



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)

Wasion

Interim Report

2009

Contents

Corporate Information	02
Corporate Profile	03
Management Discussion and Analysis	04
Other Information	11
Independent Review Report	14
Condensed Consolidated Statement of Comprehensive Income	15
Condensed Consolidated Balance Sheet	16
Condensed Consolidated Statement of Changes in Equity	17
Condensed Consolidated Cash Flow Statement	18
Notes to the Condensed Consolidated Financial Statements	19

Corporate Information

Executive Directors

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

Independent Non-executive Directors

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

Company Secretary

Mr. Choi Wai Lung Edward

Authorised Representatives

Mr. Ji Wei
Mr. Choi Wai Lung Edward

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
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 (the “Stock Exchange”) in December 2005, which was the first professional syndicate engaged in energy measurement and management in China listed overseas.

Wasion Group’s products are widely used in the industries in relation to electricity, water, gas, and heat as well as large and medium sized industrial and commercial enterprises and the Group provides extensive support for technology, products and services to the energy measurement and management in public utilities and energy consumption units through a whole series of advanced measurement meters, including 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	
	2009 RMB'000	2008 RMB'000
Turnover	411,657	345,506
Gross profit	186,327	158,603
Profit from operations	91,193	79,092
Profit attributable to equity shareholders of the Company	73,338	66,381
Basic earnings per share (RMB cents)	8.9	8.1
Diluted earnings per share (RMB cents)	8.6	7.9

Key Financial Figures

	Six months ended 30 June	
	2009	2008
Gross profit margin (%)	45	46
Operating profit margin (%)	22	23
Net profit margin (%)	18	19
Interest coverage (in times)	10.85	9.38

Turnover

The sales of the various products of the Company and its subsidiaries (hereafter collectively referred to as the "Group") recorded different extent of growth in the first half of 2009. During the period under review, turnover increased by 19% to RMB411.66 million as compared with the corresponding period in 2008 ("Period 2008") (Period 2008: RMB345.51 million).

Gross Profit

The sales growth in the first half of 2009 resulted in the growth of gross profit of the same period. The Group's gross profit increased by 18% to RMB186.33 million for the six months ended 30 June 2009. The overall gross profit margin is 45%, which has been slightly dropped by 1% as compared with 46% in the first half of 2008.

Other Revenue

In the first half of 2009, other revenue of the Group amounted to RMB7.78 million (Period 2008: RMB16.89 million) which was mainly comprised of refund of value-added tax, bank interest income and dividend income.

Operating Expenses

In the first half of 2009, the Group's operating expenses amounted to RMB102.91 million (Period 2008: RMB96.40 million). The increase in operating expenses was mainly due to the increase in expenditure on research and development activities and the inclusion of amortisation of intangible assets of RMB24.23 million (2008: RMB17.88 million) during the period. Operating expenses accounted for 25% of the Group's turnover in the first half of 2009, with a decrease of 3% as compared with 28% in the first half of 2008.

Management Discussion and Analysis

Finance Costs

For the six months ended 30 June 2009, the Group's finance costs amounted to RMB8.40 million (Period 2008: RMB8.44 million) which is similar to that of the corresponding period last year.

Operating Profit

Earnings before finance costs and tax for the six months ended 30 June 2009 amounted to RMB91.19 million (Period 2008: RMB79.09 million), representing an increase of 15% as compared with the same period of last year and is 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 2009 grew by 11% to RMB73.34 million as compared with the corresponding period of last year which came in line with the growth of the Group's turnover.

Capital Structure

For the six months ended 30 June 2009, certain employees have exercised 2,240,000 share options at an exercise price of HK\$2.225 and 325,000 share options at an exercise price of HK\$3.200 under which the issued and fully paid up share capital of the Company has been increased by HK\$25,650.

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 2009, the Group's current assets amounted to approximately RMB1,715.94 million (31 December 2008: RMB1,647.72 million), with cash and cash equivalents totaling approximately RMB146.32 million (31 December 2008: RMB439.16 million).

As at 30 June 2009, the Group's total bank loans amounted to approximately RMB542.87 million (31 December 2008: RMB454.14 million), of which RMB349.87 million (31 December 2008: RMB234.14 million) will be due for repayment within one year and the remaining RMB193 million (31 December 2008: RMB220 million) will be due in the next five years. Net book value of the Group's pledged assets for the bank loans was approximately RMB395.09 million (31 December 2008: RMB323.97 million). In the first half of 2009, the interest rate for the Group's bank borrowings ranged from 2.98% to 8.22% (31 December 2008: 4.86% to 9.53%) per annum.

The gearing ratio (total borrowings divided by total assets) slightly increased from 18% on 31 December 2008 to 20% on 30 June 2009 as a result of the increase in the Group's bank borrowings.

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 2009, the Group had 2,684 employees (31 December 2008: 2,452). The staff costs (including other benefits and contributions to defined contribution plan) totalled RMB40.62 million in the first half of 2009 (Period 2008: RMB35.53 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 RMB1.23 million (Period 2008: RMB4.46 million). The aggregate amount of the emoluments of the Company's directors was approximately RMB2.31 million for the six months ended 30 June 2009 (Period 2008: RMB1.90 million).

The Group's employees in the People's Republic of China (the "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.

Management Discussion and Analysis

Share Option Scheme

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

The exercise price of options granted, as specified in the rules governing the Share Option Scheme, is to be not less than the highest of the official closing price of the ordinary shares of the Company on the Stock Exchange on the date of the offer of grant of the options, the average of the official closing price of the ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the options and the nominal value of an ordinary share of the company. For acceptance of options granted by the Company, an eligible participant is required to duly sign the duplicate offer document constituting acceptance of the options and remit HK\$1 to the company within 30 days from the date of receiving the offer of the options.

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

Name and category of participants	Number of share options				As at 30 June 2009	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 2009	Granted during the period	Exercised during the period	Cancelled/lapsed during the period						
Directors										
Wang Xue Xin	2,600,000	—	(300,000)	—	2,300,000	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	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
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	10,900,000	—	(300,000)	—	10,600,000					
Other employees	22,980,000	—	(1,940,000)	—	21,040,000	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	—	(325,000)	—	6,675,000	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	47,880,000	—	(2,565,000)	—	45,315,000					

* 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.

Charge on Assets

As at 30 June 2009, 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.

Capital Commitments

As at 30 June 2009, the capital commitments authorised but not contracted for and contracted for but not provided in the financial statements by the Group amounted to RMB48.22 million (31 December 2008: nil) and RMB7.08 million (31 December 2008: RMB7.64 million), representing commitments for the acquisition of property, plant and equipment and the construction of the new production plant.

Contingent Liabilities

As at 30 June 2009, the Group had no material contingent liabilities.

Market Review

The State Grid officially announced the commencement of construction of smart grid in the PRC as at May 2009, and demonstrated detailed schedule concerning the three steps of construction of smart grid in the bi-annual working meeting held by the State Grid in July. Power consumption data collection system project commenced in the second half of 2008 was included in the construction of AMI of smart grid. As such, the standard of the project will become higher, of larger scale and will be implemented systematically by the State Grid. In the meantime, the State Grid duly announced in June 2009 that bidding of power meters would be ceased in provinces and a unified bidding would be conducted by the headquarter of the State Grid from 1 July onwards. New standards of smart meters and terminals which are in compliance with the construction of smart grid requirements of the State Grid are completed in September 2009 and will be promulgated after examination and approval. These changes indicate clearly that the future development of power meter industry in the PRC will tend to: (1) develop products to be high-end and intellectual, and a decreasing demand for traditional mechanical meters and general electronic meters; (2) be dominated by large-scale enterprises with competitive advantage in terms of market share. As a result, only strong enterprises would survive and industrial reconstruction must be enforced; and (3) increase competition on product cost, quality and overall operational capabilities of enterprises. Generally, the above (1) and (2) will provide more advantages than disadvantages to Wasion Group, and they also represent valuable opportunities for the Group to develop rapidly. The situation mentioned in the above (3) is a new challenge that the Group has to face, and the Group must equip with such capability in order to capture the current good opportunities available in the industry. Facing the increasing market competitions, the Group still has significant strength in its brand and general capability. Therefore, the Group's leading position in the market can still be sustained with adequate preparations and confidence.

Management Discussion and Analysis

In the first half of 2009, there were opportunities and challenges in the international market. With gradual promotion of the concept of smart grid, more and more countries and markets are actively undertaking different types and scales of systems improvements. Moreover, intellectual measurement is tended to be applied in water meter and gas meter in the PRC and international markets. This undoubtedly provides plenty of opportunities for Wasion Group which has a whole series of intellectual measurement products for water, electricity and gas.

Saving energy and increasing efficiency are the solutions firstly chosen by the countries in the world under the circumstances of energy shortage. In early 2009, in the Rival Program for Top Ten Industries gradually promulgated by the PRC, requirements in respect of industrial structure adjustment, energy saving and environmental protection are the important parts. In the first half of 2009, when the State was formulating and implementing the programs and measurements in respect of expanding domestic demand and facilitating economic growth, topics such as energy saving and reduction in pollutants discharged are also included as important contents of expanding domestic demand, ensuring growth and adjusting structure. Being a fundamental and important step to achieve the goal of saving energy and increasing efficiency, the energy measurement and management business is benefited from the new green policies implemented by various countries in the world under the financial crisis. Accordingly, the Group secures better opportunities for market development.

The PRC government pays high attention to such areas as facilitating price reform of resource products (e.g. electricity, water and gas), improving the pricing mechanism for factors of production and resources to reflect changes in market supply and demand, resource scarcities and environmental costs. In the first half of 2009, the National Development and Reform Commission also promoted price reforms, such as on-grid power price (上網電價) and sales of electricity price (銷售電價). In recent years, collection systems of wastewater treatment fees and water resources charges have been widely developed, systems of increasing price for over-ration excessive water usage by non-resident have been fully implemented, scalar water pricing systems for domestic water usage have been gradually implemented. All these reflect that fundamental water pricing systems are established under the circumstances of water resources shortage in the PRC. The price reform of resource products has imposed new requirements on new technologies and products for the energy measurement and management industry. In the meantime, it is good for public utilities to raise funds, and accelerates the improvement, upgrade and replacement of facilities of energy measurement and management business.

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 2009 amounted to RMB208.60 million and RMB99.58 million, representing an increase of 17% and 25% respectively as compared with the corresponding period of last year and contributed to 51% and 24% of the Group's turnover respectively (Period 2008: 52% and 23%).

Data Collection Terminals and Power Management Systems

In the first half of 2009, revenue from sales of data collection terminals and power management systems amounted to RMB81.42 million, representing a slight decrease of 3% as compared with the corresponding period last year and accounted for 20% (Period 2008: 24%) of the Group's turnover.

Water, Gas and Heat Meters

The revenue from the sales of water, gas and heat meters for the first half of 2009 amounted to RMB22.06 million and accounted for 5% of the Group's turnover.

Management Discussion and Analysis

Production Plant

Wasion Group's comparative advantages in energy measurement aspect are not only realized in its funds, brand and research and development, etc. Being a leading enterprise in the energy measurement and management services industry, Wasion Group's modern production techniques are also praised by the industry. Our newly constructed Wasion Science and Technology Park is the second largest hi-tech zone inside the State-grade Hi Tech Industrial Development Zone at Changsha. Currently, it is also the largest and the most advanced research and development and manufacturing base for energy measurement and management products. The park covers an area of 360 acres and is constructed in two phases. The gross floor area of the first phase is 150,000 sq.m.

Energy Saving and Pollutants Discharged Reduction Service

With the changing economic situations inside and outside the PRC, financial crisis has material influence on high-power consuming enterprises in the PRC. It has directly affected the motivation of enterprises to invest in energy saving and pollutants discharged reduction projects. In this connection, Changsha Weisheng Energy Industrial Technology Company Limited has actively analyzed and adjusted its train of thought and clarified the expansion directions in respect of major industries, such as government agencies, oil and petrochemical companies, electric companies and high schools.

International Market

During the period, the Group accelerated the pace of expansion in international market and increased its effort in setting up overseas branch offices. According to our original plan, based on the establishment of branch offices in Egypt and Bangladesh, we set up additional branch offices in Singapore and Shenzhen, respectively. As a result, the export trade business of Wasion Group has been expanded, which in turn has strengthened its foundation.

The new STS meter developed for international market was granted the Certificate of Conformance by the STS Association in June 2009. For the single-phase STS meters, they have been launched for sale. Currently, we have completed the trial production of specimens for the three-phase STS meters and have been well-prepared to manufacture products for bulk orders.

Research and Development

In the first half of 2009, expenditure on research and development activities (including the capitalised portion) amounted to approximately RMB34.84 million, which represented 8.5% (Period 2008: 6.6%) of the Group's total turnover. During the period, the Group was granted 6 patents for three-phase power meter products, 2 patents for single-phase power meter products and 8 patents for data collection terminal and power management system products.

Being the leading supplier of energy measurement and management products in the PRC, the Group has participated in the drafting work of standards of new generation smart meters and data collection terminals and power management systems for the State Grid. We have synchronously researched and developed specimen products of all series which meet the new standards. These lay strong foundation for the Group to firstly manufacture new products in bulk so as to meet demands of customers.

Management Discussion and Analysis

Prospect

Major industrialized countries in the world have shared a common understanding on and acted in concert to stop global warming and restrict greenhouse gas emissions. Through using more renewable clean energy, such as wind and solar power, as well as guiding users towards energy conservation, smart grid is capable of making huge contribution to environmental protection, and has earned great support from governments of different countries. On 21 May 2009, the State Grid revealed the development plan of “Strong Smart Grid (堅強智能電網)” to the public for the first time. The project will bring long term benefit to the development of China’s intellectual measurement industry and provide favorable factors to upgrade the energy measurement and management sectors in the PRC. In addition, in response to the nationwide water price reform, cities of different level in the PRC had commenced reformation to the city water supply system under the organization of local governments and water supply companies, with an aim to achieve “One Water Meter per Household”. And for the international society, United State, Russia and India have announced power grid reformation plans for the next five to ten years. With its comprehensive strength in the energy measurement and management sectors, the upgrading and reformation of the domestic and foreign public utilities are beneficial to the current and future business expansion of Wasion Group.

On 26 June 2009, the State Grid announced to terminate the previous practice of purchasing electronic power meters through tendering by companies in different provinces, and from 1 July onwards, all electronic power meters would be procured collectively by the State Grid. The State Grid is establishing a new purchasing platform and doing preparations for tendering, which include reviewing the qualifications of suppliers, etc. Moreover, in order to unify the standards and meet the requirements for establishing the smart grid, the State Grid had drafted a new set of technology standard and requirement of electronic power meters (12 standards in total). These standards have been examined and approved by a team of experts and will be announced and put into practice shortly. The power consumption data collection system project actively promoted by the State Grid in 2008 has also been included in the State Grid’s smart grid project, hence increasing the investment amount and awareness of the project. The concept of the collection system was “Full Coverage, Collection and Advanced Payment”. However, it is necessary to make some fine tune and approval to the project, such as adjusting the schedules and scale of the selected testing places. The above new policies and strategies of the State Grid may result in a short delay for the tender process in the PRC’s electricity market in the second half of the year. However, the Group believes that the State Grid will complete the establishment of the centralized purchase platform and finish formulating new technology standards as soon as possible. By then, the State Grid will commence a large scale tender for its purchase so as to implement the three steps to establish the smart grid suggested by it.

China Electric Power Research Institute (“CEPRI”) is a first grade unit directly under the State Grid. It is responsible for formulating the technology standards as well as the inspection and testing of the product with the grids in the project of power consumption data collection system. In February 2009, CEPRI conducted site visits and commenced an open bidding process. Among 24 outstanding suppliers, Wasion Group was finally selected as its first cooperation partner for the electronic power meter joint development project. To date, the cooperation with CEPRI run in a smooth way. We have not only fully participated in formulating a series of standards, but have also developed functional specimen meters at the same time. The research and development capability and comprehensive ability of Wasion Group are further recognized by CEPRI, which is the unit with the highest technological standard in energy measurement within the State Grid, and has achieved the expected goal. With its own capability and advantage built, Wasion Group will achieve a new win-win situation base on its direction of exploring the market with its own brand.

Looking ahead, the Group will capture the rapid growth opportunities in the market of advanced smart meters, which are represented by smart grid, in the world. With innovation in technology and development and management, we continue to implement the strategy of applying advanced technologies and first-rate products, and in the meantime, we will rely on the whole new Wasion Science and Technology Park as the base and integrate its production lines and other functional departments, strengthen site management of production, improve production capacity, 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.

Other Information

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009.

Directors' Interests in Shares and Underlying Shares

At 30 June 2009, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

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

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ji Wei	Interest of controlled corporation (Note)	466,768,888	55.09
Wang Xue Xin	Beneficial owner	300,000	0.04
Hui Wing Kuen	Beneficial owner	200,000	0.02

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

(b) Share options

Name of Director	Number of options to subscribe for shares	Capacity	Number of Underlying ordinary shares	Percentage of the issued share capital of the Company
Wang Xue Xin	2,300,000	Beneficial owner	2,300,000	0.27%
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	0.19%
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%

Other than as disclosed above, none of the directors, chief executives nor their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 30 June 2009.

Other Information

Substantial Shareholders

As at 30 June 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in shares and underlying shares" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

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

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued capital of the Company
Star Treasure Investments Holdings Limited	Beneficial owner	466,768,888	55.09%
Ji Wei	Interest of controlled corporation	466,768,888	55.09%

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2009.

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 of directors (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 2009 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 2009 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 six months ended 30 June 2009.

- 12** 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.

Other Information

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2009, 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, 16 September 2009

Independent Review Report

TO THE BOARD OF DIRECTORS OF WASION GROUP HOLDINGS LIMITED

威勝集團控股有限公司

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 15 to 30, which comprises the condensed consolidated balance sheet of Wasion Group Holdings Limited and its subsidiaries as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, 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 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of 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 inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 September 2009

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Notes	Six months ended 30 June	
		2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Turnover	3	411,657	345,506
Cost of sales		(225,330)	(186,903)
Gross profit		186,327	158,603
Other revenue		7,778	16,886
Administrative expenses		(45,736)	(45,577)
Selling expenses		(38,508)	(37,224)
Research and development expenses		(18,668)	(13,596)
Finance costs	5	(8,404)	(8,435)
Profit before taxation		82,789	70,657
Income tax expense	6	(9,451)	(4,276)
Profit for the period	7	73,338	66,381
Exchange differences arising on translation, representing other comprehensive income (expense) for the period		2,818	(30,925)
Total comprehensive income for the period		76,156	35,456
Earnings per share	9		
Basic		RMB8.9 cents	RMB8.1 cents
Diluted		RMB8.6 cents	RMB7.9 cents

Condensed Consolidated Balance Sheet

At 30 June 2009

	Notes	At 30 June 2009 RMB'000 (unaudited)	At 31 December 2008 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	560,099	437,275
Prepaid lease payments		94,508	95,608
Intangible assets		239,890	247,948
Available-for-sale investment		4,961	4,961
Goodwill		110,326	110,326
		1,009,784	896,118
Current assets			
Inventories		366,010	255,578
Trade and other receivables	11	1,022,272	766,573
Amounts due from related parties		45,135	110,690
Prepaid lease payments		2,078	2,078
Pledged bank deposits		134,119	73,645
Bank balances and cash		146,321	439,160
		1,715,935	1,647,724
Current liabilities			
Trade and other payables	12	647,309	472,085
Amounts due to related parties		—	179,831
Tax liabilities		10,038	21,451
Borrowings — due within one year	13	349,871	234,137
		1,007,218	907,504
Net current assets			
		708,717	740,220
Capital and reserves			
Share capital	14	8,687	8,384
Reserves		1,487,205	1,376,719
Equity attributable to owners of the Company		1,495,892	1,385,103
Non-current liabilities			
Borrowings — due after one year	13	193,000	220,000
Deferred tax liability		29,609	31,235
		222,609	251,235
		1,718,501	1,636,338

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note i)	PRC statutory reserves RMB'000 (Note ii)	Shares held for share award plan RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2008 (audited)	8,422	696,477	49,990	68,300	—	28,971	(37,187)	408,305	1,223,278
Profit for the period	—	—	—	—	—	—	—	66,381	66,381
Exchange difference arising on translation	—	—	—	—	—	—	(30,925)	—	(30,925)
Total comprehensive income (expense) for the period	—	—	—	—	—	—	(30,925)	66,381	35,456
Issue of shares upon exercise of share options	13	3,976	—	—	—	(999)	—	—	2,990
Repurchase of owner shares	(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
Profit for the period	—	—	—	—	—	—	—	195,149	195,149
Exchange difference arising on translation	—	—	—	—	—	—	12,496	—	12,496
Total comprehensive income for the period	—	—	—	—	—	—	12,496	195,149	207,645
Issue of shares upon exercise of share options	3	776	—	—	—	(205)	—	—	574
Repurchase of own shares	(52)	(7,293)	—	—	—	—	—	—	(7,345)
Transfer to PRC statutory reserves	—	—	—	22,588	—	—	—	(22,588)	—
Purchase of shares under share award plan	—	—	—	—	(16,902)	—	—	—	(16,902)
Recognition of equity-settled share-based payments	—	—	—	—	—	2,234	—	—	2,234
Effect of share options lapsed after vesting period	—	—	—	—	—	(253)	—	253	—
At 31 December 2008 (audited)	8,384	693,267	49,990	90,888	(16,902)	34,459	(55,616)	580,633	1,385,103
Profit for the period	—	—	—	—	—	—	—	73,338	73,338
Exchange difference arising on translation	—	—	—	—	—	—	2,818	—	2,818
Total comprehensive income for the period	—	—	—	—	—	—	2,818	73,338	76,156
Issue of shares upon exercise of share options	22	7,197	—	—	—	(1,908)	—	—	5,311
Issue of shares to settle consideration for acquisition of subsidiaries in 2008 (note 18)	281	109,747	—	—	—	—	—	—	110,028
Recognition of equity-settled share-based payments	—	—	—	—	—	1,234	—	—	1,234
Dividend recognised as distribution	—	—	—	—	—	—	—	(81,940)	(81,940)
At 30 June 2009 (unaudited)	8,687	810,211	49,990	90,888	(16,902)	33,785	(52,798)	572,031	1,495,892

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 2009

	Note	Six months ended 30 June	
		2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Net cash used in operating activities		(84,397)	(12,071)
Net cash used in investing activities			
Purchase of property, plant and equipment		(124,562)	(117,557)
(Increase) decrease in pledged bank deposits		(60,474)	50,578
Payment for contingent consideration payable for acquisition of subsidiaries in prior year		—	(129,000)
Acquisition of subsidiaries	18	—	(47,749)
Purchase of available-for-sale investments		—	(11,990)
Other investing cash flows		(19,155)	(8,944)
		(204,191)	(264,662)
Net cash used in financing activities			
New borrowings raised		150,744	210,208
Dividend paid		(81,940)	(66,867)
Repayment of borrowings		(60,993)	(150,087)
Other financing cash flows		(12,027)	(11,161)
		(4,216)	(17,907)
Net decrease in cash and cash equivalents		(292,804)	(294,640)
Cash and cash equivalents at beginning of the period		439,160	508,743
Effect of foreign exchange rate changes		(35)	(6,309)
Cash and cash equivalents at end of the period, represented by bank balances and cash		146,321	207,794

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

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 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical costs basis.

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 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adoptions ³
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised 2008)	Business Combinations ¹
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 18	Transfers of Assets from Customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for transfers on or after 1 July 2009

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

2. Principal Accounting Policies (Continued)

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

3. Segment Information

The Group has adopted HKFRS 8 with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance. In contrast, the predecessor standard, HKAS 14 required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit and segment assets. Summarised details of each of the two operating segments are as follows:

- (a) electronic meters segment, which engages in the development, manufacture and sale of electronic power, water, gas and heat meters; and
- (b) data collection terminals segment, which engages in the development, manufacture and sale of data collection terminals.

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

	Turnover		Segment profit	
	Six months ended 30 June		Six months ended 30 June	
	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Electronic meters	330,236	261,441	86,263	59,885
Data collection terminals	81,421	84,065	24,062	21,231
Total	411,657	345,506	110,325	81,116
Unallocated corporate income			5,537	12,111
Central administration costs			(24,669)	(14,135)
Finance costs			(8,404)	(8,435)
Profit before taxation			82,789	70,657

All of the segment turnover reported above is from external customers.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

3. Segment Information (Continued)

Segment profit represents profit attributable to each segment without allocation of corporate income, central administration costs and directors salaries and finance costs. This is the measure reported to the Group's Chief Executive Officer for the purposes of resources allocation and assessment of segment performance.

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

	At 30 June 2009 RMB'000 (unaudited)	At 31 December 2008 RMB'000 (audited)
Electronic meters	1,852,524	1,508,403
Data collection terminals	314,968	260,735
Total segment assets	2,167,492	1,769,138

4. Seasonality of Operations

The Group's operations are subject to seasonal fluctuations. The Group sees the second half of every year as its peak season of operations when demands for its products are significantly higher due to the increase of purchases by the power grid customers in the second half of the year. Accordingly, the interim result for the six months ended 30 June 2009 is not necessarily an indication of the operation of the Group that would be achieved for the year ending 31 December 2009.

5. Finance Costs

	Six months ended 30 June	
	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Interest on borrowings wholly repayable within five years	17,338	13,480
Less: amounts capitalised in property, plant and equipment	(8,934)	(5,045)
	8,404	8,435

Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.12% (2008: 7.06%) per annum to expenditures on qualifying assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

6. Income Tax Expense

	Six months ended 30 June	
	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Current tax — The PRC Enterprise Income Tax (“EIT”)		
Current period	9,569	5,538
Under(over)provision in prior years	1,508	(448)
	11,077	5,090
Deferred tax — current period	(1,626)	(814)
Income tax expense	9,451	4,276

(i) Hong Kong

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 each of the six months ended 30 June 2008 and 2009.

(ii) PRC

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

- (a) Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the applicable tax rate for the next three years. These tax holidays and concessions will expire between 2008 and 2010.
- (b) One PRC subsidiary which is approved as enterprise that satisfied the condition as high technology development enterprises and obtained the Certificate of High New Technology Enterprise will continue to be subject to a preferential rate of 15%.

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

For entities which were entitled to unutilised tax holidays (including two-year exemption and three-year half rate) under the then existing preferential tax treatments, the unutilised tax holiday is allowed to be carried forward to 2008 and future years until their expiry. However, if an entity has not yet commenced its tax holiday due to its loss position, the tax holiday is deemed to commence from 2008 onwards. Certain PRC subsidiaries are loss making up to 2008 and their respective tax holdings are therefore deemed to commence in 2008.

(iii) Macau

The subsidiary in Macau established under the Macau Offshore law as a Macau offshore company has been exempted from Macau income tax during each of the six months ended 30 June 2008 and 2009.

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

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

7. Profit for the Period

	Six months ended 30 June	
	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of intangible assets	24,225	17,876
Depreciation of property, plant and equipment	10,672	7,284
Release of prepaid lease payments	1,100	587
Exchange loss (gain)	357	(10,886)
Bank interest income	(1,260)	(2,995)
Dividend income from available-for-sale investment	(4,535)	—

8. Dividends

During the period, a cash dividend of HK\$0.11, equivalent to RMB0.097 (2008: HK\$0.09, equivalent to RMB0.08) per share was declared and paid to shareholders as the final dividend for 2008.

The directors do not recommend the payment of an interim dividend for the period (2008: nil).

9. Earnings per Share

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

	Six months ended 30 June	
	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	73,338	66,381

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

9. Earnings per share (Continued)

	Six months ended 30 June	
	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	826,594,922	817,463,699
Effect of dilutive potential ordinary shares in respect of:		
Share options	10,239,758	15,836,980
Contingently issuable shares for acquisition of subsidiaries	18,493,858	7,006,569
Weighted average number of ordinary shares for the purpose of diluted earnings per share	855,328,538	840,307,248

10. Movements in Property, Plant and Equipment

During the period, the Group spent RMB118,573,000 (2008: RMB115,166,000) on the construction of new factory and office premises and RMB14,923,000 (2008: RMB7,436,000) on additions of the property, plant and equipment in order to upgrade its manufacturing capabilities.

In addition, property, plant and equipment of RMB41,872,000 was also acquired through business combination during the six months ended 30 June 2008.

11. Trade and Other Receivables

The Group allows a credit period ranging from 3 months to 12 months to its trade customers.

The following is an analysis of the Group's trade receivables by age, presented based on the invoice date and net of allowance for doubtful debts:

	At 30 June 2009 RMB'000 (unaudited)	At 31 December 2008 RMB'000 (audited)
Trade receivables:		
0-90 days	533,183	395,045
91-180 days	110,175	103,277
181-365 days	127,573	110,218
Over 365 days	28,472	—
Retentions held by trade customers	799,403	608,540
Deposits, prepayments and other receivables	54,051	53,247
	168,818	104,786
	1,022,272	766,573

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

12. Trade and Other Payables

The following is an analysis of the Group's trade payables by age, presented based on the invoice date:

	At 30 June 2009 RMB'000 (unaudited)	At 31 December 2008 RMB'000 (audited)
Trade payables:		
0–90 days	175,124	327,798
91–180 days	139,892	64,418
Over 180 days	243,158	11,659
	558,174	403,875
Other payables	89,135	68,210
	647,309	472,085

13. Borrowings

During the period, the Group obtained bank loans of approximately RMB150,744,000 (2008: RMB210,208,000). The loans carry interest at market rates ranging from 2.98% to 8.22% (2008: 6.72% to 8.96%) per annum and are repayable in instalments over a period of 5 years. The proceeds were used for general working capital purposes and to finance the acquisition of property, plant and equipment.

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

14. Share Capital

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2009 and 30 June 2009	100,000,000,000	1,000,000
		RMB'000
Issued and fully paid:		
At 1 January 2008	816,927,787	8,422
Exercise of share options	1,500,000	13
Shares repurchased	(258,000)	(2)
At 30 June 2008	818,169,787	8,433
Exercise of share options	280,000	3
Shares repurchased	(5,570,000)	(52)
At 31 December 2008	812,879,787	8,384
Issued as consideration for acquisition of subsidiaries	31,879,888	281
Exercise of share options	2,565,000	22
At 30 June 2009	847,324,675	8,687

15. 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:

	Number of share options '000
Outstanding at 1 January 2008	50,800
Exercised during the period	(1,500)
Forfeited during the period	(740)
Outstanding at 30 June 2008	48,560
Exercised during the period	(280)
Forfeited during the period	(400)
Outstanding at 31 December 2008	47,880
Exercised during the period	(2,565)
Outstanding at 30 June 2009	45,315

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised in the current period was HK\$4.98.

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

16. Capital Commitments

	At 30 June 2009 RMB'000 (unaudited)	At 31 December 2008 RMB'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment: contracted for but not provided in the interim financial information	7,077	7,642
authorised but not contracted for	48,220	—
	55,297	7,642

17. Related Party Disclosures

(i) Related party transactions

Pursuant to a lease agreement signed by the Group with Mr. Liang Ke Nan ("Mr. Liang"), brother of Mr. Ji Wei ("Mr. Ji") who is an executive director and the beneficial owner of the controlling shareholder of the Company, the Group was granted the right to use an office premise and a staff quarter. The rental expenses paid to Mr. Liang during the period amounted to RMB116,000 (2008: RMB127,000).

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 18.

(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	
	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Short-term employee benefits	2,776	1,842
Post employment benefits	55	42
Share-based payment expenses	48	718
	2,879	2,602

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

17. Related Party Disclosures (Continued)

(iii) Credit facilities

Details of the borrowings of the Group which are secured by related parties are as follows:

Related party	Assets pledged as securities by the related party	Banking facilities utilised by the Group	
		At 30 June 2009 RMB'000 (unaudited)	At 31 December 2008 RMB'000 (audited)
Changsha Weihua Property Development Co., Ltd. ("Weihua Property") (Note a)	Property, plant and equipment	—	20,000
Hunan Classic Investment Co., Ltd. ("Hunan Classic") (Note b)	Leasehold land	80,000	40,000

Notes:

- (a) Mr. Ji has controlling interest in Weihua Property.
 (b) Certain directors of the Company have beneficial interests in Hunan Classic.

18. Acquisition of Subsidiaries

For the six months ended 30 June 2008

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 were fair and reasonable as far as the Company and the independent shareholders were concerned. The consideration was to be satisfied by the Group in the following manner:

- (a) a first payment of RMB49,000,000 (the "First Payment") was paid in cash; and
- (b) the remaining balance of the consideration, which was determined based on the net profit after tax of Hunan Weiming for the year ended 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, was 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 ended 31 December 2008 had been issued by the auditor appointed by the Company, which was issued in the first half of 2009. The Consideration Shares were determined at a deemed price of HK\$3.58 per share pursuant to the relevant sale and purchase agreement. On the basis that the additional consideration was set at the upper limit of RMB101,000,000 (equivalent to approximately HK\$114,130,000), and 31,879,888 Consideration Shares have been issued by the Company during the six month ended 30 June 2009.

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

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

18. Acquisition of Subsidiaries (Continued)

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

	Carrying amount before combination RMB'000	Fair value adjustments RMB'000	Fair value 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 investment	4,961	—	4,961
Inventories	3,845	—	3,845
Trade and other receivables	13,271	—	13,271
Amounts due from related parties	62,958	—	62,958
Bank balances and cash	1,251	—	1,251
Trade and other payables	(2,075)	—	(2,075)
Amounts due to related parties	(34,660)	—	(34,660)
Borrowings	(98,000)	—	(98,000)
Deferred tax liabilities	—	(11,420)	(11,420)
	29,884	75,649	105,533
Goodwill			53,495
			159,028
Total consideration satisfied by:			
Cash			49,000
Consideration shares (Note b)			110,028
			159,028
Net cash outflow arising on acquisition:			
Cash consideration paid			(49,000)
Bank balances and cash acquired			1,251
			(47,749)

Notes:

- (a) Intangible assets identified separately by the Group upon the acquisition mainly comprises of customer relationship and contracts, technology, and premium on land.
- (b) Part of the consideration for the acquisition of Newest Luck and Hunan Weiming was satisfied by the Consideration Shares based on the audited accounts of Hunan Weiming for the year ended 31 December 2008 prepared under the PRC Generally Accepted Accounting Practice.

The fair value of Consideration Shares was determined by 31,879,888 shares at share price of HK\$3.90 each (approximate to RMB3.56 each), the share price of the Company as at the date of acquisition. The Consideration Shares have been issued during the period.

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

18. Acquisition of Subsidiaries (Continued)

The subsidiaries acquired contributed approximately RMB290,000 to the Group's profit for the period between the date of acquisition and 30 June 2008.

If the acquisition had been completed on 1 January 2008, total group turnover for the six months ended 30 June 2008 would have been RMB353,181,000, and profit for the six months ended 30 June 2008 would have been RMB69,633,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover 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.

19. Events After the End of the Interim Period

Subsequent to the end of the interim period, the following events have taken place:

(i) Termination of share award plan

The Company has terminated the share award plan adopted on 10 October 2008 (the "Share Award Plan").

Following the adoption of the Share Award Plan, the management of the Company has further communicated with its PRC lawyers and noticed that if the Board decides to make any shares award to potential eligible employees (most of them being PRC citizens employed in the PRC), the Company will be required to comply with several PRC regulations on the one hand, and to increase the administration burden and affect the Company's preparation of its audited financial statement on the other hand.

As a result, the Directors have passed the necessary resolution to terminate the Share Award Plan on 21 July 2009 in accordance with its rules and procedures. No share under the Share Award Plan has been granted to any employees prior to its termination. Details of the termination are set out in the Company's announcement dated 21 July 2009.

(ii) Placing and subscription of the Company's shares

On 21 July 2009, the Company has entered into placing and subscription agreement (the "Agreement") with Star Treasure Investments Holdings Limited ("Star Treasure"), a private limited company wholly owned by Mr. Ji, Total Right Holdings Limited ("Total Right"), a trustee holds the Share Award Plan on the Company's behalf, and a placing agent.

Pursuant to the Agreement,

- (a) 80,000,000 and 13,461,000 existing shares of the Company which are held by Star Treasure and Total Right, respectively, will be placed to independent third parties at a placing price of HK\$7 per share;
- (b) 62,000,000 new shares of the Company will be issued to Star Treasure at a subscription price of HK\$7 per share; and
- (c) 18,000,000 new shares of the Company to be issued to the employees of the Group upon exercise of share options will be purchased by Star Treasure at a price of HK\$7 per share.

The placing and subscription was completed on 28 July 2009, with the 62,000,000 new shares being issued on the same day. Details of the issuance of the new shares are set out in the Company's announcement dated 28 July 2009.