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)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB1,098.49 million (Period 2011: RMB915.48 million), representing an increase of 20%.
- Revenue from sales of single-phase electronic power meters increased by 74% to RMB572.53 million as compared with Period 2011.
- Revenue from sales of three-phase electronic power meters amounted to RMB275.89 million.
- Revenue from sales of data collection terminals increased by 26% to RMB213.07 million as compared with Period 2011.
- Revenue from fluid measurement business increased by 37% to RMB29.03 million as compared with Period 2011.
- Revenue from overseas market increased by 504% to RMB155.77 million as compared with Period 2011.
- Net profit for the period amounted to RMB127.58 million (Period 2011: RMB102.42 million), representing an increase of 25%.
- Basic earnings per share for the period amounted to RMB13.7 cents (Period 2011: RMB11.0 cents).
- The board of directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012.

The board of directors (the "Board") of Wasion Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the "Group" or "Wasion Group") for the six months ended 30 June 2012, together with the unaudited comparative figures for the corresponding period in 2011 ("Period 2011"), as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
	Notes	**2012**	2011
		RMB'000	*RMB'000*
		(unaudited)	(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		**(30,713)**	(21,298)
Profit before taxation		**139,603**	109,921
Income tax expense	*5*	**(12,025)**	(7,506)
Profit for the period, attributable to owners of the Company	*6*	**127,578**	102,415
Earnings per share	*8*		
Basic		**RMB13.7 cents**	RMB11.0 cents
Diluted		**RMB13.7 cents**	RMB10.9 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period, attributable to owners of the Company	**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

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		**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		**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	*9*	**2,050,467**	1,527,969
Amounts due from related parties		**—**	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	*10*	**902,615**	927,861
Tax liabilities		**20,103**	28,573
Borrowings — due within one year		**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		**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		**131,560**	388,918
Deferred tax liability		**13,266**	14,564
		144,826	403,482
		2,548,267	2,788,559

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.

3. TURNOVER AND 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.

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**

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.

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. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(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:

(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 treatment 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.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**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)

7. 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).

8. 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	2011
	RMB'000	*RMB'000*
	(unaudited)	(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

9. 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	At 31 December
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(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.

10. 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	At 31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	(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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

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 fast 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, which further consolidated the leading position of the Group within the industry. Southern Power Grid has organized a framework tender in the first half of 2012, the aggregate contract amount we won was RMB130 million, which demonstrated the Group's dominating superiority and 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 measurement and escalating water pricing pilots modeling projects of 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 Company, 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, while preliminary study and research, test and examination of the proposal have been carried out in several locations in Hunan Province. The two cities of Changsha and Jilin were among the eight cities which were approved as the energy saving and emission reduction comprehensive financial modeling cities and the Group has assumed the important role of technical supporting unit. Currently, we are applying for the approval of specific projects, and will participate in the construction of the project upon approval. The "Energy Conservation Program for 10,000 Enterprises" project is the most important key market for the energy efficiency business of the Group, and now we have established business relationship with a dozen of customers such as Dongfeng Automobile and Sany Heavy Industry, and we will put more efforts in expanding such market.

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 demand analysis of smart meter and product preparation in a dozen of countries.

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.

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.

FINANCIAL REVIEW

Turnover

During the period under review, turnover increased by 20% to RMB1,098.49 million (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.

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.

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.

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 water, gas and heat 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.

For the energy efficiency business, the Group will focus on the key markets of "Energy Conservation Program for 10,000 Enterprises" project and the 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 replicating such successful model 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

Employees and Remuneration Policies

As at 30 June 2012, the Group had 3,282 (31 December 2011: 3,295) staff. Employee remuneration is determined on performance, experience and prevailing market conditions, with compensation policies being reviewed on a regular basis. The Company has also adopted a share option scheme on 26 November 2005 to recognize and acknowledge the contributions made or will be made to the Group by the eligible participants. During the six months ended 30 June 2012, 13,000,000 share options were granted, which had subsequently lapsed before 30 June 2012. Up to 30 June 2012, no share options have been exercised. As at 30 June 2012, the number of outstanding share options was 22,633,000.

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).

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.

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.

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.

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.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The electronic version of this announcement will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.wasion.com. An interim report for the six months ended 30 June 2012 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange and the Company in due course.

As at the date of this announcement, the directors are:

Executive Directors
Ji Wei
Cao Zhao Hui
Zeng Xin
Zheng Xiao Ping
Wang Xue Xin
Liao Xue Dong

Independent non-executive Directors
Wu Jin Ming
Pan Yuan
Hui Wing Kuen

By order of the Board
Wasion Group Holdings Limited
Ji Wei
Chairman

Hong Kong, 22 August 2012