plan) totalled RMB30.49 million in the first half of 2007 (period 2006: RMB24.13 million). The staff costs of the Group for the period under review included the fair value of share options granted to employees of the Group amounting to approximately RMB8.28 million (period 2006: RMB4.90 million). The aggregate amount of the emoluments of the Company's directors was approximately RMB1.82 million for the six months ended 30 June 2007 (period 2006: RMB1.92 million).

The Group's employees in the People's Republic of China ("PRC") were enrolled in the mandatory central pension scheme operated by the State. The Group also provides housing allowances and benefits for healthcare, 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 has also set up a mandatory provident fund scheme for its 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 of Hong Kong Limited (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



MANAGEMENT DISCUSSION AND ANALYSIS

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 details of the scheme options are as follows:

Name and category of participants	Number of share options				As at 30 June 2007	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\$
	As at 1 January 2007	Granted during the period	Exercised during the period	Cancelled/lapsed during the period						
Directors										
Wang Xue Xin	3,000,000	—	—	—	3,000,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Cao Zhao Hui	2,000,000	—	—	—	2,000,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Zeng Xin	2,000,000	—	—	—	2,000,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Zheng Xiao Ping	2,000,000	—	—	—	2,000,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Liao Xue Dong	1,600,000	—	—	—	1,600,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Hui Wing Kuen	600,000	—	—	—	600,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225

MANAGEMENT DISCUSSION AND ANALYSIS

Name and category of participants	Number of share options				As at 30 June 2007	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
	As at 1 January 2007	Grante during the period	Exercised during the period	Cancelled/lapsed during the period						date of grant of share options** HK\$
Pan Yuan	200,000	—	—	—	200,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Wu Jin Ming	200,000	—	—	—	200,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Sub-total	11,600,000	—	—	—	11,600,000					
Other employees	25,200,000	—	—	—	25,200,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Other employees	—	7,000,000	—	—	7,000,000	7 February 2007	7 February 2007 to 6 February 2009	7 February 2009 to 6 February 2017	3.200	3.200
Other employees	—	7,000,000	—	—	7,000,000	7 February 2007	7 February 2007 to 6 February 2010	7 February 2010 to 6 February 2017	3.200	3.200
Total	36,800,000	14,000,000	—	—	50,800,000					

* 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

Significant Investments, Acquisitions and Disposal

On 14 May 2007, the Company has passed a resolution in an extraordinary general meeting whereby a wholly-owned subsidiary of the Company acquired the entire issued share capital of Sinowise Industries Limited ("Sinowise") at a total consideration which in any event will not exceed RMB210,000,000. The sole asset of Sinowise is its 100% equity interest in Hunan Weike Power Meter Co., Ltd. ("Hunan Weike") which is principally engaged in the production and sale of single-phase electronic power meters.

Saved as disclosed above, there was no significant investment, acquisitions and disposal during the period under review.

Charge on Assets

As at 30 June 2007, the pledge deposits are denominated in Renminbi and Hong Kong dollars and are pledged to banks as security for certain loans and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments

As at 30 June 2007, the capital commitments authorised but not contracted for and contracted for but not provided in the financial statements by the Group amounted to RMB131.37 million (31 December 2006: RMB122.80 million) and RMB1.51 million (31 December 2006: RMB2.16 million) respectively, representing commitments for the purchase of property, plant and equipment and the construction cost of the new production plant.

Contingent Liabilities

As at 30 June 2007, the Group had no material contingent liabilities.

MARKET REVIEW

During the period of the Eleventh Five-Year Plan, power grid companies will invest RMB 200 billion annually in the renovation of power grids and related equipment, of which 6% to 8% will be allocated to the procurement of power meters and automatic power measurement systems and terminals. Meanwhile, the state power grid companies have commenced the key investment and renovation of power grid projects in 31 major cities. With the view to realizing the socialist construction in rural areas and ensuring “power supply in every family”, the state has also stepped up and increased its investment in the renovation of power grid equipment in rural areas. On the other hand, the government places strong emphasis on energy and energy efficiency management and has formulated a strategic target of reducing energy consumption per unit GDP by 20% for the period of the Eleventh Five-Year Plan. This will promote the application and development of a series of new products, including advanced power measurement meters and power consumption management terminals and systems.

Since the end of 2006, the State has revised and formulated numerous state and industry technical standards governing power meters, terminals and systems, and further confirmed, in terms of technical standard, that power meter, and in particular high and medium end multi-purpose power meter, terminal and system with communication functions, will be the major development direction of power measurement in future. While maintaining its overall steady and rapid development, the domestic power measurement market will focus on multi-function, web-based, intelligent and system-based products.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Electronic Power Meters

In the period under review, sales of electronic power meters remained the major source of revenue of the Group. Turnover from sales of three-phase electronic power meters and single-phase electronic power meters for the six months ended 30 June 2007 amounted to RMB173.04 million and RMB46.46 million, representing an increase of 40% and 71% respectively as compared with the corresponding period last year and contributed to 59% and 16% of the Group's turnover respectively (period 2006: 61% and 13%).

Data Collection Terminals and Power Management Systems

In the first half of 2007, revenue from sales of data collection terminals and power management systems increased to RMB72.22 million, representing an increase of 37% as compared with the corresponding period last year and accounted for 25% (period 2006: 26%) of the Group's turnover.

Export Markets

In the first half of 2007, the Group continued to step up its exploration of overseas markets. The major markets are Africa and Southeast Asia. Due to changing market landscape, the Group has, in terms of product structure, shifted its focus from customary projects to meter reading systems when exploring overseas market. The cycle of meter reading system is relatively longer than that of customary projects and the results of market exploration will be reflected in the results of the second half of this year and next year.

Raw Material Supply

During the period under review, prices of raw materials, such as chip resistor, chip capacitor, integrated circuit and semi-conductor stabilized after a slight decline. However, prices of component parts that have high copper content face enormous upward pressure because copper price remained high. Therefore, the Group set up a cost control committee which formulated reward measures and implementation rules that promote cost-saving management. The Group also ensured the slight decrease in the prices of component parts directly related to copper price, such as terminal block, transformer and transducer, by improving designs, optimizing solutions and establishing strategic alliance with suppliers, so as to effectively reduce cost and mitigate the impact of raw material prices on the gross profit of products.



MANAGEMENT DISCUSSION AND ANALYSIS

Research and Development

The Group is committed to improving the quality of its existing products and developing new products. During the period under review, the Group launched several new products, including multi-function three-phase power meters with long distance transmission function, multiple-tariff meters with better performance and produced at lower cost, and several MB series module meters designed for large users.

Existing major projects under research and development include: full electronic active power filter, hybrid active power filter, D-STATCOM, premium 0.2S grade gateway meter, remote-controlled prepaid expenses system, low voltage wave carrying meter and three-phase meter, terminal, meter reading system and switching terminal and its system that comply with the new international standard agreement (IEC62056) and power meter that complies with ANSI standard.

PROSPECT AND PLANS

Impact of Government Policies on Future Development of the Industry

The government places strong emphasis on energy and energy efficiency management. Under the Eleventh Five-Year Plan, a strategic target of reducing energy consumption per unit GDP by 20% is set and enterprises are encouraged to strengthen internal measurement management in a precise and intelligent manner. This will promote the application and development of a series of new products, including advanced power measurement meters and power consumption management terminals and systems and increase the market demand of enterprise clients for the Company's products. Meanwhile, power grid companies targeting at saving energy and reducing consumption need to enhance the precision and automation of line loss management, and are therefore stepping up the establishment of line loss management system and demand side management system, that bring boundless opportunities for intelligent power meters, terminals and systems.

Power grid investment has been made on a gradual basis under the Eleventh Five-Year Plan. In line with the increase in the investment of power grids, the funds to be applied for upgrading and renovating measurement equipment will also increase. Meanwhile, the state power grid companies have commenced the key investment and renovation of power grid projects in 31 major cities. In order to realize the socialist construction in rural areas, ensure "power supply in every family" and coordinate trial implementation in urban and rural areas, the State and power grid companies have also further its investment in the construction of power grids in rural areas. This implies that there will be a huge demand for power meters and related systems products in the domestic market.



MANAGEMENT DISCUSSION AND ANALYSIS

Under the Eleventh Five-Year Plan, the setting up of power management systems and terminals has become the priority of state power grid companies in carrying forward marketing modernization. Procurement that was limited to several provinces in the past has now been extended throughout the country. At the same time, state power grid companies are stepping up their efforts in implementing the plan in 2007 and has issued notices and convened meetings numerous times to push forward the procurement and implementation of terminal systems. Major power companies in cities including Beijing and Shanghai began to implement the plan this year. All these helped to lay a solid foundation for the sustainable and rapid development of the Group's terminal business.

The Group's Development Plans

The Group's future development plans include the followings:

- (1) First, the Group will sponsor the marketing activities including the technical competitions held by state power grid companies to widely promote its brand name and products. In the meantime the Group will launch new products to meet the market demand, enhance production capacity and products quality comprehensively, further strengthen resource deployment in respect of technical support, accordingly increase its market share steadily in three-phase electronic power meters, its leading product, in the provinces of PRC.
- (2) The Group will speed up development and production of its new terminal products series including Voltage-Deployment-Changed Terminal (配變終端) and Centralized Reading Meter Terminal (集中抄錶終端) in different provinces of the PRC, keep up its leading role in this product line, so that it will be able to seize the market opportunity to accomplish the rapid growth in terminal products.
- (3) After acquiring Hunan Weike successfully and with the help of its existing technological advantages, the Group has expanded its research and development capacity in single-phase electronic power meters in order to accomplish the Group's aim to serialize its high-end products of single-phase electronic power meters. In the meantime, with its existing edges in the market, the Group is focusing on the most representative markets in PRC, especially in Guangdong, Heilongjiang, Beijing and Hunan, which are now developing rapidly in economy. Accordingly the Group has recorded rapid growth in high-end single-phase electronic power meters.
- (4) The Group will set forth large-scale marketing channels (other than state power grid companies) for its industry customers, including petro-chemical and metallurgy industries, in order to expand its existing sales channels, while developing its integrated energy measurement products, new businesses including energy efficiency management and new products.

MANAGEMENT DISCUSSION AND ANALYSIS

- (5) The Group will timely launch technologically-advanced new products with high gross profit margin, rapidly develop new target markets in an effort to raise the Group's market shares therein, expand its product portfolio and increase its market shares through cooperation and acquisitions.
- (6) The Group aims at meeting market demand through internal adjustments and expanding its production capacity of three-phase electronic power meters and data-collection terminals in its existing production plants. In addition, the Group's plan to build a new production plant in the Science and Technology Park in Changsha City, Hunan Province (湖南長沙科技園) is proceeding as planned, and the plant is expected to commence operation in the first half of 2008.
- (7) In view of the current international market condition, the Group has set forth two targets for expansion in the overseas markets: (i) to expand the Group's sales rapidly in the Asian and African markets, which mainly include Egypt, Bangladesh and Indonesia; and (ii) to promote the brand name of the Group's products internationally and improve its product design and quality control in Europe and the Americas, mainly including France, Germany and the US. With a view to achieving the above targets and making additional efforts in developing overseas markets, the Group established Changsha Weisheng Import and Export Trading Company Limited (長沙威勝進出口貿易有限公司) in August 2007, which is responsible for the Group's overall development, sales and servicing functions in the overseas markets, including the establishment and management of overseas sales offices, importing new technologies, products, experiences and management concepts, as well as agency of products importation.
- (8) In order to satisfy the increasing demand for energy management from local governments and all power consuming units, and in turn to accomplish the two compulsory targets as set out in the "Eleventh Five Year Plan", namely requiring that power consumption per unit of GDP shall be reduced by 20% and the total volume of major pollutants discharged shall be cut by 10% by 2010, the Group established Changsha Weisheng Energy Industrial Technology Company Limited (長沙威勝能源產業技術有限公司) ("Weisheng Energy") in July 2007, which mainly provides customers with innovative energy-saving technologies and helps customers optimize energy management and increase the efficiency in energy saving. Wasion Energy is deeply aware of its customers' needs through the Group's edges in electric power measurement, supervision and management analysis. Together with the Group's traditional advantages in the industry and in technology, Wasion Energy will put its effort in integrating the most advanced technologies and products from home and abroad and bringing power management into a brand new and more professional development.



MANAGEMENT DISCUSSION AND ANALYSIS

Weisheng Energy enjoys the following business opportunities:

- (i) Providing its customers with practical energy-saving technologies, products and professional engineering, in which specific products include electronic electric power meters and power measurement management analysis systems, leveraging the Group's technologies, products and solutions in automatic power measurement.
- (ii) Providing its customers with practical technologies, products and professional engineering of technological energy-saving, including energy-saving renovation of equipment and production processes as well as energy-saving automatic control system, etc..
- (iii) Cooperating with local governments and power bureaus to set up energy-saving services centers, helping all governmental organizations implement specific energy-saving measures and providing them with guidelines, including power management consultation and overall energy-saving solutions focusing on power and power quality measurement, supervision, management, analysis and assistance in decision-making.

Audit Committee

The audit committee of the Company (the "Audit Committee") is responsible for assisting 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 oversees other duties as assigned by the Board.

All the members of our Audit Committee are independent non-executive directors as listed in page 2.

The interim results of the Group for the six months ended 30 June 2007 have been reviewed by the auditors of the Company, KPMG, and the Audit Committee.

Compliance with the Code Of Corporate Governance Practices of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")

In the opinion of the board of directors (the "Board"), the Company has been in compliance throughout the six months ended 30 June 2007 with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Board acknowledges its responsibility for the Group's systems of internal controls and has assumed this responsibility through formalizing the Group's financial and legal procedures.



MANAGEMENT DISCUSSION AND ANALYSIS

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 first six months ended 30 June 2007.

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.

Internal Controls

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and the Company’s assets, and reviewing the effectiveness of such on an annual basis through the Audit Committee.

The Company has maintained a governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the senior management.

The management of the Company is responsible for establishing the Group’s internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk.

The management also conducts periodic independent reviews on the operations of individual divisions to identify any irregularities and risks, develops action plans and recommendations to address the identified risks, and reports to the Audit Committee on any key findings. The Audit Committee, in turn, reports to the Board on any material issues and makes recommendations to the Board.



MANAGEMENT DISCUSSION AND ANALYSIS

Shareholders' Rights and Investor Relations

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.wasion.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors and the chief executives who held office at 30 June 2007 had the following interests in the shares, underlying shares and debentures of the Company, any of its holding companies, subsidiaries and other associate corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interests required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

Interests in issued shares of the Company

Name of director	Capacity	Number of ordinary shares held	% of total issued ordinary shares
Ji Wei	Beneficial interest in the Company through his interest in Star Treasure Investments Holdings Limited ("Star Treasure")	457,820,000	65.01

Note: Star Treasure is a company wholly owned by Mr. Ji Wei.

OTHER INFORMATION

Interests in underlying shares of the Company attached to the share options granted by the Company

Name of director	Number of options to subscribe for shares	Capacity held	Number of underlying ordinary shares	% of total issued ordinary shares
Wang Xue Xin	3,000,000	Beneficial owner	3,000,000	0.43
Cao Zhao Hui	2,000,000	Beneficial owner	2,000,000	0.28
Zeng Xin	2,000,000	Beneficial owner	2,000,000	0.28
Zheng Xiao Ping	2,000,000	Beneficial owner	2,000,000	0.28
Liao Xue Dong	1,600,000	Beneficial owner	1,600,000	0.23
Hui Wing Kuen	600,000	Beneficial owner	600,000	0.09
Pan Yuan	200,000	Beneficial owner	200,000	0.03
Wu Jin Ming	200,000	Beneficial owner	200,000	0.03

Save as disclosed above, as at 30 June 2007, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company, any of its holding companies, subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as the Directors or chief executives of the Company are aware of, as at 30 June 2007, the shareholders, other than the Directors or chief executives of the Company, who have interests or short positions in the shares, the underlying shares or debentures of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Substantial shareholders	Number of ordinary shares held	% of total issued ordinary shares
Star Treasure	457,820,000	65.01

Save as disclosed above and so far as the Directors and the chief executives of the Company are aware, as at 30 June 2007, no other party (other than the Directors or the chief executives of the Company) had an interest or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES IN THE COMPANY

Apart from the foregoing, at no time during the period was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors of the Company have any interest in any business which may compete with the business of the Group during the six months ended 30 June 2007.

OTHER INFORMATION

DIRECTORS' INTERESTS IN CONTRACTS

Other than those disclosed under "Material Related Party Transactions" on pages 40 to 44, no contracts of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the period or at any time during the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2007, 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, 12 September 2007



CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2007 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2007 RMB'000	2006 RMB'000
Turnover	3	291,716	203,680
Cost of sales		(157,241)	(107,254)
Gross profit		134,475	96,426
Other revenue		5,824	3,293
Other net income		96	68
Research and development costs		(8,585)	(6,118)
Distribution costs		(27,698)	(19,494)
Administrative expenses		(30,040)	(23,794)
Other operating expenses		(6,146)	(4,228)
Profit from operations		67,926	46,153
Finance costs	5	(6,887)	(4,976)
Profit before taxation	5	61,039	41,177
Income tax	6	(1,986)	(130)
Profit attributable to equity shareholders of the Company		59,053	41,047
Earnings per share (RMB)			
Basic	8	0.08	0.06
Diluted	8	0.08	—

The notes on pages 27 to 45 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

at 30 June 2007 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Non-current assets			
Fixed assets	9		
— Property, plant and equipment		100,208	96,807
— Construction in progress		20,188	4,653
— Interests in leasehold land held for own use under operating leases		103,447	38,290
Intangible assets	10	160,409	60,040
Goodwill		43,324	—
		427,576	199,790
Current assets			
Inventories		144,203	106,594
Trade and other receivables	11	463,944	393,558
Pledged deposits		94,590	71,489
Cash and cash equivalents		66,398	158,182
		769,135	729,823
Current liabilities			
Trade and other payables	12	254,296	174,601
Bank loans	13	282,545	163,700
Current taxation		2,801	4,765
		539,642	343,066
Net current assets		229,493	386,757
Total assets less current liabilities		657,069	586,547
Non-current liabilities			
Bank loans	13	42,000	—
Deferred tax liabilities		17,601	671
		59,601	671
NET ASSETS		597,468	585,876



CONSOLIDATED BALANCE SHEET

at 30 June 2007 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
CAPITAL AND RESERVES	15		
Share capital		7,331	7,331
Reserves		590,137	578,545
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		597,468	585,876

Approved and authorised for issue by the board of directors on 12 September 2007.

Ji Wei)
))
) Directors
Cao Zhao Hui)
)

The notes on pages 27 to 45 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2007 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2007 RMB'000	2006 RMB'000
Total equity at 1 January attributable to equity shareholders of the Company		585,876	471,586
Net income recognised directly in equity			
Exchange difference on translation of financial statements of companies with functional currency other than presentation currency		(6,447)	(3,339)
Net profit for the period		59,053	41,047
Total recognised income and expenses for the period attributable to equity shareholders of the Company		52,606	37,708
Dividends declared or approved during the period		(49,297)	(38,818)
Movements in equity arising from capital transactions:			
Equity-settled share-based transactions	14	8,283	4,896
Total equity at 30 June attributable to equity shareholders of the Company		597,468	475,372

The notes on pages 27 to 45 form part of this interim financial report.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2007 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Cash used in operations	(27,878)	(57,234)
Tax paid	(3,953)	(4,604)
Net cash used in operating activities	(31,831)	(61,838)
Net cash used in investing activities	(95,702)	(15,722)
Net cash generated from financing activities	36,691	6,057
Net decrease in cash and cash equivalents	(90,842)	(71,503)
Cash and cash equivalents at 1 January	158,182	206,434
Effect of foreign exchange rates changes	(942)	(3,330)
Cash and cash equivalents at 30 June	66,398	131,601

The notes on pages 27 to 45 form part of this interim financial report.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard 34 (“HKAS 34”), Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 12 September 2007.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set out financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standards on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA, KPMG’s independent review report to the Board of Directors is included on page 46.

The financial information relating to the financial year ended 31 December 2006 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2006 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 2 April 2007.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

2 NEW AND REVISED HKFRSS

The HKICPA has issued certain new and revised HKFRSSs that are first effective or available for early adoption for the current accounting period of the Group. The adoption of these new and revised HKFRSSs did not result in significant changes to the Group's accounting policies applied in these financial statements for the periods presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

The entity's primary format for reporting segment information is business segments. Revenue from external customers represents the sales value of goods supplied to customers and income from provision of software development services.

The Group comprises the following business segments:

- Electronic power meters : the development, manufacture and sale of single-phase and three-phase electronic power meters.

- Data collection terminals and related services : the development, manufacture and sale of data collection terminals and provision of software development services.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

3 SEGMENT REPORTING (Continued)

Six months ended 30 June 2007

	Electronic power meters RMB'000	Data collection terminals and related services RMB'000	Inter- segment elimination RMB'000	Consolidated RMB'000
Revenue from external customers	219,495	72,221	—	291,716
Inter-segment revenue	610	4,645	(5,255)	—
Total	220,105	76,866	(5,255)	291,716
Segment result	54,105	19,927		74,032
Unallocated operating income and expenses				(6,106)
Profit from operations				67,926

Six months ended 30 June 2006

	Electronic power meters RMB'000	Data collection terminals and related services RMB'000	Inter- segment elimination RMB'000	Consolidated RMB'000
Revenue from external customers	150,984	52,696	—	203,680
Inter-segment revenue	1,446	3,021	(4,467)	—
Total	152,430	55,717	(4,467)	203,680
Segment result	40,071	10,421		50,492
Unallocated operating income and expenses				(4,339)
Profit from operations				46,153



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

4 SEASONALITY OF OPERATIONS

The Group's operations are subject to seasonal fluctuations. Demand for its products in general increases during the second half of each year and decreases thereafter.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Interest on borrowings	6,664	4,717
Other borrowing costs	223	259
Finance costs	6,887	4,976
Amortisation of lease prepayments	543	125
Amortisation of intangible assets	7,514	5,017
Depreciation	6,172	4,238
Interest income	(1,976)	(2,674)

6 INCOME TAX

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Current tax — PRC		
Tax for the period	2,625	592
Over provision in respect of prior years	(635)	(462)
	1,990	130
Deferred tax		
Origination and reversal of temporary differences	(4)	—
	1,986	130



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

6 INCOME TAX (Continued)

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the six months ended 30 June 2006 and 2007.

The PRC income tax has been calculated at the prevailing income tax rates under the relevant PRC income tax rules and regulations applicable to the subsidiaries. Certain subsidiaries were granted exemptions and relief from the PRC income tax by the relevant local tax bureau.

As a Macau offshore company established under the Macau Offshore law, the subsidiary in Macau was exempted from Macau income tax during the six months ended 30 June 2006 and 2007.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the six months ended 2006 and 2007.

A subsidiary in the PRC was granted with tax credits totalling RMB812,000 for the research and development activities during the six months ended 30 June 2007 (six months ended 30 June 2006: RMB1,003,000).

7 DIVIDENDS

Dividends attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Final dividend in respect of the financial year ended 31 December 2006, approved and paid during the interim period, of HK\$0.070 (equivalent to RMB0.070) (six months ended 30 June 2006: HK\$0.053 (equivalent to RMB0.055)) per ordinary share	49,297	38,818



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity shareholders of the Company of RMB59,053,000 (six months ended 30 June 2006: RMB41,047,000) and the weighted average of 704,247,787 ordinary shares (six months ended 30 June 2006: 704,247,787 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2007 based on the profit attributable to equity shareholders of the Company of RMB59,053,000 and the weighted average of 715,810,375 ordinary shares, calculated as follows:

	2007
	No. of shares
Weighted average number of ordinary shares at 30 June	704,247,787
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	11,562,588
Weighted average number of ordinary shares (diluted) at 30 June	715,810,375

There were no dilutive potential ordinary shares in issue as at 30 June 2006.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

9 FIXED ASSETS

- (a) The significant acquisitions of items of fixed assets during the six months ended 30 June 2007 are as follows:

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Additions of:		
— property, plant and equipment	5,154	5,608
— construction in progress	13,062	2,506
Acquisitions through business combinations (note 17(a)(iv))	72,734	—

- (b) The Group's interest in leasehold land and buildings for own use is held by the subsidiaries in the PRC. The interest in leasehold land and buildings represents the land use rights together with the buildings thereon situated in Changsha, the PRC.
- (c) As at 30 June 2007, leasehold land and buildings with carrying value totalling RMB59,917,000 (31 December 2006: RMB68,047,000) are mortgaged to banks for certain banking facilities granted to the Group.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

10 INTANGIBLE ASSETS

	Capitalised development costs RMB'000	Patents, copyright, trademarks and brand name RMB'000	Technology RMB'000	Customer relationship and contracts RMB'000	Total RMB'000
Cost					
At 1 January 2006	21,614	50,700	—	—	72,314
Additions through internal development	4,513	—	—	—	4,513
At 30 June 2006	26,127	50,700	—	—	76,827
At 1 January 2007	39,138	50,700	—	—	89,838
Additions through internal development	6,471	—	—	—	6,471
Additions through business acquisition (note 17(a)(iv))	—	5,122	59,070	37,220	101,412
At 30 June 2007	45,609	55,822	59,070	37,220	197,721
Accumulated amortisation:					
At 1 January 2006	8,476	10,772	—	—	19,248
Charge for the period	1,500	3,517	—	—	5,017
At 30 June 2006	9,976	14,289	—	—	24,265
At 1 January 2007	12,131	17,667	—	—	29,798
Charge for the period	1,797	3,518	1,268	931	7,514
At 30 June 2007	13,928	21,185	1,268	931	37,312
Net book value:					
At 30 June 2006	16,151	36,411	—	—	52,562
At 30 June 2007	31,681	34,637	57,802	36,289	160,409



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

11 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors and bills receivable (net of impairment losses) with the following ageing analysis:

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Within 3 months	184,299	234,253
Between 4 to 6 months	60,048	24,100
Between 7 to 12 months	140,993	15,063
Between 1 to 2 years	22,057	21,469
Over 2 years	245	477
Trade debtors and bills receivable, net of impairment loss	407,642	295,362
Deposits, prepayments and other receivables	56,302	98,196
	463,944	393,558

Customers are normally granted credit terms of 3 months to 6 months depending on the Group's assessment of the credit worthiness of individual customers. Subject to negotiation, extended credit terms are available for certain major customers with well-established trading records. The Group chases the customers to settle outstanding balances and monitors the settlement progress on an ongoing basis.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

12 TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors and bills payable with the following ageing analysis:

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Due within 3 months or on demand	107,765	77,399
Due after 3 months but within 6 months	47,732	48,505
Due over 6 months	6,412	—
Trade creditors and bills payable	161,909	125,904
Receipts in advance	15,494	24,397
Accrued charges and other payables	76,893	24,300
	254,296	174,601

Included in trade and other payables is amount due to a related party totalling RMB47,683,000 as at 30 June 2007 (31 December 2006: RMB Nil) (note 17(b)).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

13 BANK LOANS

At 30 June 2007, all bank loans (31 December 2006: all) were denominated in Renminbi. They carried interest at rates in the range of 5.02% to 7.34% per annum (31 December 2006: 5.02% to 6.73% per annum) and were payable as follows:

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Within 1 year or on demand	282,545	163,700
After 1 year but within 2 years	42,000	—
	324,545	163,700
The bank loans were secured as follows:		
Interests in leasehold land held for own use under operating leases and buildings (note 9(c))	34,000	45,000
Pledged deposits	53,070	43,700
Property, plant and equipment of a related party (note 17(a)(v))	40,000	—
Secured	127,070	88,700
Unsecured	197,475	75,000
	324,545	163,700



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

14 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The terms and conditions of the grants that existed during the periods are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Exercise price	Vesting conditions	Contractual life of options
Options granted to directors of the Group				
— on 23 February 2006	11,600,000	HK\$2.225	Two years from the date of grants	10 years from the date of grant
Options granted to employees of the Group				
— on 23 February 2006	25,200,000	HK\$2.225	Two years from the date of grants	10 years from the date of grant
— on 7 February 2007	7,000,000	HK\$3.200	Two years from the date of grants	10 years from the date of grant
— on 7 February 2007	7,000,000	HK\$3.200	Three years from the date of grants	10 years from the date of grant
Total share options	50,800,000			

Each option gives the holder the right to subscribe for one ordinary share of HK\$0.01 each of the Company.

15 CAPITAL AND RESERVES

(a) Share capital

	At 30 June 2007 and 31 December 2006	
	No. of shares	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each	100,000,000,000	1,000,000
	No. of shares	Amount RMB'000
<i>Ordinary shares, issued and fully paid:</i>		
704,247,787 shares of HK\$0.01 each	704,247,787	7,331



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

15 CAPITAL AND RESERVES (Continued)

(b) Reserves

Note	Attributable to equity shareholders of the Company							Total RMB'000
	PRC							
	Share premium RMB'000	Merger reserve RMB'000	statutory reserves RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000		
At 1 January 2006	214,557	49,990	47,477	—	(380)	152,611	464,255	
Dividends approved in respect of the previous year	7	—	—	—	—	(38,818)	(38,818)	
Profit for the period		—	—	—	—	41,047	41,047	
Equity settled share-based transactions	14	—	—	4,896	—	—	4,896	
Exchange differences on translation of financial statements of companies outside the PRC		—	—	—	(3,339)	—	(3,339)	
At 30 June 2006	214,557	49,990	47,477	4,896	(3,719)	154,840	468,041	
At 1 January 2007	214,557	49,990	47,477	11,731	(10,739)	265,529	578,545	
Dividends approved in respect of the previous year	7	—	—	—	—	(49,297)	(49,297)	
Profit for the period		—	—	—	—	59,053	59,053	
Equity settled share-based transactions	14	—	—	8,283	—	—	8,283	
Exchange differences on translation of financial statements of companies outside the PRC		—	—	—	(6,447)	—	(6,447)	
At 30 June 2007	214,557	49,990	47,477	20,014	(17,186)	275,285	590,137	



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

16 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Contracted for	1,505	2,160
Authorised but not contracted for	131,373	122,802
	132,878	124,962

17 MATERIAL RELATED PARTY TRANSACTIONS

During the period, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
Mr Liang Ka Nam ("Mr Liang")	Brother of Mr Ji
Hunan Weike Power Meters Company Limited ("HWPMCL") (湖南威科電力儀錶有限公司)	Before 14 May 2007, HWPMCL was beneficially owned by Mr Liang. Certain directors of the Company were directors of HWPMCL. On 14 May 2007, the Company acquired 100% equity interest of HWPMCL through a wholly-owned subsidiary.
Hunan Classic Investment Co., Ltd. ("HCICL") (湖南經典投資有限公司)	Certain directors of the Company are directors of HCICL.
Changsha Weihua Property Development Company Limited ("CWPDCCL") (長沙威華置業有限公司)	Certain directors of the Company are directors of CWPDCCL.

The English translation of the company names is for reference only. The official names of the above companies are in Chinese.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions

	Note	Six months ended 30 June	
		2007 RMB'000	2006 RMB'000
Recurring transactions			
Purchases	(i)	20,515	25,822
Sales	(ii)	9	24
Rental of office properties	(iii)	139	114
Non-recurring transactions			
Acquisition of a subsidiary	(iv)	204,613	—

Notes:

- (i) The Group made purchases from HWPML. Pursuant to the relevant purchase agreements between the Group and HWPML, the purchase prices were determined based on 95% (2006: 95%) of the selling price of the respective purchases of the Group.
- (ii) The Group sold finished goods to HWPML. The selling prices were determined based on the average selling price of such goods charged by the Group to independent customers.
- (iii) The Group entered into a lease agreement with Mr Liang under which the Group was granted the right to use an office premises and a staff quarters. The rentals were determined by negotiation between the Group and the landlord based on the then prevailing market rate.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

Notes: (Continued)

(iv) On 14 May 2007, the Group acquired a 100% equity interest of Sinowise Industries Limited ("SIL") and its subsidiary, HWP MCL, from Mr Liang at a consideration of RMB210,000,000. The consideration is to be satisfied by the Group in the following manner:

- (a) a first payment of RMB81,000,000 (the "First Payment") has been paid in cash; and
- (b) the remaining balance of the consideration, which will be determined based on the net profit after tax of HWP MCL for the year ending 31 December 2007 multiplied by a price-earnings ratio of 7 times and deducting the First Payment but in any event shall not be more than RMB129,000,000, will be payable in cash within 30 days from the day on which the audited accounts of HWP MCL for the year ending 31 December 2007 have been issued by the auditors appointed by the Group, which is expected to be around end-February/early-March 2008.

Details of SIL and HWP MCL at 30 June 2007 are as follows:

Name of company	Place of incorporation	Particulars of issued/registered capital	Principal activities	Results contributed by the company from the date of acquisition to 30 June 2007 RMB'000
SIL	BVI	1 share of US\$1 each	Investment holding	—
HWP MCL	PRC	RMB 10,000,000	Development, manufacture and sale of electronic power meters	518



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

Notes: (Continued)

(iv) (continued)

The acquisition had the following effect on the Group's assets and liabilities.

	Recognised values on acquisition	Fair value adjustment	Pre-acquisition carrying amounts
	RMB'000	RMB'000	RMB'000
Property, plant and equipment and construction in progress	4,114	186	3,928
Lease prepayments	68,620	56,153	12,467
Intangible assets (note 10)	101,412	99,146	2,266
Trade and other receivables	133,685	—	133,685
Inventories	31,467	938	30,529
Cash and cash equivalents	6,581	—	6,581
Trade and other payables	(122,786)	—	(122,786)
Bank loans	(44,870)	—	(44,870)
Deferred tax liabilities	(16,934)	(16,794)	(140)
Net identifiable assets and liabilities	161,289	139,629	21,660
Goodwill arising on consolidation	43,324		
Contingent consideration payable	(123,613)		
Cash acquired	(6,581)		
Net cash outflow	74,419		

For the six months ended 30 June 2007, the fair values to be assigned to HWPML's identifiable assets and liabilities can be determined only provisionally. Management is in the midst of reassessing the fair values of the intangible assets at the acquisition date. Management would recognise any adjustments to the provisional values of the acquired identifiable assets and liabilities (to be adjusted on a retrospective basis from acquisition date) before 31 December 2007.

- (v) As at 30 June 2007, a bank loan of RMB40,000,000 was secured by the pledge of property, plant and equipment of HCICL.

The directors of the Company are of the opinion that the above related party transactions were conducted in the ordinary course of business.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Amounts due from/(to) related parties

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Mr Liang	(47,683)	—
HWPMCL	—	57,485

On 11 April 2007, the Group, HWPMCL and Mr Liang entered into an agreement whereby the entire outstanding amounts due from HCICL and CWPDCL totalling RMB79,000,000 to HWPMCL were set off against an equivalent amount of consideration payable to Mr Liang in connection with the acquisition of SIL by the Group.

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors, is as follows:

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Short-term employee benefits	2,162	1,864
Post employment benefits	48	57
Equity compensation benefits	2,421	1,649
	4,631	3,570



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

18 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2007

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2007.

		Effective for accounting periods beginning on or after
HK (IFRIC) 11	HKFRS 2: Group and treasury share transactions	1 March 2007
HKFRS 8	Operating segments	1 January 2009
Revised HKAS 23	Borrowing costs	1 January 2009

The above amendments, new standards and interpretations were not applied in this interim financial report because the directors expect that the Group will not early apply them when preparing the Group's annual financial statements for the period ending 31 December 2007.

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application and has so far concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.



INDEPENDENT REVIEW REPORT

Review report to the board of directors of Wasion Meters Group Limited

INTRODUCTION

We have reviewed the interim financial report set out on pages 22 to 45 which comprises the consolidated balance sheet of Wasion Meters Group Limited as of 30 June 2007 and the related consolidated income statement, and consolidated changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, 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 interim financial report as at 30 June 2007 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

12 September 2007

