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 2013

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB1,147.54 million (Period 2012: RMB1,098.49 million), representing an increase of 4%.
- Revenue from sales of three-phase electronic power meters increased by 17% to RMB322.12 million as compared with Period 2012.
- Revenue from sales of single-phase electronic power meters amounted to RMB477.33 million.
- Revenue from sales of data collection terminals increased by 39% to RMB295.46 million as compared with Period 2012.
- Revenue from fluid measurement business increased by 21% to RMB35.23 million as compared with Period 2012.
- Revenue from system and energy efficiency business increased by 118% to RMB17.40 million as compared with Period 2012.
- Net profit for the period amounted to RMB167.59 million (Period 2012: RMB127.58 million), representing an increase of 31%.
- Basic earnings per share for the period amounted to RMB18.0 cents (Period 2012: RMB13.7 cents).
- The board of directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013.

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 2013, together with the unaudited comparative figures for the corresponding period in 2012 ("Period 2012"), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Six months ended 30 June	
	Notes	**2013**	2012
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Turnover	*3*	**1,147,543**	1,098,491
Cost of sales		**(767,326)**	(762,787)
Gross profit		**380,217**	335,704
Other income		**47,669**	39,154
Other gains and losses		**(71)**	(757)
Administrative expenses		**(71,878)**	(64,565)
Selling expenses		**(105,250)**	(87,762)
Research and development expenses		**(62,094)**	(51,458)
Finance costs		**(13,043)**	(30,713)
Gain on disposal of a subsidiary		**15,667**	—
Share of results of an associate		**(1,337)**	—
Profit before taxation		**189,880**	139,603
Income tax expense	*5*	**(22,292)**	(12,025)
Profit for the period, attributable to owners of the Company	*6*	**167,588**	127,578
Earnings per share	*8*		
Basic		**RMB18.0 cents**	RMB13.7 cents
Diluted		**RMB17.9 cents**	RMB13.7 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period, attributable to owners of the Company	**167,588**	127,578
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation	**(800)**	1,236
Fair value gain on available-for-sale investments	**2,696**	2,863
Other comprehensive income for the period, attributable to owners of the Company	**1,896**	4,099
Total comprehensive income for the period, attributable to owners of the Company	**169,484**	131,677

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2013

	Notes	**At 30 June 2013** *RMB'000* **(unaudited)**	At 31 December 2012 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**909,992**	918,335
Prepaid lease payments		**61,190**	70,674
Investment properties		**11,063**	37,125
Investment in an associate		**18,663**	—
Goodwill		**216,738**	110,326
Intangible assets		**193,069**	190,591
Available-for-sale investments		**118,107**	14,811
Amounts due from related parties		**20,965**	21,376
Life insurance product		**21,202**	21,580
Loan receivable		**78,200**	78,200
Consideration receivable on disposal of a subsidiary		**21,000**	—
		1,670,189	1,463,018
CURRENT ASSETS			
Inventories		**257,215**	323,271
Loan receivables		**330,000**	330,000
Trade and other receivables	*9*	**1,839,794**	1,406,260
Prepaid lease payments		**1,399**	1,655
Pledged bank deposits		**151,726**	155,703
Bank balances and cash		**190,125**	585,986
		2,770,259	2,802,875
CURRENT LIABILITIES			
Trade and other payables	*10*	**1,007,132**	1,010,241
Tax liabilities		**32,458**	40,983
Borrowings-due within one year		**555,971**	548,251
		1,595,561	1,599,475
NET CURRENT ASSETS		**1,174,698**	1,203,400
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,844,887**	2,666,418
CAPITAL AND RESERVES			
Share capital		**9,426**	9,410
Reserves		**2,626,663**	2,586,867
Equity attributable to owners of the Company		**2,636,089**	2,596,277
Non-controlling interest		**400**	400
		2,636,489	2,596,677
NON-CURRENT LIABILITIES			
Borrowings-due after one year		**194,446**	57,311
Deferred tax liability		**13,952**	12,430
		208,398	69,741
		2,844,887	2,666,418

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current period, the Group has adopted the following new accounting policies:

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these condensed consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's financial statements only to the extent of interests in the associate that are not related to the Group.

Application of new and revised HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the presentation of the Group's condensed consolidated financial statements.

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised 2011)	Employee Benefits
HKAS 28 (as revised 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

3. TURNOVER AND SEGMENT INFORMATION

Information reported to the Group's Chief Executive Officer, being the chief operating decision maker ("CODM"), for the purposes of resources 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 2013

	Electronic meters *RMB'000*	**Data collection terminals** *RMB'000*	**Energy efficiency solution** *RMB'000*	**Consolidated** *RMB'000*
TURNOVER				
External sales	**834,685**	**295,457**	**17,401**	**1,147,543**
Inter-segment sales	**2,130**	**77,096**	**407**	**79,633**
Segment turnover	**836,815**	**372,553**	**17,808**	**1,227,176**
Elimination				**(79,633)**
Group turnover				**1,147,543**
Segment profit	**87,194**	**80,588**	**2,390**	**170,172**
Unallocated income				**29,027**
Gain on disposal of a subsidiary				**15,667**
Share of results of an associate				**(1,337)**
Central administration costs				**(10,606)**
Finance costs				**(13,043)**
Profit before taxation				**189,880**

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

Segment profit represents the profit earned by each segment without allocation of certain items of other income and central administration costs, gain on disposal of a subsidiary, share of results of an associate, directors' salaries, finance costs and taxation. This is the measure reported to the Group's Chief Executive Officer, being the CODM, 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 2013 is not necessarily an indication of the operations of the Group that would be achieved for the year ending 31 December 2013.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax — The PRC Enterprise Income Tax ("EIT")		
— current period	**22,965**	12,766
— underprovision in prior years	**160**	557
	23,125	13,323
Deferred tax credit — current period	**(833)**	(1,298)
Income tax expense	**22,292**	12,025

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 2012 and 2013.

(ii) PRC

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

(a) Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiaries is exempted from PRC income tax for two years starting from its first profit-making year in 2009, followed by a 50% reduction in the applicable tax rate for the next three years. Accordingly, the subsidiary is subject to a reduced tax rate of 12.5% during the six months ended 30 June 2013 (six months ended 30 June 2012: 12.5%).

(b) Certain PRC subsidiaries which are approved as enterprises that satisfied the condition as high technology development enterprises and obtained the Certificate of High New Technology Enterprise continue to enjoy the preferential tax rate of 15% for the year 2012 to 2014.

According to the notice of "Preferential Policies on Enterprise Income Tax" (Cai Shui [2008] No.1) issued by State Administration of Taxation, the tax holidays and concessions from EIT entitled as set out in (a) above had continued to be applicable until the end of the five year period, which is 2009 to 2013. The preferential treatment set out in (b) above continues under the implementation of the Enterprise Income Tax.

(iii) Other jurisdictions

Taxation arising in other jurisdictions is calculated at the rates 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	
	2013	2012
	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	**18,275**	17,648
Release of prepaid lease payments	**728**	829
Depreciation of investment properties	**417**	353
Amortisation of intangible assets	**33,218**	35,785
Interest income from loans receivables	**(20,825)**	(10,009)
Interest income from consideration receivable for disposal of assets	**—**	(4,760)
Bank interest income	**(2,384)**	(6,746)
Dividend income from an available-for-sale investment	**(5,227)**	(2,258)
Exchange loss	**93**	715

7. DIVIDENDS

During the period, a cash dividend of HK$0.18, equivalent to RMB0.14 (six months ended 30 June 2012: HK$0.15, equivalent to RMB0.12) per share was declared and paid to the shareholders as the final dividend for 2012. The aggregate amount of the final dividend declared and paid in the current interim period amounting to RMB133,404,000 (six months ended 30 June 2012: RMB113,313,000).

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

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**167,588**	127,578

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**930,034,145**	929,218,675
Effects of dilutive potential ordinary shares in respect of share options	**8,723,843**	3,640,535
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**938,757,988**	932,859,210

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, net of allowance for doubtful debts, presented based on the revenue recognition dates at the end of the reporting period:

	At 30 June 2013	At 31 December 2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade and bills receivables		
0–90 days	**955,558**	659,420
91–180 days	**173,280**	195,169
181–365 days	**225,590**	138,808
Over 1 year	**28,361**	20,686
	1,382,789	1,014,083
Retentions held by trade customers	**134,931**	129,254
Deposits, prepayments and other receivables	**289,074**	262,923
Consideration receivable on disposal of a subsidiary	**33,000**	—
	1,839,794	1,406,260

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 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Trade and bills payables		
0–90 days	**578,941**	551,240
91–180 days	**127,980**	226,010
181–365 days	**18,428**	12,948
Over 1 year	**26,980**	10,095
	752,329	800,293
Other payables	**176,444**	209,948
Contingent consideration payable on acquisition of a subsidiary	**78,359**	—
	1,007,132	1,010,241

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The smart meter is the core component of the development of smart grid strategy, State Grid Corporation of China (hereinafter referred to as the "State Grid") plans to achieve "Full Coverage, Collection and Tariff Control" over all users within the direct-supply and direct-management areas during the period of "Twelfth Five-Year Plan". By the end of 2012, State Grid had already accumulated 184 million tendered smart meters. It is expected by 2015, there will be 451 million households in our country. If each has a smart meter installed, there will be demand for installing 511 million smart meters, among which the demand for product replacement would be 59 million. As State Grid has over 300 million household users, it still needs to purchase a total of 420 million smart meters through tender by 2015, of which only less than half is completed at present. Along with the gradual implementation of the new phase of upgrade and transformation project for the grids in rural areas, the demand for smart meters and power information collecting system products will remain high.

A resource-conserving society demands the usage of smart measurement equipment. In carrying out policies of escalating water pricing, gas price and household heat metering, the traditional mechanic liquid measurement equipment cannot satisfy the need for the measurement by phases. When compared with power meters, since the downstream users are scattered, the development of intelligent and information technology of other energy measurement meters began relatively late. However, the rise in labor cost, the acceleration of informational construction and the demand for resource-conserving fee measurement by phases all drive the steady development of smart measurement equipment meters. It is expected that the overall annual average compound growth rate of water meters, gas meters and heat meters will reach approximately 20%, 10% and 33% respectively during the period of "Twelfth Five-Year Plan", of which the growth rate of smart gas meters and smart water meters will reach around 30%, which is higher than the growth rate of the relevant meters as a whole. During the process, the leading corporations with higher market share, strong technology expertise and higher price-performance ratio will excel and achieve a much higher growth rate than that of the whole industry.

As energy saving and emission reduction has become a long-term state policy of the country, the compulsory requirements of energy saving and emission reduction will be very favorable in turning 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 the development of energy efficiency business both in scale and to a higher level.

At present, smart grid has already become the latest focal point of the development and transformation of electricity system, and is considered as a significant technology innovation and development trend of electricity system of the 21st century. Experts estimated that as the integral parts of smart grids, 760 million smart power meters will be installed by 2013, and smart grids will cover 80% of the world population by 2020. Large-scale global smart grid construction will generate higher market demand for smart power meters, and create good market conditions for the exported goods of China's smart power meters manufacturers. In addition, as the technical standards, production and research and development capabilities can already satisfy different demands from the international market and the price competitiveness is obvious, smart power meters manufactured in China possess relatively stronger competitiveness in the international market.

Business Review

Domestic Markets

Two tenders were organized by the State Grid in the first half of 2013 with the aggregate volume of the tenders reaching approximately 52.06 million units. With our superior comprehensive strengths in brand name, technology, market share, quality, business scale as well as management, Wasion Group has consistently performed well in the two tenders, the aggregate amount of the tender contracts that we won reached RMB514 million. China Southern Power Grid Co., Ltd. (hereinafter referred to as the "Southern Grid") is expected to purchase 5.87 million units through tenders in 2013 and has organized a tender in the first half of the year, through which Wasion Group won signed and contracted agreement amounted to RMB88.25 million. The Group reacts proactively towards the market structure transformation brought along by the centralized procurement. In the first half of 2013, on the basis of ensuring that a dominating market share in centralized procurement can be obtained, the Group focused on consolidating and promoting the continuous development of the power retail business. Meanwhile, measures such as reducing costs and improving operating efficiencies enabled the Group to maintain sound profitability.

In the first half of 2013, the Group actively acquired customers in water industry, and continuously increased the proportion of industry customers (such as water companies) in our business. During the period, the Group's business cooperation with water companies developed rapidly and the expansion of tap water businesses in regions across the country from Guangdong in the South to Inner Mongolia in the north achieved breakthrough. At the same time, the Group started to supply to various key water companies such as Changsha Water Company and Guangzhou Water Company in batches and proceeded with the construction of their smart distant centralized meter-reading projects. Through continuously venturing into gas markets of local municipalities and counties, our gas measurement business successfully acquired various well-established agencies, and continued to conduct in-depth communication and cooperation with the headquarters of several leading gas groups, as well as establishing a strong market base. With the gradual expansion of input in heating measurement by the State, heat meters were attached great importance by many heating corporations. In order to expand the market rapidly, the Group further improved the ultrasound heating measurement products, complementary collection equipment and software function of heat supply measurement, control and management in the first half of the year. The Group also increased market input and improved the preparation work of entering into markets across the country, in order to be well-prepared for the rapid growth of the heating measurement business in the future.

The Group repositioned and reshaped the energy efficiency management business in the beginning of 2013, and positioned the energy efficiency management business as modern service industry. It is committed to become a regional leading energy service provider and a large-scale, comprehensive energy saving services provider. In this respect, the energy efficiency business of the Group promoted the management and energy-saving businesses such as energy consumption monitoring and energy measurement steadily in the first half of 2013, while the Group expanded to the fields of comprehensive improvement and operational management of energy saving for heat supply systems and the improvement and operational management of distributed energy systems. The Group had already carried out in-depth research and inspection on heat supply in northern provinces, selected projects with quality, and established strategic cooperation relationship with domestic large-scale power generation groups and leading technology and equipment suppliers, so as to develop pilot works and jointly promote comprehensive energy saving business for heat supply systems.

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 2013 amounted to RMB477.33 million and RMB322.12 million respectively and contributed to 42% and 28% of the Group's total turnover respectively (Period 2012: 52% and 25% respectively).

Data Collection Terminals

In the first half of 2013, revenue from sales of data collection terminals amounted to RMB295.46 million, representing an increase of 39% as compared to the corresponding period of the previous year and accounted for 26% (Period 2012: 19%) of the Group's total turnover.

Fluid Measurement Business

In the first half of 2013, the sales revenue from the fluid measurement business, including the sales of water, gas, and heat meters, amounted to RMB35.23 million, increased by 21% as compared to the corresponding period of the previous year and contributed to 3% of the total Group's turnover (Period 2012: 3%)

System and Energy Efficiency Business

The revenue from the system and energy efficiency business in the first half of 2013 was RMB17.40 million, increased by 118% as compared to the corresponding period of the previous year and accounted for 1% of the total turnover (Period 2012: 1%).

International Market

In the first half of 2013, the Group has realized overseas sales income of RMB38.80 million, decreased by 75% as compared to the corresponding Period 2012. Several orders of the Group did not deliver as scheduled at the beginning of the year due to the outburst of political unrest in Egypt and the tender delay in Indonesia and Tanzania during the first half of the year. Meanwhile, the Group explored new markets, such as Southern Africa, Kyrgyzstan and Kazakhstan, in the first half of 2013, as well as realized breakthrough of water meter products in Brazil and Mexico markets.

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 products and research of new technologies, and maintaining high research and development input. The research and development expenses for the first half of 2013 (including the capitalization part) amounted to RMB88.05 million, representing 7.7% of the total turnover of the Group (Period 2012: 7.6%).

In order to further enhance the research and development capacity of the Group, the Group signed a strategic cooperation agreement with Huazhong University of Science and Technology in January 2013, and established the "joint energy-metering and energy-saving laboratory", and commenced numerous technical cooperation in electricity and electron through this platform.

In addition, Smart Metering Solutions Co. Ltd., the associate co-established by the Group and Siemens, commenced operation in April 2013. Both parties will jointly accomplish the design, research and development and production of new products, in order to provide strong support for the sustainable growth of the Group's domestic and overseas businesses.

Financial Review

Turnover

During the period under review, turnover increased by 4% to RMB1,147.54 million (Period 2012: RMB1,098.49 million).

Gross Profit

The Group's gross profit increased by 13% to RMB380.22 million for the six months ended 30 June 2013 (Period 2012: RMB335.70 million). The overall gross profit margin is 33% in the first half of 2013 (Period 2012: 31%).

Other Income

The other income of the Group amounted to RMB47.67 million (Period 2012: RMB39.15 million) which was mainly comprised of interest income, dividend income and government subsidy.

Operating Expenses

In the first half of 2013, the Group's operating expenses amounted to RMB239.22 million (Period 2012: RMB203.79 million). The increase in operating expenses was mainly due to the increase in selling expenses and expenditure on research and development. Operating expenses accounted for 21% of the Group's turnover in the first half of 2013, representing an increase of 2% as compared with 19% in the first half of 2012.

Finance Costs

For the six months ended 30 June 2013, the Group's finance costs amounted to RMB13.04 million (Period 2012: RMB30.71 million). The decrease was attributable to the decrease of bank borrowings during the period.

Operating Profit

Earnings before finance costs and tax for the six months ended 30 June 2013 amounted to RMB202.92 million (Period 2012: RMB170.32 million), representing an increase of 19% 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 2013 grew by 31% to RMB167.59 million (Period 2012: RMB127.58 million) as compared with the corresponding period of last year.

Capital Structure

For the six months ended 30 June 2013, two directors and one employee have exercised 1,850,000 share options at an exercise price of HK$2.225 and 150,000 share options at an exercise price of HK$3.200 under which the issued and fully paid share capital of the Company has been increased by HK$20,000.

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 2013, the Group's current assets amounted to approximately RMB2,770.26 million (31 December 2012: RMB2,802.88 million), with cash and cash equivalents totaling approximately RMB190.13 million (31 December 2012: RMB585.99 million).

As at 30 June 2013, the Group's total bank loans amounted to approximately RMB750.42 million (31 December 2012: RMB605.56 million), of which RMB555.97 million (31 December 2012: RMB548.25 million) will be due to repay within one year and the remaining RMB194.45 million (31 December 2012: RMB57.31 million) will be due after one year. Net book value of the Group's pledged assets for the bank loans was approximately RMB159.30 million (31 December 2012: RMB160.85 million). In the first half of 2013, the interest rate for the Group's bank borrowings ranged from 1.44% to 6.00% per annum (31 December 2012: 1.50% to 7.45% per annum).

The gearing ratio (total borrowings divided by total assets) increased from 14% on 31 December 2012 to 17% on 30 June 2013.

Exchange Rate Risk

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

Acquisitions and Disposals

On 16 May 2013, the Group acquired the entire share capital of Sparkle Light Investments Limited ("Sparkle Light") at a total consideration which in any event will not exceed RMB150,000,000. The whole asset of Sparkle Light is its 100% equity interest in Changsha Vitae Plastic Technology Co., Ltd. ("Vitae") which is principally engaged in the development, manufacture and sale of plastic and metal moulds, electric products, transformers and sensors. The purpose of the acquisition is to strengthen the Group's market position, improve the vertical development of supply chain and enjoy synergy effect with Vitae.

On 24 June 2013, the Group has disposed 99% of the equity interest of a wholly-owned subsidiary, Changsha Wasion Industrial Investment Company Limited to an independent third party, at a consideration of RMB70,000,000.

Charge on Assets

As at 30 June 2013, 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 2013, 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 RMB7.30 million (31 December 2012: RMB12.85 million).

Contingent Liabilities

As at 30 June 2013, the Group had no material contingent liabilities.

Prospect

In the second half of 2013, the State Grid will organize two centralized tender procurements, the estimated volume of the tenders will be approximately more than 30 million units. Various power grid companies will continue to maintain the application scale of smart meter. At the same time, the demand for data collection terminal will also maintain at high level, meanwhile, the power grid companies will pay more attention to the product quality and services capability, and the purchase prices will go up steadily. Various power grid companies under the Southern Grid will also continue to promote the application scale of smart meters, and will organize the second centralized tender procurement in the second half of the year. It is expected that the tender volume will maintain at a similar level as the second half of 2012. For the retail business, the Group will continue the business development pattern for the first half of the year, meanwhile, the promotion of new products and cooperative business will also achieve much more progress.

In the second half of the year, the Group's strategy towards the power markets will still be ensuring that we can secure stable market shares in the centralized procurement tenders of the State Grid and the Southern Grid and the procurement tenders of power companies in different provinces. The Group will also continue to step up our efforts to provide key support to the power retailing markets, local power markets, and large enterprise customer markets, which generate high gross profit, so as to strengthen and promote the development of retail business. We will further reinforce the establishment of sales channel network, in order to optimize the business structure of the Group and boost profit.

As one of the core elements of the investment in intelligent technology, the automation system of the distribution network within the area of smart power distribution and the corresponding pilot distribution network integrated management system began to progress well since the second half of last year. With the further promotion of transformation plan of the grids in rural areas and the continuous rise in urbanization rate, the intellectualization of power distribution network will be the key investment area in the coming years. As the intellectualization of power distribution transforms the systematic integration capabilities of the corresponding corporations, the demand on experience in large-scale construction projects and integration ability of software and hardware becomes higher, therefore, only large-scale corporations which possess primary and secondary facilities and systems for producing distribution network will be benefited. In addition, if the automatic transformation of distribution network is in the form of turnkey in the future, market centralization will further increase. According to the above analysis, the Group will grasp the opportunities to increase its investment in power distribution network market.

For water, gas and heat smart meter businesses, the Group will fully leverage on the experience and guidance from customers in such industries and actively seek to participate in the construction of key projects. Through closely aligning with the implementation of the escalating water price and gas price policies and in response to market demands such as heat measurement reform, the Group will accelerate the improvement of its product mix and promptly establish a model market for industry solution by utilizing its advantage in system integration. With the gradual launching of newly-developed small and large gauge full-electronic water, gas and heat meters, a solid foundation for the growth in fluid measurement business of the Group in the second half of the year was laid.

For the energy efficiency management business, through the strategic cooperation with our cooperative partners, the Group 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 develop a typical modeling project in order to lay a sound foundation for replication and promotion of projects in the future. The energy efficiency business still need continuous inputs and optimization in the establishment of business model and core capacity, cultivation of talents, as well as internal business control standard and procedure, etc.

As for the overseas market, the Group has three major operation directions, the first one is to persist in developing the AMI-oriented marketing strategy and to expedite the marketization of products; the second direction is to enlarge its efforts on developing the existing market segments, such as the sales of agricultural irrigation products in Bangladesh, power-consumption monitoring products used by Tanzania industrial users, the new American Standard meter model in Dominican Republic, the pre-dominated small mobile communication products in the Vietnam and Iraq markets, etc.; the third direction is to enlarge its efforts on market development of water meter and gas meter products, and to increase the overseas market sales of relevant products.

Looking forward, both domestic and international markets will have strong and huge demand for advanced energy metering and energy efficiency management products, solutions and services. In this respect, Wasion will follow our motto of operation which is “Perfect Work with Passion and Success Achieved with Integrity” to accomplish our goal of becoming an energy metering and energy saving expert.

OTHER INFORMATION

Employees and Remuneration Policies

As at 30 June 2013, the Group had 3,506 (31 December 2012: 3,444) 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.

Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2013, 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 Corporate Governance Code of the Listing Rules

During the six months ended 30 June 2013, save for Code Provision A.6.7, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules.

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 and Mr. Pan Yuan, who are independent non-executive directors of the Company, failed to attend the annual general meeting of the Company held on 16 May 2013 due to conflicts with their schedules.

Save as disclosed, there has been no deviation from the code provisions of the Corporate Governance Code as set forth in the Appendix 14 of the Listing Rules for the six months ended 30 June 2013.

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 2013.

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.

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 2013 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 2013 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
Li Hong

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 2013