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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB2,811.87 million (2013: RMB2,412.34 million), representing an increase of 17%.
- Revenue from AMI increased by 17% to RMB1,677.04 million as compared with 2013.
- Revenue from ADO increased by 225% to RMB310.36 million as compared with 2013.
- Revenue from Smart Meter decreased by 6% to RMB824.48 million as compared with 2013.
- Net profit for the year attributable to owners of the Company amounted to RMB482.44 million (2013: RMB401.13 million), representing an increase of 20%.
- Basic earnings per share for the year amounted to RMB51 cents (2013: RMB43 cents).
- The board of directors has proposed a final dividend of HK$0.24 (equivalent to RMB0.194) per share for the year ended 31 December 2014.

The board of directors (the "Board") of Wasion Group Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	**2014**	2013
		RMB'000	*RMB'000*
Turnover	*3*	**2,811,871**	2,412,343
Cost of sales		**(1,849,184)**	(1,565,518)
Gross profit		**962,687**	846,825
Other income	*4*	**104,604**	88,333
Other gains and losses	*5*	**(7,140)**	34,930
Administrative expenses		**(167,512)**	(148,650)
Selling expenses		**(205,952)**	(207,417)
Research and development expenses		**(112,216)**	(134,031)
Finance costs		**(28,871)**	(32,742)
Share of results of an associate		**(4,051)**	(7,391)
Profit before taxation	*6*	**541,549**	439,857
Income tax expense	*7*	**(55,375)**	(38,732)
Profit for the year		**486,174**	401,125
Profit for the year attributable to			
— Owners of the Company		**482,439**	401,125
— Non-controlling interests		**3,735**	—
		486,174	401,125
Earnings per share	*9*		
Basic		**RMB51 cents**	RMB43 cents
Diluted		**RMB51 cents**	RMB43 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**486,174**	401,125
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation	**(159)**	(1,427)
Fair value changes on available-for-sale investments	**10,175**	5,721
Reclassification upon disposal of available-for-sale investments	**(15,896)**	—
Other comprehensive (expense) income for the year	**(5,880)**	4,294
Total comprehensive income for the year	**480,294**	405,419
Total comprehensive income for the year attributable to		
— Owners of the Company	**476,559**	405,419
— Non-controlling interests	**3,735**	—
	480,294	405,419

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Notes	**2014**	2013
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,000,879**	898,753
Prepaid lease payments		**322,807**	60,519
Investment properties		**16,328**	16,558
Goodwill		**297,919**	238,379
Other intangible assets		**241,505**	175,004
Investment in an associate		**3,109**	7,160
Available-for-sale investments		**29,811**	135,532
Amounts due from related parties		**20,956**	20,926
Other non-current assets		**170,287**	66,723
		2,103,601	1,619,554
CURRENT ASSETS			
Inventories		**334,702**	307,220
Trade and other receivables	*10*	**2,404,594**	1,718,159
Loan receivables		**205,000**	408,200
Pledged bank deposits		**243,219**	135,157
Bank balances and cash		**327,434**	552,925
		3,514,949	3,121,661
CURRENT LIABILITIES			
Trade and other payables	*11*	**1,485,745**	1,181,853
Tax liabilities		**55,798**	45,830
Borrowings — due within one year		**502,998**	453,204
		2,044,541	1,680,887
NET CURRENT ASSETS		**1,470,408**	1,440,774
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,574,009**	3,060,328
CAPITAL AND RESERVES			
Share capital		**9,588**	9,429
Reserves		**3,235,921**	2,863,371
Equity attributable to owners of the Company		**3,245,509**	2,872,800
Non-controlling interests		**60,732**	400
		3,306,241	2,873,200
NON-CURRENT LIABILITIES			
Borrowings — due after one year		**247,641**	173,308
Deferred tax liability		**20,127**	13,820
		267,768	187,128
		3,574,009	3,060,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'') and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

2. PRINCIPAL ACCOUNTING POLICIES

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new interpretation issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The application of the amendments to HKFRSs and the new interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Information reported to the Group's Chief Executive Officer, being the chief operating decision maker (the "CODM"), for the purposes of resources allocation and assessment of segment performance focuses on business lines of the Group.

In previous years, 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.

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

During the current year, in order to pay more attention to the business operations rather than a product focus approach, management of the Group has restructured its segment reporting in accordance with business lines. CODM has used the new segment information for the decision making, resources allocation and segment performance assessment. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(a) Smart meter segment, which engages in the development, manufacture and sale of standardised smart meter products to power grids in China;

(b) Advanced metering infrastructure segment, which engages in the development, manufacture and sale of nonstandardised smart meter products and providing system solution and communication terminals solution services; and

(c) Advanced distribution operations segment, which engages in the manufacture and sale of smart power distribution devices and providing smart power distribution solution and energy efficiency solution services.

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable and operating segment:

For the year ended 31 December 2014

	Smart meter *RMB'000*	Advanced metering infrastructure *RMB'000*	Advanced distribution operations *RMB'000*	Consolidated *RMB'000*
Segment turnover	**824,477**	**1,677,035**	**310,359**	**2,811,871**
Segment profit	**71,394**	**419,404**	**49,830**	**540,628**
Unallocated income and gains/losses				**64,779**
Share of results of an associate				**(4,051)**
Central administration costs				**(30,936)**
Finance costs				**(28,871)**
Profit before taxation				**541,549**

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

Segment turnover and results (continued)

For the year ended 31 December 2013 (restated)

	Smart meter *RMB'000*	Advanced metering infrastructure *RMB'000*	Advanced distribution operations *RMB'000*	Consolidated *RMB'000*
Segment turnover	881,738	1,435,248	95,357	2,412,343
Segment profit	81,029	314,713	12,573	408,315
Unallocated income and gains/losses				91,093
Share of results of an associate				(7,391)
Central administration costs				(19,418)
Finance costs				(32,742)
Profit before taxation				439,857

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit attributable to each segment without allocation of certain other income, other gains and losses, share of results of an associate, central administration costs, directors' salaries, finance costs and taxation. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are mainly located in the People's Republic of China ("PRC").

The following table provides an analysis of the Group's turnover by geographical location of customers, irrespective of the origin of the goods, and information about its non-current assets by geographical location of the assets.

	Turnover from external customers Year ended 31 December		Non-current assets (Note)	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**2,688,723**	2,291,571	**2,002,070**	1,412,054
Overseas	**123,148**	120,772	**—**	—
	2,811,871	2,412,343	**2,002,070**	1,412,054

Note: Non-current assets exclude financial instruments.

4. OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
Other income comprises:		
Bank interest income	**8,567**	5,448
Cumulative gain on disposal of an available-for-sale investment	**15,896**	—
Dividend income from available-for-sale investments	**—**	8,712
Government grants *(Note i)*	**14,754**	11,908
Interest income from consideration receivable for disposal of a subsidiary	**1,344**	672
Interest income from consideration receivable for disposal of assets	**4,809**	4,577
Interest income from loan receivables *(Note ii)*	**36,848**	37,459
Refund of value-added tax ("VAT") *(Note iii)*	**17,633**	16,264
Rental income from investment properties	**1,089**	2,248
Others	**3,664**	1,045
	104,604	88,333

4. OTHER INCOME (CONTINUED)

Notes:

(i) Government grants mainly comprise financial subsidies from the PRC governments for the continuous technological advancements of the Group in its products with no future related costs or obligations.

(ii) The amount represents the interest income from short-term loans advanced by the Group to certain independent third parties under entrusted loan contracts.

(iii) Pursuant to the relevant regulations in the PRC, certain subsidiaries of the Group operating in the PRC are entitled to refunds of certain percentage of VAT on the sale of specified high technology products. The amount represents such VAT refund which recognised upon the approval by the relevant tax authorities.

5. OTHER GAINS AND LOSSES

	2014	2013
	RMB'000	*RMB'000*
Other (losses) gains comprises:		
Net foreign exchange (loss) gain	**(6,839)**	13,691
Net (loss) gain on disposal of property, plant and equipment	**(146)**	67
Impairment loss recognised on other receivables	**(155)**	—
Impairment loss recognised on trade receivables	**—**	(3,069)
Gain on disposal of Changsha Wasion Industrial Investment Company Limited	**—**	16,067
Gain on disposal of intangible assets	**—**	8,174
	(7,140)	34,930

6. PROFIT BEFORE TAXATION

	2014	2013
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and benefits	**253,164**	212,625
Retirement benefit scheme contributions	**16,423**	11,879
Share-based payment expenses	**9,881**	—
	279,468	224,504
Auditor's remuneration	**2,794**	2,153
Depreciation of property, plant and equipment	**43,897**	41,527
Depreciation of investment properties	**230**	528
Release of prepaid lease payments	**1,474**	1,399
Amortisation of intangible assets (included in selling expenses, administrative expenses and research and development expenses)	**43,019**	58,214
Cost of inventories recognised as expense	**1,849,184**	1,565,518

7. INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
— Current year	**66,051**	44,706
— Overprovision in prior years	**(9,282)**	(5,009)
	56,769	39,697
Deferred taxation		
— Current year	**(1,394)**	(965)
	55,375	38,732

7. INCOME TAX EXPENSE (CONTINUED)

Notes:

(i) Hong Kong

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income that was subject to Hong Kong Profits Tax during both years.

(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 was 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 was subject to a reduced tax rate of 12.5% for the year ended 31 December 2013 (2014: 15%).

(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 a consecutive three years from year 2013 to 2015 or year 2014 to 2016.

According to the notice of "Preferential Policies on Enterprise Income Tax" (Cai Shui [2008] No. 1) issued by the 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 EIT Law.

(iii) Other jurisdictions

Taxation arising in other jurisdictions was 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 ("58/99/M Company") is exempted from Macao Complementary Tax as long as the 58/99/M Company does not sell its products to a Macao resident company.

8. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2013 final dividend — HK$0.21, equivalent to RMB0.166, per share (2013: 2012 final dividend of HK$0.18, equivalent to RMB0.144, per share)	**157,912**	133,404

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2014 of HK$0.24, equivalent to RMB0.194, per share (2013: final dividend in respect of the year ended 31 December 2013 of HK$0.21, equivalent to RMB0.166, per share) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

9. EARNINGS PER SHARE

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

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**482,439**	401,125

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**944,912,226**	930,763,333
Effect of dilutive potential ordinary shares in respect of share options	**4,766,858**	8,907,780
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**949,679,084**	939,671,113

10. TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade and bills receivables, gross	**1,923,657**	1,291,117
Less: Allowance for doubtful debts *(Note i)*	**(19,692)**	(19,692)
Trade and bills receivables, net *(Note ii)*	**1,903,965**	1,271,425
Retentions held by trade customers *(Note iii)*	**201,588**	117,000
Consideration receivable for disposal of a subsidiary	**—**	33,000
Deposits, prepayments and other receivables *(Note iv)*	**299,041**	296,734
	2,404,594	1,718,159

Notes:

(i) The entire balance of the allowance for doubtful debts as at 31 December 2013 and 2014 are individually impaired trade receivables which are in severe financial difficulties. Movements in the provision for impairment of trade and bills receivables are as follows:

	RMB'000
At 1 January 2013	16,623
Impairment loss recognised on trade receivables	3,069
At 31 December 2013 and 31 December 2014	19,692

(ii) Included in the Group's trade receivable is trade balance with an associate of RMB12,024,000 (2013: RMB284,000). The Group allows credit periods ranging from 90 days to 365 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts, presented based on the revenue recognition dates at the end of the reporting period:

	2014	2013
	RMB'000	*RMB'000*
0–90 days	**1,520,687**	983,211
91–180 days	**167,435**	155,246
181–365 days	**157,802**	107,016
Over 1 year	**58,041**	25,952
	1,903,965	1,271,425

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. 97% (2013: 98%) of the trade receivables that are neither past due nor impaired have good credit rating.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(ii) (continued)

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB65,422,000 (2013: RMB25,437,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The directors consider no deterioration in credit qualities of these debtors and the settlements after the end of the reporting period from those debtors are satisfactory, the directors conclude that no provision for impairment loss is required. The Group does not hold any collateral over these balances. The average age of these receivables is approximately 462 days (2013: 544 days).

Ageing of trade receivables which are past due but not impaired is as follows:

	2014	2013
	RMB'000	*RMB'000*
Days overdue:		
0–90 days	**35,175**	5,730
91–180 days	**6,273**	1,181
181–365 days	**7,103**	11,908
Over 1 year	**16,871**	6,618
	65,422	25,437

The Group estimates the future discounted cash flows of those receivables with whom the Group has ceased business over two years and considered such receivables are generally not recoverable based on historical experience.

The Group's trade and other receivables denominated in currencies other than functional currency of the relevant group entities are set out as follows:

	2014	2013
	RMB'000	*RMB'000*
Hong Kong dollars ("HKD")	**124**	124
United States dollars	**90,214**	72,659

(iii) Included in the retentions held by trade customers is an aggregate amount of RMB85,296,000 (2013: RMB41,083,000) that is expected to be realised after twelve months from the end of the reporting period.

(iv) Included in the balance is an amount of RMB9,681,000 (2013: RMB9,681,000) due from an associate arising from the transferring of certain intangible assets during the year ended 31 December 2013. The amount is unsecured, interest free and is expected to be repaid in 2015.

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2014	2013
	RMB'000	*RMB'000*
Trade and bills payables		
0–90 days	**816,612**	669,095
91–180 days	**404,563**	167,626
181–365 days	**26,389**	30,215
Over 1 year	**36,393**	22,954
	1,283,957	889,890
Other payables	**201,788**	191,963
Consideration payable on acquisition of a subsidiary	**—**	100,000
	1,485,745	1,181,853

As at 31 December 2013, included in the Group's trade and other payables is an aggregate amount of RMB5,675,000 (2014: Nil) due to an associate, of which RMB5,069,000 (2014: Nil) was arising from services provided by the associate, and the remaining RMB606,000 (2014: Nil) was non-trade in nature.

The Group's trade and other payables denominated in currencies other than functional currency of the relevant group entities are set out as follows:

	2014	2013
	RMB'000	*RMB'000*
HKD	**2,985**	3,192

MANAGEMENT DISCUSSION AND ANALYSIS

As a leading energy metering and energy efficiency management expert focusing in providing integrated total solutions in efficient and effective energy management and energy saving, the Group has revised the business segments into Advanced Metering Infrastructure ("AMI"), Smart Meter and Advanced Distribution Operations ("ADO") adhering to the systematic standards and definitions for technical framework in the industry since 2014.

Market Review

In order to achieve a sustainable economy and living environment for the future of human beings, pursuing the thrust towards a low-carbon economy still remains as the top priority for all countries around the world to achieve in best efforts. Energy saving and emission reduction are even regarded as the long term policies of Chinese government.

Since 2010, the Chinese government has actively constructed and increased investments in smart grid which caters all forms of renewable energy. Smart grid not only helps China to achieve low-carbon economic development, but also drives the expeditious growth in demand for precise energy data measurement and communication system as well as flexible and reliable power distribution and management.

At the same time, the Chinese government has introduced a series of supporting policies and plans to accelerate the pace towards energy revolution. In May 2014, the National Energy Administration published "Energy Monitoring Action Plan (2014–2018)" (《能源監管行動計劃(2014–2018年)》), in which solid targets and monitoring enhancement over energy industry were set. In November, "Energy Development Strategy Plan (2014–2020)" (《能源發展戰略行動計劃(2014–2020年)》) was published by the General Office of the State Council of PRC, bringing forward "energy saving, clean, safety" as development strategy. Moreover, the Chinese government took power market as a breakthrough to energy revolution. In November, "Shenzhen Pricing Reform in Power Transmission and Distribution Pilot Plan" (《深圳市輸配電價改革試點方案》) was introduced, aiming at establishing an independent pricing system for power transmission and distribution, and therefore promoting market-orientation for power generation and selling.

In order to drive the water pricing reform and promote water saving for improving national-wide water consumption, the National Development and Reform Commission and Ministry of Housing jointly issued "Guidance for Accelerating the Establishment of a Sound Urban Residential Water Escalating Pricing System" (《關於加快建立完善城鎮居民用水階梯價格制度的指導意見》) in January 2014, which clearly stated that by 2015, water escalating pricing should be implemented in all provincial cities in principle while other cities and towns that are equipped with necessary conditions should actively moving ahead towards water escalating pricing. Currently, more than 10 cities such as Hefei, Changsha and Guangzhou have implemented water escalating pricing subsequently with a comprehensive installation of water metering systems, leading to a rapid increase in market demand for smart water metering products.

Overall speaking, despite the macroeconomic environment under adjustment period, the demand for the Group's products and services, namely AMI, Smart Meter and ADO, has continued to rise with the support from government policies promoting energy saving and emission reduction, construction of smart grid, market orientation in power market as well as water and gas escalating pricing, which has driven the development of the Group's business to successfully build our brand and leading position in various markets with a stronger market share.

Business Review

Advanced Smart Infrastructure ("AMI")

AMI provided by the Group is a technology platform consists of smart meter, data collection terminal and communication, and smart metering system integration and services, with which customers can use the information provided by the system to change their normal consumption patterns to save energy, reduce losses and take advantage of lower prices. The Group's AMI business can be subdivided into AMI power business and AMI water, gas and heat business, which addresses a wider spectrum of customers' needs ranging from power grid companies, water companies, gas companies, heat companies to industrial and commercial clients.

AMI business is a stable and strong component to the Group. With our superior comprehensive strength and rich experience, the Group maintained a leading position in the AMI industry in the reviewing year, and successfully penetrated into more target markets. In 2014, a turnover of RMB1,677.04 million was recorded with an increase of 17% over last year (2013: RMB1,435.25 million).

In the reviewing year, AMI water business recorded a strong growth by a significant increase of 80% to RMB140.47 million. By virtue of the government policy on water escalating pricing, the integrated technical advantages of the Group in metering, communication and system software have breakthrough in the AMI water business. The Group actively expanded business with provincial water companies in different provinces during the year under review, among which the Group achieved a bulk sale to number of provincial water companies such as in Hefei, Changsha, resulting in provincial water companies accounted for more than 50% of the Group's AMI water business clientele. It is expected to bring a huge yet stable business to the Group in the future. Besides, significant growth was also recorded in terms of the sales contribution from corporations and business partners. The diversification of the Group's clientele has further increased its strength and leading position in AMI water market.

Smart Meter

In the reviewing year, with our superior comprehensive strengths in different aspects such as brand name, technology, market share, quality, business scale and management, the Group continued to maintain a solid and out-performing market position in winning tenders from State Grid Corporation of China (hereinafter referred to as "State Grid") and China Southern Power Grid Co., Ltd (hereinafter referred to as "Southern Grid"). In 2014, among the four tenders organized by State Grid, the aggregate value of the tender contracts we won reached RMB1,201.94 million, representing a growth rate of 69% over 2013 (2013: RMB712.84 million). The Group also stood out in the tender organized by the head office of Southern Grid among all other tenderers. The contract value signed in the reviewing year reached RMB141 million.

Advanced Distribution Operations ("ADO")

ADO service provided by the Group comprises of smart distribution devices ("SDD"), smart distribution solutions ("SDS") and efficient and effective solutions ("EES"). Driven in a large part by smart grid initiatives in China, the Group's ADO business can, on one hand provide premium quality smart power distribution products as well as solutions to its power company customers, and on the other hand provide customers from high-end industries such as new energy power generation, railway and transportation, hospitals and high-end commercial buildings, oil & petrochemicals and metallurgical machinery with smart distribution and energy efficiency management solutions in order to assist customers in developing a new 4S+ generation of power distribution system which refers to Safety, energy Saving, Smart and Service.

As ADO system is an important foundation and support for smart power distribution network, new energy power generation and energy efficiency management, the Chinese government has already introduced a series of guidelines and regulations to speed the promotion of ADO application and development, including "Energy Development Strategy Plan (2014-2020)" and "Shenzhen Pricing Reform in Power Transmission and Distribution Pilot Plan" mentioned before, which has further promoted the intelligence and market-orientation of smart grid distribution and consumption sectors. Foreseeing the huge market potential, the Group has well-prepared to develop our ADO business to seize the business opportunities.

In the reviewing year, the Group pushed forward the ADO business based on our planned strategic path. Firstly, the Group established an ADO development platform, Wasion Electric Limited, with an experienced senior management team. Moreover, the acquisition of Hunan Switchgear Co., Ltd and Wuhan Smart Electrical Co., Ltd. (now renamed as Wasion Smart Electrical Co., Ltd.) was completed successfully, which enables the Group to establish the resources and capabilities of ADO business in terms of product qualification, customers resources, professional technology and talents, comprehensive electric product design and manufacturing base etc. Thirdly, the Group has consolidated internal resources and talents to establish a power automation department, a power electronics application technology department and a smart power distribution system integration and energy efficiency department to develop significant technological support and core competitive strengths for the Group's ADO business. Lastly, the Group has built strategic cooperative relationships with international electric giants such as Siemens, ABB, Schneider. Particularly through the associate company established with Siemens, the Group has already obtained the cross authorized right in jointly producing a number of low-med voltage electric products and sales agency which further enhanced the Group's product series and customer services capability.

Upon the implementation of the above strategies and market expansion during the reviewing year, ADO business successfully recorded a turnover of RMB310.36 million, representing a 225% growth over last year and contributed to 11% of the Group's total turnover (2013: 4%). Most importantly, the Group has spotted the integrated distributed PV smart grid connection system, including 10kV power distribution system for failure identification, failure isolation and rapid self-recovery, integrated and smart gird system and managing services for distributed PV, the new generation of electric motor technology (Brushless Doubly-fed Electric Motors) and power electronics technology combined high energy efficiency electric motor and fast charging facilities etc. as the major developing areas in the future for product research and development and market distribution planning. This will build a much stronger foundation for the Group in seizing and developing smart power distribution network, new energy power generation as well as industrial energy efficiency markets.

International Markets

The Group has always put “Focus on Europe and US, Expand in Asia, Africa and Latin America” as its strategic development plan for international markets. In terms of Asia, Africa and Latin America, by implementing different pilot projects and consolidating existing market share, the Group managed to expand and establish its market leading position. In the reviewing year, the Group successfully became one of the local industry leaders in Egypt, Indonesia, Tanzania and Republic of Bangladesh given its corporate strengths; and by leveraging its cooperation with Siemens, the Group has breakthroughs in Brazil and Mexico markets.

Apart from supplying smart metering products to international market, the Group also assists in many AMI transformation projects in different countries and helps formulating suitable solutions in accordance with their needs. As the capable and skillful industry leader, in face of various circumstances and criteria in the international market, the Group manages to provide the best fit and most flexible products and solutions by leveraging its advantages. Take Republic of Bangladesh as an example, apart from introducing prepayment system and multi-function electronic meter to the market, the Group also designed an AMI agricultural irrigation management solution tailor-made for its agricultural environment.

At the same time, the benefits from cooperating with international leading corporation Siemens are getting more significant. Smart Metering Solutions (Changsha) Co., Ltd. (hereinafter referred as “SMSC”), the associate co-established by the Group and Siemens in 2013, played an active and solid role in the reviewing year. SMSC utilized Siemens’ investment and R&D platform for technology training and support, strengthened the Group’s capabilities in quality management system and power distribution systems solutions business, as well as raised the combined market advantages of the Group’s AMI and ADO businesses.

Research and Development

The Group has always been focusing on all sorts of research and development of AMI and ADO products and services based on capturing the market demand and industry technology development. In the reviewing year, the Group received 83 patents for its new products and energy saving services and 72 patents for its software.

In terms of AMI, the Group introduced the AMI technologies related 2-way interactive systems, ZigBee® wireless communications module, smart meters with mobile payment abilities, and also “Power, Water and Gas All-in-one Data Collection System” which helps realizing one-stop data collection and management for power, water and gas meters while offering users a more convenient management platform.

In terms of ADO, the Group successfully launched the multi-functional "Power Monitoring System Platform" capable of precise monitoring, control protection, issues alert and failure recording which assists users to have real-time monitoring of the entire power supply system in terms of the performance and status of the device as well as to lower the failure probability together with the loss incurred. The Group also invented 10kV high-voltage prepayment integrated equipment and system, 10kV power distribution equipment and system for failure alert and isolation, as well as smart mini circuit breaker. Apart from that, the Group established "High Efficiency and Energy Saving Monitoring Platform System", assisting corporate users to enhance energy measurement management and to kick-start energy saving.

At the same time, the Group has established Wasion Research Institute and commenced close and extensive cooperation with various famous scientific research personnel. New project which has been deployed include Liquid Metal Battery for new energy storage such as wind power and solar energy in which its system can raise the acceptability of new energy to the power grid, enhance energy consumption efficiency and power grid assets utilization rate, increase power supply reliability and electric power quality.

The Group's research and development results gained high recognition from the Ministry of Industry and Information Technology of PRC. The Group was awarded "National Technology Innovation Demonstration Enterprise" (國家技術創新示範企業) during November and became one of the 72 national-wide enterprises with the same award. This further consolidates the Group's leading market position as one of the most integrated solution providers for smart power distribution and usage products and services.

Financial Review

Turnover

During the year under review, turnover increased by 17% to RMB2,811.87 million (2013: RMB2,412.34 million).

Gross Profit

The Group's gross profit increased by 14% to RMB962.69 million for the year ended 31 December 2014 (2013: RMB846.83 million). The overall gross profit margin is 34% in 2014 (2013: 35%).

Other Income

The other income of the Group amounted to RMB104.60 million (2013: RMB88.33 million) which was mainly comprised of interest income, cumulative gain on disposal of available-for-sale investment, government grants and refund of value-added tax.

Operating Expenses

In 2014, the Group's operating expenses amounted to RMB485.68 million (2013: RMB490.10 million) and accounted for 17% of the Group's turnover in 2014, representing a decrease of 3% as compared with 20% in 2013.

Finance Costs

For the year ended 31 December 2014, the Group's finance costs amounted to RMB28.87 million (2013: RMB32.74 million). The decrease was attributable to the adjustment of the mix of bank borrowings and the reduction of interest rate of variable-rate borrowings during the year.

Operating Profit

Earnings before finance costs and tax for the year ended 31 December 2014 amounted to RMB570.42 million (2013: RMB472.60 million), representing an increase of 21% as compared with last year.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the year ended 31 December 2014 grew by 20% to RMB482.44 million (2013: RMB401.13 million) as compared with last year.

Capital Structure

For the year ended 31 December 2014, certain directors and employee have exercised 10,573,000 share options at an exercise price of HK$2.225 and 9,560,000 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$201,330.

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 31 December 2014, the Group's current assets amounted to approximately RMB3,514.95 million (2013: RMB3,121.66 million), with cash and cash equivalents totaling approximately RMB327.43 million (2013: RMB552.93 million).

As at 31 December 2014, the Group's total bank loans amounted to approximately RMB750.64 million (2013: RMB626.51 million), of which RMB503 million (2013: RMB453.20 million) will be due to repay within one year and the remaining RMB247.64 million (2013: RMB173.31 million) will be due after one year. Net book value of the Group's pledged assets for the bank loans was approximately RMB158.21 million (2013: RMB160.83 million). In 2014, the interest rate for the Group's bank borrowings ranged from 1.17% to 9.23% per annum (2013: 0.25% to 6.00% per annum).

The gearing ratio (total borrowings divided by total assets) is 13% in 2014 which is the same as that of 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 depreciation of Renminbi during the year resulted in an exchange loss of RMB6.84 million to the Group. During the year under review, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

Acquisitions

On 31 May 2014, the Group completed the acquisition of 65% Hunan Switchgear Co., Ltd. ("Hunan Switchgear") for a consideration of RMB21.12 million. Hunan Switchgear is principally engaged in manufacturing, developing and selling switchgears and circuit breaker that used in power stations and public communities. The acquisition enhances the product quality, production capabilities and customer connections of Smart Distribution Solutions ("SDS") and Smart Distribution Devices under Advanced Distribution Operations ("ADO") business in the Group, and consolidates the Group's ADO business foundation. Hunan Switchgear serves a number of high-end customers in China including national power generators such as Huaneng Power and China Power Investment as well as major state-owned enterprises such as China Machinery Engineering Corporation. The acquisition provides a channel for the Group to further expand its high-end ADO customer base and promote wider usage of high-end SDS services.

In addition, the Group has completed the acquisition of 65.71% equity interest in Wuhan Baichu Technology Co., Ltd. ("Wuhan Baichu") on 30 April 2014 for a consideration of approximately RMB52.9 million. Wuhan Baichu is principally engaged in manufacturing, developing and selling switchgears, ring main unit switchgears and pole-mounted circuit breakers that used in power stations and public communities. The acquisition enables Wasion to consolidate research and development resources for advanced ADO technologies planning and development.

Charge on Assets

As at 31 December 2014, 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 31 December 2014, 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 RMB125.09 million (2013: RMB14.48 million).

Contingent Liabilities

As at 31 December 2014, the Group had no material contingent liabilities.

Prospect

Smart power grid is on the global development trend. State Grid has announced to expand investment to RMB420.2 billion in 2015 to strengthen the management of the grid construction and to complete the construction reform for 30 core cities and 30 non-core cities centers. "Southern Power Grid Company Development Plan 2013–2020" (《南方電網發展規劃(2013–2020年)》) also summarizes the core developmental targets for Southern Grid in the coming 8 years including improving smart grid energy saving efficiency. It states that the coverage rate of the automation of urban smart power distribution network should reach 80% by year 2020. All these conclude the determination and solid support from government towards the construction of smart power grid, especially smart power distribution network.

Energy saving and emission reduction continues to be the long-term national policy of the Chinese government. Both AMI and ADO systems are the core foundation to build a stable, safe and clean energy compatible power distribution and consumption network in order to gradually attain the final targets of energy saving and improve energy efficiency. As such, market expects the demand for AMI and ADO will continue to increase, while ADO market will experience exponential growth.

"One Belt One Road" has become the new fundamental economic development strategy of China. Given the "One Belt One Road" covers regions in Western China and a number of developing countries with low power consumption level and lack of local power metering and distribution equipment productivity, Chinese companies will be able to export to or enter their local markets directly after China establishes a sound economic cooperative relationship, especially a solid trading relationship with these regions and countries. As a famous Chinese company with leading international level and advanced technologies, the Group will actively look for these projects to be one of the beneficiaries of "One Belt One Road".

Upon the implementation of pilot projects under power reform, market generally agrees that it will stimulate social capital investment in the power selling and enhanced power distribution industry, introduce new market competitors and induce new business opportunities. Among which, power distribution equipment enterprises and energy saving services electric companies with distribution power business will have the chance to become the new power selling companies or competitors in distribution automation industry. The Group, by leveraging the huge market demand towards energy saving metering and power distribution efficiency, has confidence in achieving higher market share under the new reform policies. By setting that as one of the long-term development goals, the Group will further study the participation of the power selling side market in order to expand its revenue source.

Therefore, both domestic and international market has brought great opportunities to the Group's AMI and ADO systems and integrated solutions. Leveraging on the solid market foundation of the Group in AMI market and the initiative advantages in ADO market, as well as overall experience and comprehensive capabilities, the Group is confident to seize the market opportunity to further expand our AMI and ADO businesses.

In terms of AMI business, the Group will actively explore different customer groups to achieve a more diversified customer base. Apart from further increasing the market share of grid company clientele, the Group will firstly capture the huge business opportunity brought by watering escalating pricing reform for AMI water business, by developing more business with different cities and counties; and secondly in non-power market, the Group will expand its market share in railway transportation, telecommunication, public institutions, oil and gas companies, petrochemical companies, sizable listed or state-owned large-scale property developers and China Top 500 enterprises.

For ADO business, in view of power grid clients, the Group will take the new generation of smart power distribution terminal and system to meet the market demand of distribution automation in cities as a focus, with the support of the Group's sound power selling network, to rapidly expand the market. In dealing with end users market, the Group will emphasize on markets such as railway transportation, distributive new energy, oil and petrochemicals, high-end commercials and large-scale industrial enterprises, especially in major districts like Hunan and Guangdong, by building some client showcases in smart power distribution total solutions for a rapid expansion to the market. The Group will also persist in enhancing EPC and design capabilities to further expand and diversify the services to clients.

While developing AMI and ADO markets, the Group will continue to maintain its market leading position in smart metering market. State Grid announced its smart meters tender volume in 2015 will be similar to that in 2014. Besides, according to the government regulation in consideration of technology upgrades, smart meters are to be replaced every 5-8 years, meaning that the new replacement cycle will begin soon. Hence the local demand for smart meters will remain stable and the Group's Smart Meter business will maintain steady growth.

In terms of international markets, the Group will leverage on its strategic cooperation with international industry leaders such as Siemens and Huawei, to actively participate in EU AMI transformation projects; and through Siemens to swiftly push forward its comprehensive smart metering business development in American market. For Asia, Africa and Latin America, the Group will focus on developing its own brand and channels construction, and to increase market penetration through current customer base.

In the future, the Group will adhere closely with its corporate vision of "Continual Innovation Contributing to Wasion's Centennial History", to develop, at its utmost, the smart metering and smart power distribution business, and to leverage on its advantages across various business segments, to gradually build up its international leading position.

OTHER INFORMATION

Employees and Remuneration Policies

As at 31 December 2014, the Group had 4,153 (2013: 3,867) staff. The staff costs (including other benefits and contributions to defined contribution plan) amounted to RMB279.47 million in 2014 (2013: RMB224.50 million). 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 to recognize and acknowledge the contributions made or will be made to the Group by the eligible participants.

Dividends

The Board has proposed a final dividend of HK$0.24 (2013: HK$0.21) per share to shareholders of the Company whose name appear in the register of members on 22 May 2015 and a resolution to this effect will be proposed and subject to the shareholders' approval in the forthcoming annual general meeting. The final dividend is expected to be paid on or before 28 May 2015.

Closure of Register of Members

The register of members will be closed for the following periods:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on 15 May 2015 ("AGM"), the register of members will be closed on Wednesday, 13 May 2015 to Friday, 15 May 2015, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited situated at 31st Floor, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Tuesday, 12 May 2015.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members will be closed on Friday, 22 May 2015. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited situated at 31st Floor, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Thursday, 21 May 2015.

Purchase, Sale or Redemption of Listed Securities

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the year ended 31 December 2014.

Compliance with the Corporate Governance Code of the Listing Rules

During the year ended 31 December 2014, 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 2014 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 year ended 31 December 2014.

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 year ended 31 December 2014.

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 annual results of the Group for the year ended 31 December 2014 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. The annual report of the Company for the year ended 31 December 2014 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 websites 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

Non-executive Director
Kat Chit

Independent non-executive Directors
Wu Jin Ming
Pan Yuan
Cheng Shi Jie
Chan Cheong Tat

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

Hong Kong, 23 March 2015