



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)

INTERIM REPORT  
**2008**





## CONTENTS

	<i>Page</i>
Corporate Information	2
Corporate Profile	3
Management Discussion and Analysis	4
Other Information	18
Report on Review of Interim Financial Information	23
Condensed Consolidated Income Statement	25
Condensed Consolidated Balance Sheet	26
Condensed Consolidated Statement of Changes in Equity	28
Condensed Consolidated Cash Flow Statement	30
Notes to the Condensed Consolidated Financial Statements	32



## 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:

China Construction Bank  
Bank of Communications

### LEGAL ADVISER

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

### AUDITORS

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

Room B2A-B, 20/F, 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](http://www.wasion.com)  
[www.iraisa.com/listco/hk/wasion/index.htm](http://www.iraisa.com/listco/hk/wasion/index.htm)

### STOCK CODE

3393



## CORPORATE PROFILE

### LEADING ENERGY MEASUREMENT AND TOTAL SOLUTION PROVIDER

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Financial Highlights

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Turnover	<b>345,506</b>	291,716
Gross profit	<b>158,603</b>	134,475
Profit from operations	<b>79,092</b>	67,926
Profit attributable to equity shareholders of the Company	<b>66,381</b>	59,053
Basic earnings per share (RMB cents)	<b>8.1</b>	8.4
Diluted earnings per share (RMB cents)	<b>7.9</b>	8.2

### Key Financial Figures

	Six months ended 30 June	
	2008	2007
Gross profit margin (%)	<b>46</b>	46
Operating profit margin (%)	<b>23</b>	23
Net profit margin (%)	<b>19</b>	20
Interest coverage (in times)	<b>9.38</b>	9.86

### Turnover

The sales of the various products of the Group recorded different extent of growth in the first half of 2008. During the period under review, turnover increased by 18% to RMB345.51 million as compared with the corresponding period in 2007 ("Period 2007") (Period 2007: RMB291.72 million).



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Gross Profit**

The sales growth in the first half of 2008 resulted in the growth of gross profit of the same period. The Group's gross profit increased by 18% to RMB158.60 million for the six months ended 30 June 2008. The overall gross profit margin is 46%, which is similar to that for the first half of 2007.

### **Other Revenue**

In the first half of 2008, the other revenue of the Group amounted to RMB16.89 million (Period 2007: RMB5.92 million) which was mainly comprised of net exchange gain.

### **Operating Expenses**

In the first half of 2008, the Group's operating expenses amounted to RMB96.40 million (Period 2007: RMB72.47 million). The increase in operating expenses was mainly due to the expansion of the Group's operation and implementation of the New Labour Law which resulted in an increase of labour cost and the increase of amortization of intangible assets during the period. Operating expenses accounted for 28% of the Group's turnover in the first half of 2008, with an increase of 3% as compared with 25% in the first half of 2007.

### **Finance Costs**

For the six months ended 30 June 2008, the Group's finance costs amounted to RMB8.44 million (Period 2007: RMB6.89 million). The increase was attributed by the increase of bank borrowings and interest rate.

### **Operating Profit**

Earnings before finance costs and tax for the six months ended 30 June 2008 amounted to RMB79.09 million (Period 2007: RMB67.93 million), representing an increase of 16% as compared with the same period of last year and was in line with the growth of the Group's turnover and net profit.

### **Profit Attributable to the Shareholders of the Company**

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2008 grew by 12% to RMB66.38 million as compared with the corresponding period of last year which came in line with the growth of the Group's turnover.





## MANAGEMENT DISCUSSION AND ANALYSIS

### **Capital Structure**

For the six months ended 30 June 2008, certain employees have exercised share options at an exercise price of HK\$2.225, pursuant to which 1,500,000 new shares were issued. Moreover, the Company has also repurchased 258,000 shares of the listed shares on the Stock Exchange during the period in which the repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares.

### **Liquidity and Financial Resources**

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

As at 30 June 2008, the Group's current assets amounted to approximately RMB1,218.09 million (31 December 2007: RMB1,426.42 million), with cash and cash equivalents totaling approximately RMB207.79 million (31 December 2007: RMB508.74 million).

As at 30 June 2008, the Group's total bank loans amounted to approximately RMB433.13 million (31 December 2007: RMB250.79 million), of which RMB280.13 million (31 December 2007: RMB208.79 million) will be due to be repaid within one year and the remaining RMB153 million (31 December 2007: RMB42 million) will be due in the next five years. Net book value of the Group's pledged assets for the bank loans was approximately RMB221.09 million (31 December 2007: RMB138.44 million). In the first half of 2008, the interest rate for the Group's bank borrowings ranged from 6.72% to 8.96% (31 December 2007: 5.02% to 7.34%) per annum.

The gearing ratio (total borrowings divided by total assets) increased from 13% on 31 December 2007 to 21% on 30 June 2008 as a result of the increase in the Group's bank borrowings.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Exchange Rate Risk

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

### Emolument Policy

As at 30 June 2008, the Group had 2,226 employees (31 December 2007: 1,886). The staff costs (including other benefits and contributions to defined contribution plan) totalled RMB35.53 million in the first half of 2008 (Period 2007: RMB30.49 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 RMB4.46 million (Period 2007: RMB8.28 million). The aggregate amount of the emoluments of the Company's directors was approximately RMB1.90 million for the six months ended 30 June 2008 (Period 2007: RMB1.82 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.





## MANAGEMENT DISCUSSION AND ANALYSIS

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 details of the scheme options are as follows:

Name and category of participants	Number of share options				As at 30 June 2008	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 2008	Granted during the period	Exercised during the period	Cancelled/lapsed during the period						
Directors										
Wang Xue Xin	3,000,000	—	(200,000)	—	2,800,000	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	—	(300,000)	—	300,000	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 2008	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 2008	Granted during the period	Exercised during the period	Cancelled/lapsed during the period						
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	—	(500,000)	—	11,100,000					
Other employees	25,200,000	—	(1,000,000)	(740,000)	23,460,000	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	50,800,000	—	(1,500,000)	(740,000)	48,560,000					

\* 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 21 May 2008, the Company passed an ordinary resolution in an extraordinary general meeting whereby a wholly-owned subsidiary of the Company acquired the entire issued share capital of Newest Luck Investments Limited ("Newest Luck") at a total consideration which in any event will not exceed RMB150,000,000. The sole asset of Newest Luck is its 100% equity interest in Hunan Weiming Technology Co., Ltd. which is principally engaged in the production and sale of electronic water and gas meters.

Save as disclosed above, there was no significant investment during the period under review.

### Charge on Assets

As at 30 June 2008, the pledge deposits of the Group 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 2008, the capital commitments authorized but not contracted for and contracted for but not provided in the financial statements by the Group amounted to RMB81.55 million (31 December 2007: RMB215.78 million) and RMB61.96 million (31 December 2007: RMB100.20 million) respectively, representing commitments for the acquisition of property, plant and equipment and the construction of the new production plant.

### Contingent Liabilities

As at 30 June 2008, the Group had no material contingent liabilities.

## MARKET REVIEW

In view of the prevailing environment for resources, the PRC government is striving to enhance the people's awareness on environmental protection and to promote energy saving and reduction in pollutants discharged as well as to expedite the pace for building up an energy saving and environmental friendly society with its focus on energy saving. With the implementation of the revised Energy Conservation Law, the PRC government has imposed stringent requirements on, and exerted stronger control over energy saving and pollutants discharge. This promoted a stronger demand for power companies to better manage energy saving which in turn drove the demand for the Group's electronic power meters and power management systems. This subsequently contributed to the steady growth of the Group's business while further promoted the Group's net profit.

The further enhancement of demand side management of power has essentially driven the demand of power management terminals and multi-rate time charging electronic power meters. However, on the ground that the electricity consumption of each province is different, it is expected that the work with respect to the enhancement of demand side management of power would be implemented in phases. The effect of energy saving through demand side management of power in the more developed eastern part of China is more obvious, thus the initiative of bringing it into practice is higher. The capital input in the western part of China is less than that in the eastern part of China. This is because some high-power consuming industries are not sensitive to the price of electricity, thus the practice of demand side management of power is being brought out relatively slowly. However, the Group believes that the demand for power management terminals and multi-rate charging electronic power meters will remain strong over a long period of time. Wasion Group will make significant contribution to energy saving and pollutants discharged reduction in electrical industries with its leading market share and outstanding product quality.





## MANAGEMENT DISCUSSION AND ANALYSIS

The PRC government undertook various construction projects to improve the country's power network and has implemented policies like new socialism villages, one family one meter and power saving, and it is expected that the domestic electronic power meter market will continue to grow in the coming five years. With the establishment of more urban residential areas, there will also be an increase in demand for electronic power meter market.

Early this year, Southern China was adversely impacted by the extreme weather of snowstorm which caused serious destruction to power and transportation facilities. During that period, delivery of the Group's products was affected in the way that some products could not be delivered to customers on schedule. Since the traffic disruption caused by snowstorm was an event of force majeure of which customers during that period well understood and the period being affected by this disaster was short, this did not bring any material effect to the Group's production and operation. In addition, the power grids companies have furthered their investment to the construction of power grids after the disaster so as to improve the power system's ability on resistance to disasters. The reconstruction and improvement of power grids after the disaster will raise a strong demand over the Group's products in power measurement and power management system which serve as a positive momentum to the Group's business growth.

### BUSINESS REVIEW

#### **Electronic Power Meters**

During 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 2008 amounted to RMB178.66 million and RMB79.69 million, representing an increase of 3% and 72% respectively as compared with the corresponding period of last year and contributed to 52% and 23% of the Group's turnover respectively (Period 2007: 59% and 16%).

#### **Data Collection Terminals and Power Management Systems**

In the first half of 2008, revenue from sales of data collection terminals and power management systems increased to RMB84.07 million, representing an increase of 16% as compared with the corresponding periods last year and accounted for 24% (Period 2007: 25%) of the Group's turnover.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Successful Acquisition of Hunan Weiming**

To achieve further development of energy measurement and scope of management of Wasion Group, the Group successfully acquired Hunan Weiming Technology Co., Ltd. (“Hunan Weiming”), a company which focuses on development and sales of intellectual water meters and gas meters, in May 2008. This signified that Wasion Group is well-equipped with respect to energy measurement and business management in the areas of water, electricity, gas and heat. This further enhanced the Group’s capability in providing energy measurement and integrated management solutions for customers while perfecting and expanding the Group’s production chain and such an initiative helped the Group to lay a foundation for Wasion Group’s further development over public power business.

### **Commencement of Operation of Wasion Science and Technology Park**

To satisfy the strong market demand, the Group has proactively expanded its production capacity and enhanced its production scale. The construction of the Group’s Wasion Science and Technology Park, which is located at Lugu, commenced on 1 August 2007. After a year of intensive construction work, the first SMT production line of Wasion Science and Technology Park commenced production on 8 August 2008. It is expected that all the production lines will commence production by the end of 2008. Taken into consideration of the requirements of production capacity and facilities in the Group’s future development, Wasion Science and Technology Park has imported the leading automatic facilities in the industry and the most sophisticated production management system in the PRC, so as to provide strong hardware support for the Group’s growing production capacity.

### **Energy Saving and Pollutants Discharged Reduction Service**

To fulfill the social responsibilities and corporate mission of energy saving and pollutants discharge reduction, the Group has become a member of EMCA (中國節能協會節能服務產業委員會) and jointly established the “Energy Saving 120” Wasion Service Centre with various provincial and municipal governments for the promotion, publicity and technical support of energy saving and pollutants discharge reduction for governments of different levels. Meanwhile, the Group has also undertaken research and development of the integrated solutions for





## MANAGEMENT DISCUSSION AND ANALYSIS

management of consumption reduction and energy conservation with a view to helping the industrial and commercial sectors to achieve the goal of saving energy and reducing emission effectively. This has not only promoted the sales of the Group's existing products, but has also established a new segment for the Group's development while enlarging the Group's basis of non-power grids customers, as well as helping the Group to earn recognition in the new scope of business.

### **Export Markets**

Wasion Group continued to explore the international market. The Group's energy measurement and management skills with international advanced standard are serving widely over the world. The Group has also developed cooperative relationships with more than ten countries and regions in Southeast Asia, Middle and Northern Asia, South America and North Africa. In the first half of 2008, export sales amounted to RMB31.99 million, representing a significant increase as compared with the same period of last year and accounted for 9% (Period 2007: 0.38%) of the Group's turnover.

### **PROSPECT**

Energy which relates closely to the livelihood, such as electricity, water and gas, will enter into an era of modernized sales and energy saving. The demand for energy saving for public utilities is imminent and large-scale corporations and medium-sized enterprises have initiated replacement projects on water, electricity and gas meters. This has brought a wider market to Wasion Group which is capable of producing water, electricity and gas meters and also possessing extensive experience in collective meter reading of intelligent power meters and remote meter reading. The Group will not only be a qualified supplier of energy measurement and management products, but also a provider of energy management services. The Group is facing a market where industrial transformation is witnessed with market consolidation and products upgrade. The Group is gradually expanding its scope of operation towards energy measurement and management on the basis of stable development of its core business of power measurement.

Through optimized and centralized management, the power grid companies have gradually extended the users of terminals and data collection solutions from major power clients to residential customers. In the meantime, the implementation of the proposed pricing scale shall rely on the automatic meter reading ("AMR") systems



## MANAGEMENT DISCUSSION AND ANALYSIS

and this will foster the rapid development of power meter industry in the direction of AMR. Besides the power grid companies, there was also a rapid growth in the general market demand for advanced integrated power meter monitors. With its edges in the solutions of systems, terminals and power meters, the Group also engaged in the drafting of related technical standards applicable to industries and testing provinces and cities. AMR business can tremendously boost the Group's business growth in terminals and high-end single-phase meters.

Since the influence of numerous internal and external factors this year, many manufacturing enterprises have suffered from the pressure of inflation and the hike of raw material costs while the tightening of the monetary policy also makes the enterprises face difficulties in raising capital under rapid development. There are several small-scale meters production enterprises in the PRC with significant variance in terms of production technology and profit making ability. Those small-scale meters production enterprises with less competitiveness are disadvantaged in the adjustment of economic structure. Nevertheless, this will also bring the opportunity for business consolidation for those enterprises with good product quality, high competitiveness and profit making ability. Wasion Group will make good use of this opportunity to enhance the strategic cooperation with external parties and consolidate its resource to maintain its leading position in the industry.

Looking ahead, the Group will set Wasion Science and Technology Park as the base and integrate its production lines and other functional departments, introduce the international most advanced ERP management system, strengthen operational management, enhance operational efficiency, optimize and streamline techniques and processes, improve technical standard, strengthen product quality supervision and management for effectively optimizing the use of resources, reducing costs and raising the profitability of the Group.

In the second half of 2008, the Group will maintain its momentum of growth. The Group is satisfied with the quantity of orders currently on hand and is confident in achieving the targeted profit of 2008 in the second half of the year. The Group will strive to become the major supplier in the arena of global energy measurement and management, with a view to supporting the modernization of energy measurement and management, promoting the use of energy in a highly efficient manner, building energy saving and environmental friendly society and providing decent return to all shareholders with its leading technology.







## MANAGEMENT DISCUSSION AND ANALYSIS

### **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 2008 have been reviewed by the auditors of the Company, Deloitte Touche Tohmatsu, 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 2008 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.

### **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 2008.

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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **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.

### **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 websites at [www.wasion.com](http://www.wasion.com) and [www.irasia.com/listco/hk/wasion/index.htm](http://www.irasia.com/listco/hk/wasion/index.htm), 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 2008.

### 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 2008 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")	463,000,000	56.57
Wang Xue Xin	Beneficial Owner	200,000	0.02
Hui Wing Kuen	Beneficial Owner	300,000	0.04

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	Number of underlying ordinary shares	% of total issued ordinary shares
Wang Xue Xin	2,800,000	Beneficial owner	2,800,000	0.34
Cao Zhao Hui	2,000,000	Beneficial owner	2,000,000	0.24
Zeng Xin	2,000,000	Beneficial owner	2,000,000	0.24
Zheng Xiao Ping	2,000,000	Beneficial owner	2,000,000	0.24
Liao Xue Dong	1,600,000	Beneficial owner	1,600,000	0.20
Hui Wing Kuen	300,000	Beneficial owner	300,000	0.04
Pan Yuan	200,000	Beneficial owner	200,000	0.02
Wu Jin Ming	200,000	Beneficial owner	200,000	0.02

Save as disclosed above, as at 30 June 2008, 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 2008, 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:

<b>Substantial shareholders</b>	<b>Number of ordinary shares held</b>	<b>% of total issued ordinary shares</b>
Star Treasure	463,000,000	56.57
Temasek Holdings (Private) Limited	42,256,000	5.17

Save as disclosed above and so far as the Directors and the chief executives of the Company are aware, as at 30 June 2008, 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.

## OTHER INFORMATION

### 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 2008.

### DIRECTORS' INTERESTS IN CONTRACTS

Other than those disclosed under "Related Party Disclosures" on pages 46 to 47, 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 period, the Company has repurchased its listed shares on the Stock Exchange and the details are as below:

<b>Month of repurchase</b>	<b>Number of shares repurchased</b>	<b>Highest price per share</b> HK\$	<b>Highest price per share</b> HK\$	<b>Total Consideration Paid</b> HK\$
June 2008	258,000	3.00	2.88	760,200

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the period under review.



## OTHER INFORMATION

### POST BALANCE SHEET EVENTS

From the balance sheet date of 30 June 2008 to the announcement date, the Company has the following post balance sheet events:

- (1) The Company has passed a special resolution in an extraordinary general meeting held on 1 September 2008 to change the name of the Company from Wasion Group Limited (威勝集團有限公司) to Wasion Group Holdings Limited (威勝集團控股有限公司).
- (2) During the period from the balance sheet date of 30 June 2008 to the announcement date, the Company has repurchased its listed shares on the Stock Exchange and the details are as below:

Month of repurchase	Number of shares repurchased	Highest price per share HK\$	Highest price per share HK\$	Total Consideration Paid HK\$
July 2008	428,000	3.01	2.79	1,257,220
August 2008	560,000	2.88	2.39	1,445,060
	988,000			2,702,280

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares.

### APPRECIATION

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

By order of the Board

**Ji Wei**

*Chairman*

Hong Kong, 22 September 2008



# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

## TO THE BOARD OF DIRECTORS OF WASION GROUP HOLDINGS LIMITED

威勝集團控股有限公司

(FORMERLY KNOWN AS WASION METERS GROUP LIMITED 威勝儀表集團有限公司 AND WASION GROUP LIMITED 威勝集團有限公司)

(incorporated in Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 50, which comprises the condensed consolidated balance sheet of Wasion Group Holdings Limited as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement 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 (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 interim financial information 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.







## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

22 September 2008

## CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2008

	NOTES	Six months ended 30 June	
		2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)
Turnover	3	345,506	291,716
Cost of sales		(186,903)	(157,241)
Gross profit		158,603	134,475
Other revenue		16,886	5,920
Administrative expenses		(45,577)	(36,186)
Selling expenses		(37,224)	(27,698)
Research and development expenses		(13,596)	(8,585)
Finance costs		(8,435)	(6,887)
Profit before taxation		70,657	61,039
Income tax expense	5	(4,276)	(1,986)
Profit for the period	6	66,381	59,053
Dividends	7	66,867	49,297
Earnings per share	8		
Basic		RMB8.1 cents	RMB8.4 cents
Diluted		RMB7.9 cents	RMB8.2 cents



## CONDENSED CONSOLIDATED BALANCE SHEET

at 30 June 2008

	NOTES	30 June 2008 RMB'000 (unaudited)	31 December 2007 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	342,211	185,446
Prepaid lease payments		96,572	44,681
Intangible assets		267,419	202,177
Available-for-sale investments		16,951	—
Goodwill		110,326	56,831
		<b>833,479</b>	489,135
<b>Current assets</b>			
Inventories		188,689	149,906
Prepaid lease payments		2,340	2,131
Trade and other receivables	10	757,517	684,255
Amounts due from related parties		30,940	—
Pledged bank deposits		30,807	81,385
Bank balances and cash		207,794	508,743
		<b>1,218,087</b>	1,426,420
<b>Current liabilities</b>			
Trade and other payables	11	268,543	277,206
Amounts due to related parties		110,493	129,624
Taxation payable		8,006	12,761
Borrowings — due within one year	12	280,126	208,790
		<b>667,168</b>	628,381
<b>Net current assets</b>		<b>550,919</b>	798,039
<b>Total assets less current liabilities</b>		<b>1,384,398</b>	1,287,174

## CONDENSED CONSOLIDATED BALANCE SHEET

at 30 June 2008

	NOTES	<b>30 June 2008 RMB'000 (unaudited)</b>	31 December 2007 RMB'000 (audited)
<b>Non-current liabilities</b>			
Borrowings — due after one year	12	<b>153,000</b>	42,000
Deferred tax liabilities		<b>32,501</b>	21,896
		<b>185,501</b>	63,896
<b>Net assets</b>			
		<b>1,198,897</b>	1,223,278
<b>Capital and reserves</b>			
Share capital	13	<b>8,433</b>	8,422
Reserves		<b>1,190,464</b>	1,214,856
Equity attributable to equity holders of the Company		<b>1,198,897</b>	1,223,278



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2008

	Attributable to equity holders of the Company							
	Share capital	Share premium	Merger reserve	PRC	Share	Exchange reserve	Retained profits	Total
				statutory reserves	option reserve			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
			(Note i)	(Note ii)				
At 1 January 2007 (audited)	7,331	214,557	49,990	47,477	11,731	(10,739)	265,529	585,876
Exchange differences arising on translation of foreign operations directly recognised in equity	—	—	—	—	—	(6,447)	—	(6,447)
Profit for the period	—	—	—	—	—	—	59,053	59,053
Total recognised income and expense for the period	—	—	—	—	—	(6,447)	59,053	52,606
Recognition of equity-settled share-based payments	—	—	—	—	8,283	—	—	8,283
Dividend recognised as distribution	—	—	—	—	—	—	(49,297)	(49,297)
At 30 June 2007 (unaudited)	7,331	214,557	49,990	47,477	20,014	(17,186)	275,285	597,468
Exchange differences arising on translation of foreign operations directly recognised in equity	—	—	—	—	—	(20,001)	—	(20,001)
Profit for the period	—	—	—	—	—	—	153,843	153,843
Total recognised income and expense for the period	—	—	—	—	—	(20,001)	153,843	133,842

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2008

	Attributable to equity holders of the Company							
	Share capital	Share premium	Merger reserve	PRC statutory reserves	Share option reserve	Exchange reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note i)	(Note ii)				
Issue of shares	1,091	496,461	—	—	—	—	—	497,552
Transaction costs attributable to issue of new shares	—	(14,541)	—	—	—	—	—	(14,541)
Transfer to PRC statutory reserves	—	—	—	20,823	—	—	(20,823)	—
Recognition of equity-settled share-based payments	—	—	—	—	8,957	—	—	8,957
At 31 December 2007 (audited)	8,422	696,477	49,990	68,300	28,971	(37,187)	408,305	1,223,278
Exchange differences arising on translation of foreign operations directly recognised in equity	—	—	—	—	—	(30,925)	—	(30,925)
Profit for the period	—	—	—	—	—	—	66,381	66,381
Total recognised income and expense for the period	—	—	—	—	—	(30,925)	66,381	35,456
Issue of shares upon exercise of share options	13	3,976	—	—	(999)	—	—	2,990
Shares repurchased	(2)	(669)	—	—	—	—	—	(671)
Recognition of equity-settled share-based payments	—	—	—	—	4,711	—	—	4,711
Dividend recognised as distribution	—	—	—	—	—	—	(66,867)	(66,867)
At 30 June 2008 (unaudited)	8,433	699,784	49,990	68,300	32,683	(68,112)	407,819	1,198,897

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.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2008

	NOTE	Six months ended 30 June	
		2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)
Net cash used in operating activities		<b>(12,071)</b>	(31,831)
Net cash used in investing activities			
Payment for contingent consideration payable for acquisition of subsidiaries in prior year		<b>(129,000)</b>	—
Purchase of property, plant and equipment		<b>(122,602)</b>	(18,216)
Acquisition of subsidiaries	17	<b>(47,749)</b>	(74,419)
Purchase of available-for-sale investments		<b>(11,990)</b>	—
Decrease (increase) in pledged bank deposits		<b>50,578</b>	(23,101)
Other investing cash flows		<b>(8,944)</b>	(3,067)
		<b>(269,707)</b>	(118,803)
Net cash (used in) from financing activities			
New borrowings raised		<b>210,208</b>	280,357
Dividend paid		<b>(66,867)</b>	(49,297)
Repayment of borrowings		<b>(150,087)</b>	(164,382)
Other financing cash flows		<b>(6,116)</b>	(6,886)
		<b>(12,862)</b>	59,792

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2008

		Six months ended 30 June	
	NOTE	2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)
Net decrease in cash and cash equivalents		(294,640)	(90,842)
Cash and cash equivalents at beginning of the period		508,743	158,182
Effect of foreign exchange rate changes		(6,309)	(942)
Cash and cash equivalents at end of the period, represented by bank balances and cash		207,794	66,398







# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

## 1. BASIS OF PREPARATION

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

Prior to 1 January 2008, the functional currency of the Company was Hong Kong dollars for the purpose of preparing its financial information. In the current period, the directors are in the opinion that Renminbi (“RMB”) is having increasingly significant effect on the economic environment in which the Company operates. The directors have therefore determined that the functional currency of the Company has changed to be RMB.

In the current period, certain comparative figures of the condensed consolidated income statement and the condensed consolidated balance sheet have been reclassified. The directors are of the opinion that such changes are for the purpose of better presentation of financial information.

## 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.

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new Interpretations”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2008.

HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangement
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The adoption of the new Interpretations had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustments has been required.

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) — Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The directors of the Group anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007. In addition, the Group newly adopted the following accounting policies during the period:

#### **Financial instruments**

##### *Financial assets*

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on available-for-sale financial assets below).

##### *Impairment on available-for-sale financial assets*

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *Impairment on available-for-sale financial assets (Continued)*

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

### 3. SEGMENT INFORMATION

#### Business Segments

For management purposes, the Group is currently organised into the following operating activities: (i) the development, manufacture and sale of electronic meters ("electronic meters") and (ii) the development, manufacture and sale of data collection terminals ("data collection terminals").

These divisions are the bases on which the Group reports its primary segment information.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

## 3. SEGMENT INFORMATION (Continued)

### Business Segments (Continued)

Segment information about these businesses is presented below:

#### Six months ended 30 June 2008 (unaudited)

	Electronic meters RMB'000	Data collection terminals RMB'000	Eliminations RMB'000	Consolidated RMB'000
<b>TURNOVER</b>				
External sales	261,441	84,065	—	345,506
Inter-segment sales (note)	975	4,755	(5,730)	—
Total	262,416	88,820	(5,730)	345,506
<b>RESULTS</b>				
Segment results	59,885	21,231	—	81,116
Unallocated income				12,111
Unallocated corporate expenses				(22,570)
Profit before taxation				70,657
Income tax expense				(4,276)
Profit for the period				66,381

Note: Inter-segment sales are charged at prevailing market rates.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

## 3. SEGMENT INFORMATION (Continued)

### Business Segments (Continued)

#### Six months ended 30 June 2007 (unaudited)

	Electronic meters RMB'000	Data collection terminals RMB'000	Eliminations RMB'000	Consolidated RMB'000
<b>TURNOVER</b>				
External sales	219,495	72,221	—	291,716
Inter-segment sales (note)	610	4,645	(5,255)	—
<b>Total</b>	<b>220,105</b>	<b>76,866</b>	<b>(5,255)</b>	<b>291,716</b>
<b>RESULTS</b>				
Segment results	54,105	19,927	—	74,032
Unallocated income				2,572
Unallocated corporate expenses				(15,565)
Profit before taxation				61,039
Income tax expense				(1,986)
Profit for the period				59,053

Note: Inter-segment sales are charged at prevailing market rates.

## 4. SEASONALITY OF OPERATIONS

The Group's operations are subject to seasonal fluctuations. The Group sees the second half of every year 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 2008 is not necessarily an indication of the operation of the Group that would be achieved for the year ending 31 December 2008.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)
Current tax — The PRC		
Enterprise Income Tax		
Current period	5,538	2,625
Overprovision in prior years	(448)	(635)
Deferred tax — current period	5,090	1,990
	(814)	(4)
Income tax expense	4,276	1,986

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 2007 and 2008.

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.

The subsidiary in Macau established under the Macau Offshore law as a Macau offshore company has been exempted from Macau income tax during the six months ended 30 June 2007 and 2008.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

### 5. INCOME TAX EXPENSE (Continued)

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law ("Implementation Regulations"). The New Law and Implementation Regulations changed the tax rate to 25% for certain subsidiaries from 1 January 2008 onwards. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), certain tax exemption and deduction for the Foreign Enterprise Income Tax is still applicable until the end of the five-year transitional period under the New Law.

According to the New Law, starting from 1 January 2008, withholding income tax will be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Deferred tax has not been provided for in the interim financial information in respect of the temporary differences attributable to such profits as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

## 6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of intangible assets	17,876	7,514
Depreciation of property, plant and equipment	7,284	6,172
Release of prepaid lease payments	587	543
Interest income	(2,995)	(1,978)
Exchange gain	(10,886)	(3,848)

## 7. DIVIDENDS

On 21 May 2008, a cash dividend of HK\$0.09, equivalent to RMB0.08 (2007: HK\$0.07, equivalent to RMB0.07) per share was paid to shareholders as the final dividend for 2007.

The directors do not recommend the payment of an interim dividend for the period (2007: nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

### 8. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Earnings for the purposes of basic and diluted earnings per share	<b>66,381</b>	59,053
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>817,463,699</b>	704,247,787
Effect of dilutive potential ordinary shares in respect of:		
Share options	<b>15,836,980</b>	11,562,588
Contingently issuable shares for acquisition of subsidiaries	<b>7,006,569</b>	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>840,307,248</b>	715,810,375

### 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent RMB115,166,000 (2007: RMB13,062,000) on the construction of new factory and office premises and RMB7,436,000 (2007: RMB5,154,000) on additions of the property, plant and equipment in order to upgrade its manufacturing capabilities.

In addition, property, plant and equipment amounted to RMB41,872,000 (2007: RMB72,734,000) was acquired through business combination.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

### 10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 3 months to 12 months to its trade customers.

The following is an aged analysis of the Group's trade receivables net of allowance for doubtful debts at the balance sheet date:

	<b>30 June 2008 RMB'000 (unaudited)</b>	31 December 2007 RMB'000 (audited)
Trade receivables:		
Within 3 months	<b>307,556</b>	341,806
Between 4 to 6 months	<b>35,902</b>	67,467
Between 7 to 12 months	<b>236,591</b>	73,174
Over 1 year	<b>77,560</b>	61,434
	<b>657,609</b>	543,881
Other receivables	<b>99,908</b>	140,374
	<b>757,517</b>	684,255

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

### 11. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	<b>30 June 2008 RMB'000 (unaudited)</b>	31 December 2007 RMB'000 (audited)
Trade payables:		
Within 3 months	<b>115,262</b>	120,418
Between 4 to 6 months	<b>92,013</b>	89,343
Over 6 months	<b>22,291</b>	10,853
	<b>229,566</b>	220,614
Other payables	<b>38,977</b>	56,592
	<b>268,543</b>	277,206

### 12. BORROWINGS

During the period, the Group obtained and renewed bank loans of approximately RMB210,208,000 (2007: RMB280,357,000). The loans carry interest at market rates ranging from 6.72% to 8.96% (2007: 5.02% to 7.34%) and are repayable in instalments over a period of 5 years. The proceeds were used for general working capital purposes and to finance the acquisition of property, plant and equipment.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

## 13. SHARE CAPITAL

	<b>Number of shares</b>	<b>Nominal value</b> HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2008 and 30 June 2008	<b>100,000,000,000</b>	1,000,000
		RMB'000
Issued and fully paid:		
At 1 January 2007 and 30 June 2007	<b>704,247,787</b>	7,331
Issue of shares	<b>112,680,000</b>	1,091
At 31 December 2007	<b>816,927,787</b>	8,422
Exercise of share options	<b>1,500,000</b>	13
Shares repurchased	<b>(258,000)</b>	(2)
At 30 June 2008	<b>818,169,787</b>	8,433

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

## 14. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible personnel of the Group. Details of the share options outstanding during the current period are as follows:

	<b>Number of share options</b>
	'000
Outstanding at 1 January 2007	36,800
Granted during the period	14,000
Outstanding at 30 June 2007 and 31 December 2007	50,800
Exercised during the period	(1,500)
Forfeited during the period	(740)
Outstanding at 30 June 2008	48,560

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$3.57.

## 15. CAPITAL COMMITMENTS

	<b>30 June 2008 RMB'000 (unaudited)</b>	31 December 2007 RMB'000 (audited)
Capital expenditure contracted for but not provided in respect of the acquisition of property, plant and equipment	<b>61,957</b>	100,195
Capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment	<b>81,545</b>	215,785
	<b>143,502</b>	315,980



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

## 16. RELATED PARTY DISCLOSURES

### (i) Related party transactions

Company/individual	Transactions	Six months ended 30 June	
		2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)
Hunan Weike Power Meters Company Limited ("HWPMCL")	Purchase of raw materials	—	20,515
湖南威科電力儀錶有限公司 (prior to 14 May 2007, note a)	Sales of finished goods	—	9
Mr. Liang Ke Nan ("Mr. Liang") (note b)	Rental expense paid	127	139

Notes:

- Before 14 May 2007, HWPMCL was beneficially owned by Mr. Liang, brother of Mr. Ji Wei ("Mr. Ji") who is an executive director and the controlling shareholder of the Company. Certain directors of the Company were directors of HWPMCL. On 14 May 2007, the Company acquired the 100% equity interest of HWPMCL through a wholly-owned subsidiary.
- The Group entered into a lease agreement with Mr. Liang under which the Group was granted the right to use an office premise and a staff quarter.

In addition, during the six months ended 30 June 2008, the Group has acquired two subsidiaries from Mr. Ji, details of which are set out in note 17.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

## 16. RELATED PARTY DISCLOSURES (Continued)

### (ii) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the period was as follows:

	Six months ended 30 June	
	2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)
Short-term employee benefits	1,842	2,162
Post employment benefits	42	48
Share-based payment expenses	718	2,421
	<b>2,602</b>	4,631

### (iii) Credit facilities

At 30 June 2008, a bank loan of RMB20,000,000 was secured by the pledge of property, plant and equipment of Changsha Weihua Property Development Co., Ltd., of which Mr. Ji is also a director.

At 30 June 2008, a banking facility of RMB40,000,000 was secured by the pledge of leasehold land held by Hunan Classic Investment Co., Ltd., of which certain directors of the Company are also its directors.







## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

### 17. ACQUISITION OF SUBSIDIARIES

On 21 May 2008, the Group acquired the entire equity interest of Newest Luck Investments Limited (“Newest Luck”) and its wholly-owned subsidiary, Hunan Weiming Technology Co., Ltd. (“Hunan Weiming”), from Mr. Ji at a consideration of no more than RMB150,000,000. As confirmed by the Independent Board Committee constituted of all of the three independent non-executive directors of the Company, the terms of the acquisition are fair and reasonable as far as the Company and the independent shareholders are concerned. The consideration is to be satisfied by the Group in the following manner:

- (a) a first payment of RMB49,000,000 (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 Hunan Weiming for the year ending 31 December 2008 multiplied by a price-earnings ratio of 6 times and deducting the First Payment but in any event shall not be more than RMB101,000,000, will be satisfied by issue and allotment of new shares of the Company (the “Consideration Shares”) within 30 days from the day on which the audited accounts of Hunan Weiming for the year ending 31 December 2008 have been issued by the auditor appointed by the Company, which is expected to be issued in the first quarter of 2009. The Consideration Shares will be issued at a price of HK\$3.58 per share pursuant to the relevant sale and purchase agreement. On the basis that the additional consideration is set at the upper limit of RMB101,000,000 (equivalent to approximately HK\$114,130,000), a maximum of 31,879,888 Consideration Shares would be issued by the Company.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

## 17. ACQUISITION OF SUBSIDIARIES (Continued)

The transaction has been accounted for using the purchase method of accounting.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	<b>Carrying amount before combination</b> RMB'000	<b>Fair value adjustments</b> RMB'000	<b>Provisional fair value</b> RMB'000
Net assets acquired:			
Property, plant and equipment	25,639	16,233	41,872
Prepaid lease payments	52,687	—	52,687
Intangible assets (Note a)	7	70,836	70,843
Available-for-sale investments	4,961	—	4,961
Inventories	3,845	—	3,845
Trade and other receivables	13,271	—	13,271
Amount due from related parties	62,958	—	62,958
Bank balances and cash	1,251	—	1,251
Trade and other payables	(2,075)	—	(2,075)
Amount due to related parties	(34,660)	—	(34,660)
Borrowings	(98,000)	—	(98,000)
Deferred tax liabilities	—	(11,420)	(11,420)
	<b>29,884</b>	<b>75,649</b>	<b>105,533</b>
<hr/>			
Goodwill			53,495
			<b>159,028</b>
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Total consideration satisfied by:			
Cash			49,000
Consideration payable (included in amounts due to related parties, Note b)			110,028
			<b>159,028</b>
<hr/>			
Net cash outflow arising on acquisition:			
Cash consideration paid			(49,000)
Bank balances and cash acquired			1,251
			<b>(47,749)</b>





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

### 17. ACQUISITION OF SUBSIDIARIES (Continued)

Notes:

- (a) Intangible assets identified separately by the Group upon the acquisition mainly comprises of customer relationship and contracts, technology, and premium on prepaid lease payments.
- (b) As set out above, part of the consideration for the acquisition of Newest Luck and Hunan Weiming will be satisfied by the Consideration Shares based on the audited accounts of Hunan Weiming for the year ending 31 December 2008.

The management determines, with reference to the projected profits of Hunan Weiming as a result of the escalated demand in the products of Hunan Weiming due to the robust markets, it is probable that the upper limit of 31,879,888 shares pursuant to the relevant sale and purchase agreement would be reached. The fair value of Consideration Shares was determined by 31,879,888 shares at share price of HK\$3.90 each, the share price of the Company as at the date of acquisition.

The initial accounting for the acquisition has been determined provisionally, awaiting the receipt of professional valuation in relation to certain underlying assets and liabilities of Newest Luck and Hunan Weiming. The goodwill of HK\$53,495,000 were mainly attributable to the difference between the fair values of the consideration and the underlying assets and liabilities acquired, all of which are determined provisionally and therefore, the goodwill may be subject to further changes upon the finalisation of initial accounting.

The subsidiaries acquired contributed approximately RMB290,000 to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2008, total group revenue for the period would have been RMB353,181,000, and profit for the period would have been RMB69,633,000. 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 2008, nor is it intended to be a projection of future results.