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 2015

FINANCIAL HIGHLIGHTS

- Revenue amounted to RMB1,603.10 million (Period 2014: RMB1,367.10 million), representing an increase of 17%.
- Revenue from SM increased by 9% to RMB576.52 million as compared with Period 2014.
- Revenue from AMI increased by 15% to RMB830.71 million as compared with Period 2014.
- Revenue from ADO increased by 71% to RMB195.87 million as compared with Period 2014.
- Net profit for the period attributable to owners of the Company amounted to RMB253.83 million (Period 2014: RMB202.79 million), representing an increase of 25%.
- Basic earnings per share for the period amounted to RMB26.1 cents (Period 2014: RMB21.6 cents).
- The board of directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015.

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") for the six months ended 30 June 2015, together with the unaudited comparative figures for the corresponding period in 2014 ("Period 2014"), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	Six months ended 30 June 2015 *RMB'000* (unaudited)	Six months ended 30 June 2014 *RMB'000* (unaudited)
Revenue	*3*	**1,603,098**	1,367,099
Cost of sales		**(1,105,989)**	(910,780)
Gross profit		**497,109**	456,319
Other income		**62,018**	53,889
Other gains and losses		**(955)**	(7,875)
Administrative expenses		**(68,050)**	(77,130)
Selling expenses		**(116,949)**	(114,242)
Research and development expenses		**(69,634)**	(66,261)
Finance costs		**(10,706)**	(12,722)
Share of results of an associate		**(2,306)**	(1,372)
Profit before taxation		**290,527**	230,606
Income tax expense	*5*	**(38,426)**	(24,887)
Profit for the period	*6*	**252,101**	205,719
Profit (loss) for the period attributable to			
— Owners of the Company		**253,830**	202,786
— Non-controlling interests		**(1,729)**	2,933
		252,101	205,719
Earnings per share	*8*		
Basic		**RMB26.1 cents**	RMB21.6 cents
Diluted		**RMB25.9 cents**	RMB21.4 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**252,101**	205,719
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation	**(13,091)**	1,097
Fair value changes on available-for-sale investments	**—**	(3,239)
Other comprehensive expense for the period	**(13,091)**	(2,142)
Total comprehensive income for the period	**239,010**	203,577
Total comprehensive income (expense) for the period attributable to		
— Owners of the Company	**240,739**	200,644
— Non-controlling interests	**(1,729)**	2,933
	239,010	203,577

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	Notes	**At 30 June 2015** *RMB'000* **(unaudited)**	At 31 December 2014 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,099,941**	1,000,879
Prepaid lease payments		**319,989**	322,807
Investment properties		**16,213**	16,328
Goodwill		**300,537**	297,919
Other intangible assets		**264,536**	241,505
Investment in an associate		**804**	3,109
Available-for-sale investments		**83,811**	29,811
Amounts due from related parties		**20,949**	20,956
Other non-current assets		**204,393**	170,287
		2,311,173	2,103,601
CURRENT ASSETS			
Inventories		**382,457**	334,702
Trade and other receivables	*9*	**3,130,275**	2,404,594
Loan receivables		**205,000**	205,000
Pledged bank deposits		**254,197**	243,219
Bank balances and cash		**718,555**	327,434
		4,690,484	3,514,949
CURRENT LIABILITIES			
Trade and other payables	*10*	**1,984,862**	1,485,745
Tax liabilities		**42,770**	55,798
Borrowings — due within one year		**723,760**	502,998
		2,751,392	2,044,541
NET CURRENT ASSETS		**1,939,092**	1,470,408
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,250,265**	3,574,009
CAPITAL AND RESERVES			
Share capital		**10,180**	9,588
Reserves		**3,924,890**	3,235,921
Equity attributable to owners of the Company		**3,935,070**	3,245,509
Non-controlling interests		**40,435**	60,732
		3,975,505	3,306,241
NON-CURRENT LIABILITIES			
Borrowings — due after one year		**255,527**	247,641
Deferred tax liability		**19,233**	20,127
		274,760	267,768
		4,250,265	3,574,009

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

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

3. REVENUE 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. 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 non-standardised 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.

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

For the six months ended 30 June 2015

	Smart meter *RMB'000*	**Advanced metering infrastructure** *RMB'000*	**Advanced distribution operations** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	**576,519**	**830,714**	**195,865**	**1,603,098**
Segment profit	**68,449**	**189,943**	**41,691**	**300,083**
Unallocated income				**22,792**
Share of results of an associate				**(2,306)**
Central administration costs				**(19,336)**
Finance costs				**(10,706)**
Profit before taxation				**290,527**

For the six months ended 30 June 2014

	Smart meter *RMB'000*	Advanced metering infrastructure *RMB'000*	Advanced distribution operations *RMB'000*	Consolidated *RMB'000*
Segment revenue	529,034	723,239	114,826	1,367,099
Segment profit	54,275	150,826	26,644	231,745
Unallocated income				27,380
Share of results of an associate				(1,372)
Central administration costs				(14,425)
Finance costs				(12,722)
Profit before taxation				230,606

Segment profit represents the profit earned by each segment without allocation of certain items of other income and central administration costs, share of results of an associate, directors' salaries, finance costs and taxation. This is the measure reported to 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 2015 is not necessarily an indication of the operations of the Group that would be achieved for the year ending 31 December 2015.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
People's Republic of China ("PRC") Enterprise Income Tax ("EIT")		
— current period	**38,760**	25,283
— under(over)provision in prior periods	**560**	(118)
	39,320	25,165
Deferred taxation		
— current period	**(894)**	(278)
	38,426	24,887

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 2014 and 2015.

(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 that 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 preferential treatment set out above continues under the implementation of the EIT Law.

(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 ("58/99/M Company") is exempted from Macao Complementary Tax (Macao Income Tax) as long as the 58/99/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	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of intangible assets	**23,162**	21,304
Depreciation of investment properties	**115**	171
Depreciation of property, plant and equipment	**22,688**	20,988
Exchange loss	**1,042**	7,875
Release of prepaid lease payments	**2,818**	700
Bank interest income	**(3,951)**	(3,327)
Interest income from loans receivables	**(11,375)**	(21,593)

7. DIVIDENDS

During the period, a cash dividend of HK$0.24, equivalent to RMB0.194 per share (six months ended 30 June 2014: HK$0.21, equivalent to RMB0.166 per share) was declared and paid to the shareholders as the final dividend for 2014. The aggregate amount of the final dividend declared and paid in the current interim period amounting to RMB191,751,000 (six months ended 30 June 2014: RMB157,912,000).

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2014: 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	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**253,830**	202,786

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**971,527,476**	937,857,758
Effects of dilutive potential ordinary shares in respect of share options	**9,182,720**	7,942,106
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**980,710,196**	945,799,864

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 2015	At 31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade and bills receivables		
0–90 days	**1,542,526**	1,520,687
91–180 days	**147,813**	167,435
181–365 days	**893,615**	157,802
Over 1 year	**73,379**	58,041
	2,657,333	1,903,965
Retentions held by trade customers	**142,807**	201,588
Deposits, prepayments and other receivables	**330,135**	299,041
	3,130,275	2,404,594

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 2015	At 31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade and bills payables		
0–90 days	**908,068**	816,612
91–180 days	**444,727**	404,563
181–365 days	**344,045**	26,389
Over 1 year	**20,457**	36,393
	1,717,297	1,283,957
Other payables	**261,165**	185,668
Consideration payable on acquisition of a subsidiary	**6,400**	16,120
	1,984,862	1,485,745

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

2015 marks the last year of China's 12th Five-year Plan, which is also an important year to the development of energy market. In the reviewing period, Chinese government on the one hand upheld the principle of 12th Five-year Plan on Energy Development (《能源發展「十二五」規劃》) to control both energy consumption and consumption volume, and adjust the structure of energy industry. On the other hand, they actively promoted the application of clean energy, as well as restarted the procrastinated power reform, aiming at accelerating energy development and the pace of consumption revolution from all aspects.

In March, the State Council published "Opinions regarding the Deepening of the Power Sector's Reform" (《關於進一步深化電力體制改革的若干意見》), emphasizing power pricing reform, market-oriented exchange mechanism, power generation and consumption reform, power selling reform, fair connection to power grid, and the upgrade of power safety and reliability, It has been regarded as a framework of power reform. After that, the Chinese government subsequently announced a number of supporting documents, such as "Guidance on Improving Power Sector Operation to Enable More Generation and Full Generation of Clean Energy" (《關於改善電力運行調節促進清潔能源多發滿發的指導意見》), "Notice on Consummating Electricity Emergency Mechanism and Power Demand Side Management Comprehensive City Pilots" (《關於完善電力應急機制做好電力需求側管理城市綜合試點工作的通知》) and "Regulation on Transmission and Distribution Pricing Cost (Trial)" (《輸配電定價成本監審辦法(試行)》), which have provided more comprehensive details about the power reform. They have also driven the expeditious growth in demand for precise energy data measurement and communication system as well as flexible and reliable power distribution and management system.

Meanwhile, in the reviewing period, more cities responded to "Guidance for Accelerating the Establishment of a Sound Urban Residential Water Escalating Pricing System" issued by the National Development and Reform Commission ("NDRC") and Ministry of Housing to implement water escalating pricing with gradual installation of comprehensive water metering systems. In addition, "Action Plan for Water Pollution Prevention" (《水污染防治行動計劃》, or "Water 10") endorsed in April 2015 also states clearly that, China has to accelerate water pricing reform and establish a sound payment policy, leading to a rapid increase in market demand for smart water metering products.

In terms of foreign policy, China actively advocated "One Belt One Road" strategy and signed cooperation agreement with several countries, establishing a strong export platform for Chinese enterprises, encouraging and assisting outstanding enterprises to expand overseas market.

Business Review

Advanced Metering 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 to industrial and commercial clients.

AMI business is a stable and strong component to the Group. With our superior comprehensive strengths and rich experience, the Group maintained a leading position in the AMI industry in the reviewing period, and successfully penetrated into more target markets. In the first half of 2015, a revenue of RMB830.71 million (Period 2014: RMB723.24 million) was recorded with an increase of 15% over the same period of last year.

In the reviewing period, benefited from China’s active promotion of water escalating pricing and one-household-one-meter, AMI water, gas and heat business of the Group recorded strong growth of 47% as compared with the same period of last year to RMB85.21 million. During the reviewing period, the Group entered into the smart water meter solutions tender list of 34 water companies, including 4 provincial level and 14 municipal level water companies, which brought solid support to the Group’s AMI water business.

Smart Meter (“SM”)

In the reviewing period, 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 the first half of 2015, the Group won RMB486.33 million contracts from State Grid, of which RMB374.24 million was the contract value for smart meters. The Group also stood out in the tender invited by Southern Grid among all other tenderers. The contract value signed in the reviewing period reached RMB123 million. During the period under review, revenue from SM amounted to RMB576.52 million (Period 2014: RMB529.03 million), representing an increase of 9% as compared to the corresponding period of last year and accounting for 36% (Period 2014: 39%) of the Group’s total revenue.

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 and 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.

In the reviewing period, the Group pushed forward the ADO business based on our planned strategic path. Based on the strong foundation the Group built by establishing a ADO platform and acquiring leading corporates in the industry last year, the Group established Wasion Electric Industry Park as the research and development ("R&D") and production base for ADO business to further upgrade our technology and service quality. Wasion Electric Industry Park is the most professional technology park in the ADO industry in Central China with the most leading technology, biggest operation scale, most comprehensive systems and product series and most advanced equipment. One the other hand, the Group continued to maintain strategic cooperative relationships with international electric giants such as Siemens, ABB and Schneider, which enhanced the Group's product series and customer services capability. Aiming to establish market position ahead of competitors, the Group focused on building customer resources in the reviewing period, including making good use of the Group's huge AMI sales network to create new selling locations.

Upon the implementation of the above strategies and market expansion during the reviewing period, ADO business successfully recorded a revenue of RMB195.87 million (Period 2014: RMB114.83 million), representing a 71% growth over the same period of last year and contributed to 12% of the Group's total revenue (Period 2014: 8%).

Apart from the grid companies, the Group has successfully expanded its clientele to more public utilities units, high-end companies such as GDS Shanghai Waigaoqiao Flagship Data Centre. Among which, companies in oil and petrochemicals industry have become the Group's important clients. In the reviewing period, the Group tailor-made fault detection and isolation system solutions for their wide and complicated power distribution grid in oil production area. Most importantly, the products developed by the Group for the major developing areas in the future have gradually yielded results, in which Brushless Doubly-fed Electric Motors and power electronics technology combined high energy efficiency electric motor and new energy electric motor have received pilot orders. It is expected that they can be widely applied in the Group's solutions in the near future.

International Markets

The Group has always put "Focus on Europe and United States of America, 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 within the region. Given its corporate strengths, the Group successfully became one of the industry leaders in Tanzania, Egypt, Republic of Bangladesh and Indonesia as well as entered South Korean market in the reviewing period. By leveraging its cooperation with Siemens, in the reviewing period, the Group recorded significant growth in contract value signed in Brazil and Mexico markets.

In the reviewing period, driven by the AMI reform in a number of countries, the Group's overseas business recorded a groundbreaking growth with revenue reached RMB127.91 million (Period 2014: RMB77.28 million), representing a growth of 66% as compared with same period last year.

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 period, the Group received 44 patents for its new products and energy saving services and 21 patents for its software. The number of effective patents for new products and energy saving services are 605 and 392 respectively.

In the reviewing period, the Group successfully invented and introduced a number of AMI systems and solutions and gain market recognition. Among which, the "Power, Water, Gas and Heat All-in-one Data Collection System" introduced by the Group was invited by China Electric Power Research Institute to be displayed in exhibition and received high praise as well as pilot orders in Beijing, Shanghai and Shandong. The system helps realizing one-stop data collection and management for power, water, gas and heat meters while offering users a more convenient management platform.

In terms of ADO, the Group tailor-made different solutions according to the needs of different clients. For example, for 110kv substations and end-users in mid-large scale living and production area, the Group provided systems and services such as substation comprehensive protection, power distribution automation, metering automation, power quality control and management to secure power safety and increase power supply reliability and power consumption quality.

Financial Review

Revenue

During the period under review, revenue increased by 17% to RMB1,603.10 million (Period 2014: RMB1,367.10 million).

Gross Profit

The Group's gross profit increased by 9% to RMB497.11 million for the six months ended 30 June 2015 (Period 2014: RMB456.32 million). The overall gross profit margin is 31% in the first half of 2015 (Period 2014: 33%).

Other Income

The other income of the Group amounted to RMB62.02 million (Period 2014: RMB53.89 million) which was mainly comprised of interest income, dividend income and government subsidy.

Operating Expenses

In the first half of 2015, the Group's operating expenses amounted to RMB254.63 million (Period 2014: RMB257.63 million). Operating expenses accounted for 16% of the Group's revenue in the first half of 2015, representing a decrease of 3% as compared with 19% in the first half of 2014.

Finance Costs

For the six months ended 30 June 2015, the Group's finance costs amounted to RMB10.71 million (Period 2014: RMB12.72 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 period.

Operating Profit

Earnings before finance costs and tax for the six months ended 30 June 2015 amounted to RMB301.23 million (Period 2014: RMB243.33 million), representing an increase of 24% 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 2015 grew by 25% to RMB253.83 million (Period 2014: RMB202.79 million) as compared with the corresponding period of last year.

Capital Structure

On 5 May 2015, the Company entered into a placing agreement under which the placing agents have agreed to place up to 68,000,000 existing ordinary shares of the Company at a price of HK$10.80 per share. 61,000,000 new ordinary shares were issued in the share placement. The net proceeds from the share placement after deducting the commission and expenses of the placement payable by the Company amounted to approximately HK$645 million, in which HK$385 million will be applied for the construction of the new production base of the ADO business, HK$130 million will be used for potential mergers and acquisitions in relation to ADO and the remaining HK$130 million for research and development.

On 1 June 2015, the Company entered into a subscription agreement with International Finance Corporation ("IFC") pursuant to which IFC agreed to subscribe 14,000,000 new ordinary shares of the Company at a price of HK$10.80 per share. The net proceeds from the share subscription amounted to approximately HK$148 million will be applied for the Company's development in the ADO business and as general working capital of the Company.

During the six months ended 30 June 2015, certain employee has also exercised 30,000 share options at an exercise price of HK$3.20. In light of the above, the Company's issued shares increased from 951,851,675 as at 31 December 2014 to 1,026,881,675 as at 30 June 2015.

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 2015, the Group's current assets amounted to approximately RMB4,690.48 million (31 December 2014: RMB3,514.95 million), with cash and cash equivalents totaling approximately RMB718.56 million (31 December 2014: RMB327.43 million).

As at 30 June 2015, the Group's total bank loans amounted to approximately RMB979.29 million (31 December 2014: RMB750.64 million), of which RMB723.76 million (31 December 2014: RMB503 million) will be due to repay within one year and the remaining RMB255.53 million (31 December 2014: RMB247.64 million) will be due after one year. Net book value of the Group's pledged assets for the bank loans was approximately RMB156.62 million (31 December 2014: RMB158.21 million). In the first half of 2015, the interest rate for the Group's bank borrowings ranged from 0.39% to 6.12% per annum (31 December 2014: 1.17% to 9.23% per annum).

The gearing ratio (total borrowings divided by total assets) increased from 13% on 31 December 2014 to 14% on 30 June 2015.

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 period resulted in an exchange loss of RMB1.04 million to the Group. 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

On 28 January 2015, the Group completed the acquisition of 64% equity interest of Hunan Lineng Technology Co., Ltd. ("Lineng Technology") from an independent third party at a consideration of RMB6,400,000. Lineng Technology is principally engaged in manufacturing, developing and selling energy saving devices that used in power stations and oil rigs. The acquisition enables the Group to broaden its energy saving product range.

Charge on Assets

As at 30 June 2015, 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 2015, 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 RMB101.43 million (31 December 2014: RMB125.09 million).

Contingent Liabilities

As at 30 June 2015, the Group had no material contingent liabilities.

Prospects

Smart power grid is on the global development trend. The NDRC and National Energy Administration of China published "Guiding Opinions on Advancing Smart Grid Development" (《關於促進智能電網發展的指導意見》), aiming to establish preliminarily a smart grid network system by 2020 and push the country's energy production and consumption revolution. It also targets to promote clean energy and distributive energy to comprehensively build a safe, high-efficient and clean modern energy protection system. In the beginning of this year, State Grid 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 states the coverage rate of the automation of urban smart power distribution network under Southern Grid 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.

Along with the introduction of supporting documents, the new power reform is going to take off soon. Key issues in the reform including power pricing reform, market-oriented exchange mechanism, power generation and consumption reform, power selling reform, fair connection to power grid, and also upgrade of power safety and reliability are the drivers to the full implementation of AMI and ADO systems in the society, which will bring huge and stable demand growth to the Group's business. In the meantime, the new power reform will stimulate social capital investment in the power selling and enhanced power distribution industry, introduce new market competitors and induce new business opportunities. As one of the long-term development goals, 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, and even to further study the participation of the power selling side market in order to expand its revenue source.

"One Belt One Road" has become the new fundamental economic development strategy of China. Given the "Road" covers a number of developing countries with relatively low power consumption level and lack of local power equipment productivity. After China's establishing friendly economic cooperative relationships, especially close trading relationships, with these regions and countries, Chinese corporates can export to or enter into local markets more easily. Current, the Group has built friendly relationship with some of the regions. Upon the gradual opening of "One Belt One Road", the Group as a famous Chinese company with leading international level and advanced technologies, will continue to expand the markets along the "Road" to be one of the beneficiaries.

Driven by Chinese support on smart grid, new power reform, energy saving and emission reduction and also energy revolution as well as the promotion of international markets, the Group's AMI and ADO are facing bigger opportunities. 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. As Chinese water pricing reform is entering white-hot stage, the Group will especially focus on the development of AMI water business by developing more business with different cities and counties; meanwhile, China is tightening up the metering and energy consumption rules of public utilities, including schools and hospitals, and encourage them to install and update their smart metering system. The Group will target these markets and win their support by our tailor-made and excellent services.

For ADO business, 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. With the operation of Wasion Electric Industry Park, the Group's R&D as well as abilities in providing more comprehensive, smarter and systematic ADO services will be more concentrated, which will further enhance the Group's all-rounded competence in ADO business.

While developing AMI and ADO markets, the Group will continue to maintain its market leading position in smart metering market. According to the government regulation in consideration of technology upgrades, smart meters are to be replaced every 5 to 8 years. Hence the local demand for smart meters will remain stable and the Group's smart metering business will maintain steady growth. Moreover, with reference to "Smart Power Meter Function Specifications" announced by National Energy Administration, the requirement on related technology such as safety, anti-electric larceny and anti-strong magnetic interference has been upgraded, which is beneficial to market leaders, like Wasion, that provide high-quality products.

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.

The Group will continue to focus on market needs for innovation and R&D, to optimize and upgrade existing products and system technology; and work on new technologies through the intensive cooperation with industry experts, celebrated researchers and own strong R&D team, to build foundation for the development of energy market in the future. As stated in "Guiding Opinions on Promoting New Energy Micro-Grid Demonstration Projects Construction" (關於推進新能源微電網示範項目建設的指導意見) issued by National Energy Administration in July, new energy micro-grid is the future trend of energy development; in which, energy storage system that contains sufficient capacity and response rate is the key device. Therefore, the Group will take energy storage as a major focus of future R&D.

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 30 June 2015, the Group had 4,151 (31 December 2014: 4,153) 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 2015 (Period 2014: Nil).

Purchase, Sale or Redemption of Listed Securities

Reference is made to the announcement of the Company dated 5 May 2015 in relation to the placing of existing shares and subscription for new shares. On 5 May 2015, the Company entered into a placing agreement ("Placing Agreement") with Star Treasure Investments Holdings Limited ("Star Treasure") which is wholly owned by Mr. Ji Wei ("Mr. Ji"), Mr. Ji and three placing agents. Pursuant to the Placing Agreement, 68,000,000 existing ordinary shares of the Company which are held by Star Treasure will be placed to independent third parties at a price of HK$10.80 per share. Amongst the 68,000,000 placing shares, 61,000,000 shares were beneficially owned by Star Treasure and 7,000,000 shares were held by Star Treasure on behalf of 20 R&D staff of the Company. On the same day, the Company has also entered into a subscription agreement with Star Treasure under which Star Treasure has agreed to subscribe 61,000,000 new ordinary shares at a subscription price of HK$10.80 per share. The subscription was completed on 7 May 2015 with 61,000,000 new ordinary shares issued on 8 May 2015.

Reference is made to the announcement of the Company dated 1 June 2015 in relation to the subscription of new shares .On 1 June 2015, the Company entered into a subscription agreement with IFC pursuant to which IFC agreed to subscribe 14,000,000 new ordinary shares of the Company at a price of HK$10.80 per share. The subscription was completed on 4 June 2015 with 14,000,000 new ordinary shares issued on 12 June 2015.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the six months ended 30 June 2015.

Compliance with the Corporate Governance Code of the Listing Rules

During the six months ended 30 June 2015, 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, Mr. Pan Yuan and Mr. Cheng Shi Jie, who are independent non-executive directors of the Company, failed to attend the annual general meeting of the Company held on 15 May 2015 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 2015.

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 2015.

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 2015 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 2015 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
Cheng Shi Jie
Hui Wing Kuen

Non-executive Director
Kat Chit

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

Hong Kong, 19 August 2015