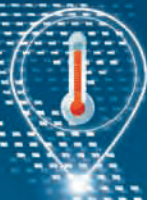


Interim Report 2012



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)

**CORPORATE
MISSION :**

Energy Metering & Energy
Saving Expert

**CORPORATE
VISION :**

Continual Innovation
Contributing to Wasion's
Centennial History

**CORPORATE
SPIRIT :**

Be Cohesive, Ambitious,
Down-to-Earth and Creative

**MOTTOS OF
OPERATION :**

Perfect Work with Passion,
and Success achieved
with Integrity



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Corporate Information

Executive Directors

Mr. Ji Wei (*Chairman*)
Ms. Cao Zhao Hui
Mr. Zeng Xin
Ms. Zheng Xiao Ping
Mr. Wang Xue Xin
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 *FCCA, FCPA*

Authorised Representatives

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Principal Bankers

In Hong Kong:

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

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

China Construction Bank
Bank of Communications

Legal Adviser

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

Auditor

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

Registered Office

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

Principal Place of Business

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

Principal Share Registrar and Transfer Office

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

Boardroom Share Registrars (HK) Limited
12/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

Company Website

www.wasion.com

Stock Code

3393

Corporate Profile

Leading Energy Measurement and Total Solution Provider

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

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

Management Discussion and Analysis

Financial Review

Financial Highlights

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Turnover	1,098,491	915,479
Gross profit	335,704	267,656
Profit from operations	170,316	131,219
Net profit	127,578	102,415
Total assets	4,338,183	4,214,703
Shareholders' equity attributable to owners of the Company	2,403,041	2,244,397
Basic earnings per share (RMB cents)	13.7	11.0
Diluted earnings per share (RMB cents)	13.7	10.9

Key Financial Figures

	Six months ended 30 June	
	2012	2011
Gross profit margin	31%	29%
Operating profit margin	16%	14%
Net profit margin	12%	11%
Trade receivable turnover period (Days)	180	205
Inventory turnover period (Days)	99	138
Trade payable turnover period (Days)	183	218
Gearing ratio (Net borrowings divided by shareholders' equity)	21%	24%
Interest coverage (Profit from operations divided by finance costs)	5.55	6.16

Turnover

During the period under review, turnover increased by 20% to RMB1,098.49 million (six months ended 30 June 2011 ("Period 2011"): RMB915.48 million).

Gross Profit

The Group's gross profit increased by 25% to RMB335.70 million for the six months ended 30 June 2012 (Period 2011: RMB267.66 million). The overall gross profit margin is 31% in the first half of 2012 (Period 2011: 29%).

Other Income

The other income of the Group amounted to RMB39.15 million (Period 2011: RMB36.44 million) which was mainly comprised of interest income, dividend income and government subsidy.

Management Discussion and Analysis (Continued)

Operating Expenses

In the first half of 2012, the Group's operating expenses amounted to RMB203.79 million (Period 2011: RMB183.47 million). The increase in operating expenses was mainly due to the increase in selling expenses, depreciation of production plant, amortisation of intangible assets and expenditure on research and development. Operating expenses accounted for 19% of the Group's turnover in the first half of 2012, representing a decrease of 1% as compared with 20% in the half of 2011.

Finance Costs

For the six months ended 30 June 2012, the Group's finance costs amounted to RMB30.71 million (Period 2011: RMB21.30 million). The increase was attributable to the increase of bank borrowings during the period.

Operating Profit

Earnings before finance costs and tax for the six months ended 30 June 2012 amounted to RMB170.32 million (Period 2011: RMB131.22 million), representing an increase of 30% as compared with the same period of last year.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2012 grew by 25% to RMB127.58 million (Period 2011: RMB102.42 million) as compared with the corresponding period of last year.

Liquidity and Financial Resources

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

As at 30 June 2012, the Group's current assets amounted to approximately RMB2,947 million (31 December 2011: RMB3,193.06 million), with cash and cash equivalents totaling approximately RMB323.90 million (31 December 2011: RMB986.91 million).

As at 30 June 2012, the Group's total bank loans amounted to approximately RMB998.76 million (31 December 2011: RMB1,088.95 million), of which RMB867.20 million (31 December 2011: RMB700.03 million) will be due to repay within one year and the remaining RMB131.56 million (31 December 2011: RMB388.92 million) will be due after one year. Net book value of the Group's pledged assets for the bank loans was approximately RMB205.16 million (31 December 2011: RMB207.16 million). In the first half of 2012, the interest rate for the Group's bank borrowings ranged from 1.49% to 7.22% per annum (31 December 2011: 1.50% to 7.35% per annum).

The gearing ratio (total borrowings divided by total assets) decreases from 24% on 31 December 2011 to 23% on 30 June 2012.

Exchange Rate Risk

Most of the businesses of the Group are settled in Renminbi, which is not freely convertible into foreign currencies. Since the amount of foreign currency of the Group used to purchase raw materials exceeded the amount of foreign currency earned from exports, the fluctuation of Renminbi exchange rate during the period resulted in an exchange loss of RMB715,000. During the period under review, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

Management Discussion and Analysis (Continued)

Emolument Policy

As at 30 June 2012, the Group had 3,282 (31 December 2011: 3,295) staff. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB90.69 million in the first half of 2012 (Period 2011: RMB77.16 million). Employee remuneration is determined on performance, experience and prevailing market conditions, with compensation policies being reviewed on a regular basis. The aggregate amount of the emoluments of the Company's directors was RMB1.65 million for the six months ended 30 June 2012 (Period 2011: RMB1.56 million).

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

Share Option Scheme

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

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

Management Discussion and Analysis (Continued)

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 2012	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 2012	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period						
Directors										
Wang Xue Xin	1,900,000	—	—	—	1,900,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Cao Zhao Hui	1,600,000	—	—	—	1,600,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Zeng Xin	1,500,000	—	—	—	1,500,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Zheng Xiao Ping	1,600,000	—	—	—	1,600,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Liao Xue Dong	1,200,000	—	—	—	1,200,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Hui Wing Kuen	100,000	—	—	—	100,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Pan Yuan	100,000	—	—	—	100,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Wu Jin Ming	100,000	—	—	—	100,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Sub-total	8,100,000	—	—	—	8,100,000					
Other employees	4,623,000	—	—	—	4,623,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Other employees	3,035,000	—	—	—	3,035,000	7 February 2007	7 February 2007 to 6 February 2009	7 February 2009 to 6 February 2017	3.200	3.200
Other employees	6,875,000	—	—	—	6,875,000	7 February 2007	7 February 2007 to 6 February 2010	7 February 2010 to 6 February 2017	3.200	3.200
Other employees	—	6,500,000	—	(6,500,000)	—	11 April 2012	11 April 2012 to 10 April 2014	11 April 2014 to 10 April 2022	3.600	3.600
Other employees	—	6,500,000	—	(6,500,000)	—	11 April 2012	11 April 2012 to 10 April 2015	11 April 2015 to 10 April 2022	3.600	3.600
Sub-total	14,533,000	13,000,000	—	(13,000,000)	14,533,000					
Total	22,633,000	13,000,000	—	(13,000,000)	22,633,000					

* 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 (Continued)

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 2012, the pledge deposits are denominated in Renminbi and Hong Kong dollars and are pledged to banks as security for bills facilities granted to the Group. In addition, the Group's land and buildings are pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 30 June 2012, the capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial information amounted to RMB25.44 million (31 December 2011: RMB140.93 million).

Contingent Liabilities

As at 30 June 2012, the Group had no material contingent liabilities.

Market Review

During the period of "Twelfth Five-Year Plan", the State Grid Corporation of China (hereinafter referred to as the "State Grid") will invest RMB1.7 trillion in the construction of Strong Smart Grid, of which, the investment scale for power consumption is the largest, and the system for collecting data on power consumption is one of the main areas of investment. The China Southern Power Grid Co., Ltd. (hereinafter referred to as the "Southern Power Grid") also recommended to focus on the development and planning of the eight key strategic areas, while the construction of the system for collecting data on power consumption would be one of them. Meanwhile, based on the uniform deployment of the State Council, the two major power grid companies will also invest RMB500 billion to complete the construction of new rural power grid, and this will provide a broader room of market development for the system for collecting data on power consumption.

Management Discussion and Analysis (Continued)

In general, the domestic system for collecting data on power consumption has entered the stage of full construction. We aim to establish a nation-wide system for collecting information on power consumption which features “Full Coverage, Collection and Tariff Control” by 2015, while the years 2016 to 2020 will be a stage of upgrade and enhancement, the smart meters will have full coverage and would be mutually interactive, while the smart domestic electronic appliances will become common household electronic devices. Meanwhile, from 2016, the new generation of products and equipment of the system for collecting data on power consumption will gradually enter the market. The supporting state policies and finalized arrangements of capital, as well as the continuous upgrade, improvement and large-scale promotion of the smart grid technology have provided a firm market foundation for the sustainable development of the system for collecting data on power consumption.

Different types of terminal products are used as equipment for collecting and analyzing data on power consumption, and are used in conjunction with smart meters, which together form a vital part of the smart grid power distribution and the investment in intellectualization of smart power consumption. Meanwhile, the installation of power consumption data collection equipment usually lags the installation of smart meter by about half to one year. From the volume of tender and the volume of installation of smart meter, we can see a rapid growth has begun for collector, concentrator and changeable data collection terminal, and the market demand will also maintain steady growth at a high level.

As the State proposed to implement the strictest management on water resources and the escalating fee-charging mode for water pricing was introduced in different regions, the market demand for various types of smart water meters with communication functions and high degree of accuracy, and the zoning measurement and monitoring products for pipe network have recorded explosive growth, which is very favorable for the development of the water measurement business of the Group. As a major segment of the water measurement market, more and more water companies have started to develop in this market, which augurs well for future development.

During the period of the “Twelfth Five-Year Plan”, the total consumption volume of domestic natural gas as a percentage of the total volume of primary energy will increase sharply from 4% to 8% or above, and the annual consumption of natural gas will surge drastically from 100 billion cubic in 2010 to 260 billion cubic in 2015, of which, urban gas will be an important downstream consumption market. The continued increase in gas demand from the industrial and civilian sectors drove the rapid development of the gas meter industry. At present, smart gas meter has already become the first choice in the market as it can solve problems such as difficulties in door-to-door meter reading and the escalating gas price, and there is a tremendous room of development for the industry of smart gas meters.

Focusing on the centralized heat supply areas in the north, the implementation of heat supply measurement reform has a significant effect on energy saving and emission reduction. On one hand, heat supply measurement has just been recognized and adopted as a compulsory measure, while on the other hand, the centralized heat supply areas in the north just accounted for 50% of the total heat supply area, and therefore, there is a considerable room of market development for the heat measurement products.

Energy saving and emission reduction is a long term state policy of the country, notwithstanding the requirement of the State, the level of implementation of enterprises is low, and the crux of the problem is that it should be an autonomous action of the enterprises. Nonetheless, as the State geared up to promote concrete guiding projects such as “Energy Conservation Program for 10,000 Enterprises” at the end of 2011, the compulsory requirements of energy saving and emission reduction will be very favorable for us to turn the potential markets into specific target markets, while the heavy energy saving demands will bring genuine opportunities to the energy efficiency management market, and help to promote energy efficiency business to develop both in scale and to a higher level.

Management Discussion and Analysis (Continued)

Smart grid has become a mainstream development direction in the international market, and enormous demand has shown in the markets of developed countries like Europe and the United States of America, or the markets in developing countries like those in South East Asia and South America. Regardless of the meter, communication terminal and the overall solution capacity of system, as well as the comprehensive cost advantages that Wasion possesses, or the channels and first-mover advantages established through Wasion's efforts in market expansion for years, or the new opportunities brought by the strategic cooperation with Siemens, all of them would help the Group to gain more opportunities in competing and participating in the international market.

Business Review

Domestic Markets

Two centralized tenders were organized by the State Grid in the first half of 2012, with our superior comprehensive strengths in different aspects, such as brand name, technology, market share, quality, business scale as well as management, Wasion Group performed a stable and strong stance in the two tenders, the aggregate amount of the tender contracts that we won reached RMB640 million, and the single and total contract amount secured by the Group are both the highest among the others. Southern Power Grid has organized a framework tender in the first half of 2012, the aggregate contract amount we won was RMB130 million which enabled us to rank first among the others, demonstrating the Group's comprehensive strength in the power measurement market.

In the first half of 2012, on the basis of ensuring that a dominating market share in centralized procurement can be obtained, the Group focuses on consolidating and promoting the continuous development of the power retail business. Meanwhile, measures such as minimizing costs and improving operating efficiencies enable the Group to maintain sound profitability, and various operating indicators have all recorded different degree of improvements.

During the period under review, the Group actively acquired customers in fields such as water company, gas company and heating company, and continuously increased the proportion of industry customers in our business. The Group has participated in the construction projects of smart water measurement and escalating water pricing pilots modeling projects of various key water companies such as the Guangzhou Water Company, Changsha Water Company, Hefei, Chengzhou Water Company, and successfully enlarged its customer base to include companies such as the China Gas, Kunlun Gas, China City Natural Gas, Hainan Minsheng Gas, Shaoyang Gas and Chenzhou China Sea Gas, etc. In the first half year, the Group also successfully won the heating reform projects of the Jilin government, and achieved breakthroughs in the markets of Hebei, Liaoning and Sinkiang where numerous heating companies locate.

Through the cooperation with Southern Grid Energy, the energy efficiency solution business of the Group has practically carried out energy efficiency audit projects in Guangdong and Yunnan markets, the cooperation with the School of Energy of the Central South University has also commenced officially. Meanwhile, leveraging on its advanced technical support and product capability, the Group successfully acquired chances to commence projects in Changsha and Jilin which are two of the first eight cities having been approved as the energy saving and emission reduction comprehensive financial modeling cities in the PRC. The "Energy Conservation Program for 10,000 Enterprises" project is the major market for the expansion of energy efficiency business of the Group, and now we have established business relationship with a dozen of large-scale customers such as Dongfeng Automobile and Sany Heavy Industry, and we will put more efforts in expanding such market.

Management Discussion and Analysis (Continued)

Electronic Power Meters

During the period under review, the sales of electronic power meters remained as the major source of revenue of the Group. Turnovers from the sales of single-phase electronic power meters and three-phase electronic power meters for the six months ended 30 June 2012 amounted to RMB572.53 million and RMB275.89 million respectively and contributed to 52% and 25% of the Group's total turnover respectively (Period 2011: 36% and 42% respectively).

Data Collection Terminals

In the first half of 2012, revenue from sales of data collection terminals amounted to RMB213.07 million, representing an increase of 26% as compared to the corresponding period of the previous year and accounted for 19% (Period 2011: 19%) of the Group's total turnover.

Fluid Measurement Business

In the first half of 2012, the sales revenue from the fluid measurement business, including the sales of water, gas, and heat meter, amounted to RMB29.03million, increased by 37% as compared to the corresponding period of the previous year and contributed to 3% of the total Group's revenue (Period 2011: 2%)

System and Energy Efficiency Business

The revenue from the system and energy efficiency business in the first half of 2012 was RMB7.98 million and accounted for 1% of the total income (Period 2011: 1%).

Overseas Market

In the first half of 2012, the Group has realized a rapid growth in the overseas market, and the income amounted to RMB155.77 million, represented an increase of 504% as compared to the corresponding period of 2011. While the traditional markets and products continued to grow steadily, significant breakthroughs were achieved in the opening up of new market and new product development. The product series for the overseas market have become more comprehensive and various products have obtained certification from the relevant overseas authorities such as PLN and TUV certification. The Group has ventured into key markets on all continents, and realized stable sales of a significant size, and these markets have become models and bridgeheads for further market expansion. The development prospect of new markets and potential markets is optimistic, which laid a solid foundation for the steady growth of overseas operations in subsequent periods. Existing markets where we have secured stable purchase order included Egypt, Indonesia, Dominican, Tanzania, Cuba and Ecuador. In respect of the cooperative project, the Group cooperated with Siemens to promote the development of smart meter business, and carried out market demand analyses of smart meter and trial operations in a dozen of countries. This will bring positive and reliable effect to facilitate the Group's sustainable growth of overseas business.

Research and Development

Leveraging on the core corporate value of "continuous innovation and centurial prestige", in the first half of this year, the Research and Development Department of the Group focused its work on the transformation of the established research achievements, development of new product and research of new technology, and maintaining high research and development input. The research expenses for the first half of 2012 (including the capitalization part) was RMB83.61 million, representing 7.6% of the total turnover of the Group (Period 2011: 6.9%).

In order to further enhance the research and development capacity of the Group, the Group has established Wasion Academician Specialists Workstation and Wasion Research Institute in May and June 2012 respectively. Through tapping into the expertise of tertiary institutions and introducing high-end technology and products, such measures will have significant meaning and impact on the building up of core competitive strengths of the Group and the realization of sustainable growth in the future.

Management Discussion and Analysis (Continued)

Expansion of production capacity

To match the future development of the Group in overseas markets, fluid measurement and energy efficiency business, in 2011, the Group has commenced the construction of the second stage of the Wasion Science and Technology Park which is expected to be put into use continually in the third quarter of this year.

Prospect

In the second half of 2012, various power grid companies, under the leadership of the State Grid, will continue to promote the application scale of smart meter. In the second half of the year, the State Grid should have at least two large scale tenders, and Southern Grid will also organize one large scale tender. Meanwhile, the power grid companies will pay more attention to the product quality and services ability standard. For the retailing business, the Group expected that the market structure and direction would not have significant changes, and the Group will continue the business pattern for the previous year. The promotion of new products and cooperative business will also achieve much more progress.

In the future, the Group will firmly grasp the market opportunities, and ensure that we can continue to maintain dominant market shares in the centralized procurement tender of the State Grid and the Southern Grid, as well as the procurement tender of power companies in different provinces. We will also step up our efforts to develop power retailing markets, local power markets, and large enterprise customer markets in order to further enlarge the market share, optimize the business structure and enhance the profitability of the Group.

While ensuring that the existing dominating position of our products can be maintained, we will also move forward to the development of high-end products, and increase the research input to products with high degree of accuracy and reliability, and to focus on the promotion and development of the high-end product market such as 0.1S grid meter and digital substation meter, and establish a leading high-end product market position, as well as further consolidating the dominant position of Wasion Group in the power measurement industry. Meanwhile, the Group would vigorously expand the market share of the smart power distribution meter through channel sales mode.

The Group will launch a positioning system for fault monitoring pinpointing at the application environment of power distribution, fault indicator and remote signal terminal in the second half year, in order to form a complete product series and to meet the demand arising from the initial stage of intellectualization of urban power distribution grid. In addition, the overseas markets also have considerable demand for the terminal products of the Group, therefore we will focus on development, and launch products that meet the demand as soon as possible, further increase our overseas market share.

For the smart fluid measurement business, the Group will take full advantage of its technical capabilities and the comparative advantage of its products, closely align with the implementation of the national policy of escalating water price and gas price and respond to market demand to establish a model market for industry solution, which will lay a solid foundation for the Group to rapidly acquire relevant customers in the industry.

Management Discussion and Analysis (Continued)

For the energy efficiency management business, the Group will focus on the key markets of “Energy Conservation Program for 10,000 Enterprises” project and the energy saving and emission reduction comprehensive modeling projects in Changsha city and Jilin city. Through the strategic cooperation with our cooperative partners, we will continue to build up our own risk management capacity, resources integration capacity and optimization capacity for the system, while at the same time dedicating to establish a typical modeling project in order to lay a sound foundation for speedy replication and promotion of projects in the future. The energy efficiency business still need continuous inputs and optimization in the establishment of business mode and core capacity, cultivation of talents, as well as internal business control standard and procedure, etc.

As for the overseas market, the independent operations of the Group will continue to maintain a good and steady growth, and the Group will also enlarge its efforts on market expansion of water meters and gas meters. At the same time, there are more opportunities for the overseas businesses of the Group through the cooperation with partners such as Siemens.

We strongly believe that no matter in domestic or overseas market and regardless of energy metering or energy saving, the market demand for advanced technology and products, and for effective solutions and services, will be eager and massive. In this respect, we will follow our mottos of operation which is “Perfect Work With Passion and Success Achieved With Integrity” to accomplish the mission of being an energy metering and energy saving expert, and remain focused towards the goal of “Multi-Million Scale and Centurial Prestige”.

Other Information

Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

Directors' Interests in Shares and Underlying Shares

At 30 June 2012, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

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

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ji Wei	Interest of controlled corporation (Note 1)	482,888,888	51.97%
Wang Xue Xin	Beneficial owner (Note 2)	912,000	0.10%
Cao Zhao Hui	Beneficial owner	400,000	0.04%
Zeng Xin	Beneficial owner	500,000	0.05%
Zheng Xiao Ping	Beneficial owner (Note 2)	912,000	0.10%
Liao Xue Dong	Beneficial owner	400,000	0.04%
Hui Wing Kuen	Beneficial owner	500,000	0.05%
Pan Yuan	Beneficial owner	100,000	0.01%
Wu Jin Ming	Beneficial owner	100,000	0.01%

Notes:

- (1) The shares are held by Star Treasure Investments Holdings Limited ("Star Treasure"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is Beneficially owned by Mr. Ji Wei.
- (2) 512,000 shares and 400,000 shares are held by Mr. Wang Xue Xin and Ms. Zheng Xiao Ping respectively. Ms. Zheng Xiao Ping is the spouse of Mr. Wang Xue Xin.

Other Information (Continued)

(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	1,900,000	Beneficial owner	1,900,000	0.20%
Cao Zhao Hui	1,600,000	Beneficial owner	1,600,000	0.17%
Zeng Xin	1,500,000	Beneficial owner	1,500,000	0.16%
Zheng Xiao Ping	1,600,000	Beneficial owner	1,600,000	0.17%
Liao Xue Dong	1,200,000	Beneficial owner	1,200,000	0.13%
Hui Wing Kuen	100,000	Beneficial owner	100,000	0.01%
Pan Yuan	100,000	Beneficial owner	100,000	0.01%
Wu Jin Ming	100,000	Beneficial owner	100,000	0.01%

Other than as disclosed above, none of the directors, chief executives nor their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 30 June 2012.

Substantial Shareholders

As at 30 June 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in shares and underlying shares" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

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

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued capital of the Company
Ji Wei	Interest in controlled corporation	482,888,888	51.97%
Star Treasure	Beneficial owner	482,888,888	51.97%

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 2012.

Other Information (Continued)

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 performs other duties as assigned by the Board.

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

The interim results of the Group for the six months ended 30 June 2012 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 of Hong Kong Limited

During the period from 1 January 2012 till 31 March 2012, the Company has applied the principles of and has complied with all code provisions of the Code on Corporate Governance Practices (the “Old Code”) as set forth in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). For the period from 1 April 2012 till 30 June 2012, save for Code Provision A.6.7, the Company has complied with the code provisions included in the amendments to the Old Code which took effect since 1 April 2012 (the “New Code”).

Code Provision A.6.7 provides that independent non-executive directors and non-executive directors of the Company should attend general meetings of the Company. Mr. Wu Jin Ming, Mr. Pan Yuan and Mr. Hui Wing Kuen, all independent non-executive directors of the Company, failed to attend the annual general meeting of the Company held on 16 May 2012 due to conflicts with their schedules.

Save as disclosed, there has been no deviation from the code provisions as set forth and on the Old Code and the New Code for the six months ended 30 June 2012.

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 2012.

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 (Continued)

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2012, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

Facility Agreement with Specific Performance Covenants

The Company has entered into a facility agreement (the “Facility Agreement”) dated 30 June 2011 with two banks, and a facility in the aggregate amount of US\$30,000,000 with a tenure of three years was made available to the Company. Pursuant to the Facility Agreement, it will be an event of default if Mr. Ji Wei, the chairman, executive director and a controlling shareholder of the Company (i) does not or ceases to legally and beneficially own, directly or indirectly, at least 40% of the entire issued share capital of and equity interests of the Company; (ii) does not or ceases to either directly or indirectly remain as the single largest shareholder of the Company; and (iii) does not or ceases to exercise control over the management and affairs of the Group and/or the composition of the board of directors of the Company. At 30 June 2012, the outstanding balance of the facility amounted to US\$30,000,000.

Other than as disclosed above, there are no other events which are required to be disclosed by the Company under Rule 13.18 of the Listing Rules.

Appreciation

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

By order of the Board

Ji Wei
Chairman

Hong Kong, 22 August 2012

Report on Review of Condensed Consolidated Financial Information



TO THE BOARD OF DIRECTORS OF WASION GROUP HOLDINGS LIMITED

威勝集團控股有限公司

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Wasion Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 19 to 34, which comprises the condensed consolidated balance sheet as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion on solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Turnover	3	1,098,491	915,479
Cost of sales		(762,787)	(647,823)
Gross profit		335,704	267,656
Other income		39,154	36,442
Other (losses) gains		(757)	10,588
Administrative expenses		(64,565)	(72,944)
Selling expenses		(87,762)	(79,926)
Research and development expenses		(51,458)	(30,597)
Finance costs	5	(30,713)	(21,298)
Profit before taxation		139,603	109,921
Income tax expense	6	(12,025)	(7,506)
Profit for the period, attributable to owners of the Company	7	127,578	102,415
Other comprehensive income (expense)			
Exchange differences arising on translation		1,236	(5,890)
Fair value gain (loss) on available-for-sale investments		2,863	(1,049)
Other comprehensive income (expense) for the period, attributable to owners of the Company		4,099	(6,939)
Total comprehensive income for the period, attributable to owners of the Company		131,677	95,476
Earnings per share	9		
Basic		RMB13.7 cents	RMB11.0 cents
Diluted		RMB13.7 cents	RMB10.9 cents

Condensed Consolidated Balance Sheet

At 30 June 2012

	Notes	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	895,228	775,882
Prepaid lease payments		71,497	72,329
Investment properties		35,338	35,691
Goodwill		110,326	110,326
Intangible assets		207,041	209,992
Available-for-sale investments		29,032	26,169
Amounts due from related parties	16(b)	21,017	—
Life insurance product		21,698	21,577
		1,391,177	1,251,966
CURRENT ASSETS			
Inventories		394,284	441,849
Trade and other receivables	11	2,050,467	1,527,969
Amounts due from related parties	16(b)	—	20,970
Prepaid lease payments		1,655	1,655
Pledged bank deposits		176,705	213,711
Bank balances and cash		323,895	986,908
		2,947,006	3,193,062
CURRENT LIABILITIES			
Trade and other payables	12	902,615	927,861
Tax liabilities		20,103	28,573
Borrowings — due within one year	13	867,198	700,035
		1,789,916	1,656,469
NET CURRENT ASSETS			
		1,157,090	1,536,593
		2,548,267	2,788,559
CAPITAL AND RESERVES			
Share capital	14	9,409	9,409
Reserves		2,393,632	2,375,268
Equity attributable to owners of the Company		2,403,041	2,384,677
Non-controlling interest		400	400
		2,403,441	2,385,077
NON-CURRENT LIABILITIES			
Borrowings — due after one year	13	131,560	388,918
Deferred tax liability		13,266	14,564
		144,826	403,482
		2,548,267	2,788,559

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the Company											
	Share capital	Share premium	Merger reserve	Exchange reserve	PRC statutory reserves	Other reserve	Share option reserve	Investment revaluation reserve	Retained profits	Total	Non-controlling interest	Total
	RMB'000	RMB'000	RMB'000 (Note i)	RMB'000	RMB'000 (Note ii)	RMB'000 (Note iii)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011 (audited)	9,406	1,230,154	49,990	(63,941)	127,821	33,164	19,692	3,573	824,838	2,234,697	—	2,234,697
Profit for the period	—	—	—	—	—	—	—	—	102,415	102,415	—	102,415
Other comprehensive expense for the period	—	—	—	(5,890)	—	—	—	(1,049)	—	(6,939)	—	(6,939)
Total comprehensive income (expense) for the period	—	—	—	(5,890)	—	—	—	(1,049)	102,415	95,476	—	95,476
Issue of shares upon exercise of share options	1	246	—	—	—	—	(59)	—	—	188	—	188
Dividend recognised as distribution	—	—	—	—	—	—	—	—	(85,964)	(85,964)	—	(85,964)
At 30 June 2011 (unaudited)	9,407	1,230,400	49,990	(69,831)	127,821	33,164	19,633	2,524	841,289	2,244,397	—	2,244,397
At 1 January 2012 (audited)	9,409	1,231,015	49,990	(70,684)	142,648	33,164	19,477	(1,875)	971,533	2,384,677	400	2,385,077
Profit for the period	—	—	—	—	—	—	—	—	127,578	127,578	—	127,578
Other comprehensive income for the period	—	—	—	1,236	—	—	—	2,863	—	4,099	—	4,099
Total comprehensive income for the period	—	—	—	1,236	—	—	—	2,863	127,578	131,677	—	131,677
Dividend recognised as distribution	—	—	—	—	—	—	—	—	(113,313)	(113,313)	—	(113,313)
At 30 June 2012 (unaudited)	9,409	1,231,015	49,990	(69,448)	142,648	33,164	19,477	988	985,798	2,403,041	400	2,403,441

Notes:

- (i) Merger reserve represents the difference between the nominal value of shares of the subsidiary acquired over the nominal value of the shares used by the Company in exchange thereafter.
- (ii) PRC statutory reserves are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to the Group's PRC subsidiaries.
- (iii) Other reserve represents the excess of the balance of plan asset over the carrying amount of shares held under share award plan of the Company, which was recognised upon termination of the plan during the year ended 31 December 2009.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Net cash generated from (used in) operating activities	17,114	(227,670)
Net cash used in investing activities		
Advance of short-term loans receivables	(330,000)	(330,000)
Purchase of property, plant and equipment	(133,721)	(32,269)
Decrease (increase) in pledged bank deposits	37,006	(130,084)
Other investing cash flows	(5,929)	(33,489)
	(432,644)	(525,842)
Net cash (used in) from financing activities		
Repayment of borrowings	(534,627)	(315,332)
Dividend paid	(113,313)	(85,964)
New borrowings raised	437,669	784,766
Other financing cash flows	(37,108)	(22,519)
	(247,379)	360,951
Net decrease in cash and cash equivalents	(662,909)	(392,561)
Cash and cash equivalents at beginning of the period	986,908	553,530
Effect of foreign exchange rate changes	(104)	(873)
Cash and cash equivalents at end of the period, represented by bank balances and cash	323,895	160,096

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. Basis of Preparation

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

2. Principal Accounting Policies

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

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

Adoption of new and revised HKFRSs effective in the current period

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

- Amendments to HKFRS 7 Disclosures — Transfers of Financial Assets; and
- Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

New and revised HKFRSs that are not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle ¹
Amendments to HKFRS 7	Disclosures—Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ³
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ⁴
HKFRS 9	Financial Instruments ¹
HKFRS 10	Consolidated Financial Statements ¹

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

2. Principal Accounting Policies (Continued)

New and revised HKFRSs that are not yet effective (Continued)

HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 19 (as revised in 2011)	Employee Benefits ¹
HKAS 27 (as revised in 2011)	Separate Financial Statements ¹
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 January 2015

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2014

Saved as disclosed in the annual report for the year ended 31 December 2011, the directors of the Company anticipate that the application of the other new and revised HKFRSs issued but not yet effective will have no material impact on the results and the financial position of the Group.

3. Segment Information

Information reported to the Group's Chief Executive Officer, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

3. Segment Information (Continued)

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

For the six months ended 30 June 2012

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

3. Segment Information (Continued)

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

For the six months ended 30 June 2011

	Electronic meters RMB'000	Data collection terminals RMB'000	Energy efficiency solution RMB'000	Consolidated RMB'000
TURNOVER				
External sales	734,352	169,213	11,914	915,479
Inter-segment sales	1,770	22,424	1,044	25,238
Segment turnover	736,122	191,637	12,958	940,717
Elimination				(25,238)
Group turnover				915,479
Segment profit	74,427	47,882	1,330	123,639
Unallocated income				20,928
Central administration costs				(13,348)
Finance costs				(21,298)
Profit before taxation				109,921

Segment profit represents the profit earned by each segment without allocation of certain items of other income and central administration costs, directors' salaries, finance costs and taxation. This is the measure reported to the Group's Chief Executive Officer, being its chief operating decision maker, for the purposes of resources allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

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 2012 is not necessarily an indication of the operations of the Group that would be achieved for the year ending 31 December 2012.

5. Finance Costs

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Interest on borrowings wholly repayable within five years	37,221	21,642
Less: amounts capitalised in property, plant and equipment	(6,508)	(344)
	30,713	21,298

Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.40% (six months ended 30 June 2011: 6.06%) per annum to expenditures on qualifying assets.

6. Income Tax Expense

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Current tax — The PRC Enterprise Income Tax ("EIT")		
— current period	12,766	8,653
— underprovision in prior years	557	426
	13,323	9,079
Deferred tax credit — current period	(1,298)	(1,573)
Income tax expense	12,025	7,506

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

6. Income Tax Expense (Continued)

Notes:

(i) Hong Kong

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income that was subject to Hong Kong Profits Tax during each of the six months ended 30 June 2011 and 2012.

(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 certain PRC subsidiaries which are 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%. Such preferential tax policy is subject to the annual approvals by the relevant tax authorities.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), the preferential treatment set out above continues on the implementation of the EIT Law.

(iii) Other jurisdictions

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

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

7. Profit for the Period

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	17,648	17,254
Release of prepaid lease payments	829	829
Depreciation of investment property	353	91
Amortisation of intangible assets	35,785	35,222
Interest income from entrusted loan contracts	(10,009)	(7,601)
Interest income from consideration receivable for disposal of assets	(4,760)	(4,583)
Bank interest income	(6,746)	(3,260)
Dividend income from an available-for-sale investment	(2,258)	(5,554)
Exchange loss (gain)	715	(10,293)

8. Dividends

During the period, a cash dividend of HK\$0.15, equivalent to RMB0.12 (six months ended 30 June 2011: HK\$0.11, equivalent to RMB0.093) per share was declared and paid to the shareholders as the final dividend for 2011. The aggregate amount of the final dividend declared and paid in the current interim period amounting to RMB113,313,000 (six months ended 30 June 2011: RMB85,964,000).

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2011: nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

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	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	127,578	102,415
	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	929,218,675	928,965,360
Effects of dilutive potential ordinary shares in respect of share options	3,640,535	8,597,926
Weighted average number of ordinary shares for the purpose of diluted earnings per share	932,859,210	937,563,286

10. Movements in Property, Plant and Equipment

During the period, the Group incurred RMB131,748,000 (six months ended 30 June 2011: RMB8,421,000) on the construction of new factory and office premises and RMB8,481,000 (six months ended 30 June 2011: RMB24,192,000) on additions of the property, plant and equipment in order to upgrade its manufacturing capabilities.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

11. Trade and Other Receivables

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

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

	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Trade and bills receivables:		
0-90 days	595,584	594,764
91-180 days	218,943	195,513
181-365 days	257,320	100,025
Over 1 year	13,974	15,857
	1,085,821	906,159
Retentions held by trade customers	103,673	87,385
Consideration receivable for disposal of assets (Note i)	178,200	178,200
Short-term loans receivables (Note ii)	330,000	—
Deposits, prepayments and other receivables	352,773	356,225
	2,050,467	1,527,969

Notes:

- (i) Amount represents the remaining consideration receivable for the disposal of certain assets to an independent third party in prior years. The total consideration is amounted to RMB198,000,000, of which RMB19,800,000 has been settled and the remaining balance of RMB178,200,000 is repayable on or before 31 December 2012.

The assets disposed included a parcel of land in the PRC together with the buildings erected thereon. The amount carries interest at six months benchmark lending rate offered by the People's Bank of China. The assets disposed have been pledged in favour of the Group to secure the consideration receivable. Such pledge will be released upon settlement of the balance of the consideration.

- (ii) The amount represents short-term loans advanced by the Group to third parties under entrusted loan contracts. During the six months ended 30 June 2012, the Group entered into entrusted loan contracts with several independent third parties pursuant to which short-term entrusted loans in aggregate amount of RMB330,000,000 were advanced to them during the period through certain banks in the PRC. These entrusted loans carry fixed interests at 12% per annum and are repayable within 12 months from the end of the reporting period. These loans are secured by certain properties held by these entities.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

12. Trade and Other Payables

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

	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Trade and bills payables		
0–90 days	543,044	487,484
91–180 days	208,705	263,255
181–365 days	11,965	12,399
Over 1 year	7,819	5,644
	771,533	768,782
Other payables	131,082	159,079
	902,615	927,861

13. Borrowings

During the period, the Group obtained bank loans of RMB437,669,000 (six months ended 30 June 2011: RMB784,766,000) and repaid bank loans of RMB534,627,000 (six months ended 30 June 2011: RMB315,332,000). The loans carry interest at market rates ranging from 1.49% to 7.22% (six months ended 30 June 2011: 3.48% to 7.26%) 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 (Continued)

For the six months ended 30 June 2012

14. Share Capital

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2011, 30 June 2011, 31 December 2011 and 30 June 2012	100,000,000,000	1,000,000
		RMB'000
Issued and fully paid:		
At 1 January 2011	928,868,675	9,406
Issue of shares upon exercise of share options (Note)	100,000	1
At 30 June 2011	928,968,675	9,407
Issue of shares upon exercise of share options	250,000	2
At 31 December 2011 and 30 June 2012	929,218,675	9,409

Note: During the six months ended 30 June 2011, 100,000 ordinary shares of HK\$0.01 each in the Company were issued upon the exercise of share options under the share option scheme of the Company with proceeds of approximately HK\$223,000 (equivalent to approximately RMB188,000). No share options has been issued during the six months ended 30 June 2012.

15. Capital Commitments

	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	25,435	140,929

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

16. Related Party Disclosures

(a) Transaction

Company	Transaction	Six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Hunan Widefar Information Technology Co., Ltd (Note)	Rental income received	391	—

Note: The entity is beneficially owned and controlled by a director of the Company.

(b) Balances

Particulars of amounts due from related parties:

	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Companies beneficially owned and controlled by certain directors of the Company	21,017	20,970

The amounts are unsecured, interest-free and expected to be recovered after twelve months from the end of reporting period (2011: within one year).

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

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Short-term benefits	2,194	2,004
Retirement benefit scheme contributions	48	59
	2,242	2,063

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

(d) Guarantees

The Company is a party to certain bank facilities that include conditions specifying, among other things, the minimum equity interest of the Company to be held, directly or indirectly, by Mr. Ji Wei, an executive director and the controlling shareholder of the Company, and any breach of such obligation will cause a default in respect of the loans. At 30 June 2012, bank borrowings under such facilities amounted to RMB190,272,000 (31 December 2011: RMB189,220,000) has been drawn.