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 2015

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB2,969.03 million (2014: RMB2,811.87 million), representing an increase of 6%.
- Revenue from AMI increased by 1% to RMB1,688.90 million as compared with 2014.
- Revenue from SM increased by 4% to RMB853.52 million as compared with 2014.
- Revenue from ADO increased by 37% to RMB426.61 million as compared with 2014.
- Net profit for the year attributable to owners of the Company amounted to RMB423.53 million (2014: RMB482.44 million).
- Basic earnings per share for the year amounted to RMB42 cents (2014: RMB51 cents).
- The board of directors has proposed a final dividend of HK$0.24 (equivalent to RMB0.201) per share for the year ended 31 December 2015.

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 2015, together with the comparative figures for the year ended 31 December 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	**2015**	2014
		RMB'000	*RMB'000*
Revenue	*3*	**2,969,033**	2,811,871
Cost of sales		**(2,072,834)**	(1,849,184)
Gross profit		**896,199**	962,687
Other income	*4*	**145,189**	104,604
Other gains and losses	*5*	**(18,338)**	(7,140)
Administrative expenses		**(136,978)**	(167,512)
Selling expenses		**(244,570)**	(205,952)
Research and development expenses		**(143,330)**	(112,216)
Finance costs		**(25,389)**	(28,871)
Share of results of an associate		**(3,108)**	(4,051)
Profit before taxation	*6*	**469,675**	541,549
Income tax expense	*7*	**(47,856)**	(55,375)
Profit for the year		**421,819**	486,174
Profit (loss) for the year attributable to			
— Owners of the Company		**423,533**	482,439
— Non-controlling interests		**(1,714)**	3,735
		421,819	486,174
Earnings per share	*9*		
Basic		**RMB42 cents**	RMB51 cents
Diluted		**RMB42 cents**	RMB51 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	RMB'000	*RMB'000*
Profit for the year	**421,819**	486,174
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation	**(6,339)**	(159)
Fair value changes on available-for-sale investments	**4**	10,175
Reclassification upon disposal of available-for-sale investments	**—**	(15,896)
Other comprehensive expense for the year	**(6,335)**	(5,880)
Total comprehensive income for the year	**415,484**	480,294
Total comprehensive income (expense) for the year attributable to		
— Owners of the Company	**417,198**	476,559
— Non-controlling interests	**(1,714)**	3,735
	415,484	480,294

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	Notes	**2015**	2014
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,182,303**	1,000,879
Prepaid lease payments		**400,571**	322,807
Investment properties		**16,098**	16,328
Goodwill		**300,537**	297,919
Other intangible assets		**296,236**	241,505
Investment in an associate		**1**	3,109
Available-for-sale investments		**83,816**	29,811
Amounts due from related parties		**20,956**	20,956
Other non-current assets		**162,111**	170,287
		2,462,629	2,103,601
CURRENT ASSETS			
Inventories		**334,104**	334,702
Trade and other receivables	*10*	**2,800,166**	2,398,459
Prepaid lease payments		**7,870**	6,135
Loan receivables		**205,000**	205,000
Pledged bank deposits		**241,489**	243,219
Bank balances and cash		**1,171,836**	327,434
		4,760,465	3,514,949
CURRENT LIABILITIES			
Trade and other payables	*11*	**2,133,520**	1,485,745
Tax liabilities		**54,452**	55,798
Borrowings — due within one year		**300,839**	502,998
		2,488,811	2,044,541
NET CURRENT ASSETS		**2,271,654**	1,470,408
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,734,283**	3,574,009
CAPITAL AND RESERVES			
Share capital		**10,180**	9,588
Reserves		**4,090,980**	3,235,921
Equity attributable to owners of the Company		**4,101,160**	3,245,509
Non-controlling interests		**38,412**	60,732
		4,139,572	3,306,241
NON-CURRENT LIABILITIES			
Borrowings — due after one year		**576,248**	247,641
Deferred tax liability		**18,463**	20,127
		594,711	267,768
		4,734,283	3,574,009

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 provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Group for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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 the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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 amendments to HKFRSs 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. 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.

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

For the year ended 31 December 2015

	Smart meter *RMB'000*	**Advanced metering infrastructure** *RMB'000*	**Advanced distribution operations** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	**853,518**	**1,688,903**	**426,612**	**2,969,033**
Segment profit	**75,363**	**329,084**	**111,880**	**516,327**
Unallocated income and gains/losses				**27,323**
Share of results of an associate				**(3,108)**
Central administration costs				**(45,478)**
Finance costs				**(25,389)**
Profit before taxation				**469,675**

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 revenue	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

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. REVENUE 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 revenue 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.

	Revenue from external customers Year ended 31 December		**Non-current assets** *(Note)*	
	2015	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**2,665,771**	2,688,723	**2,325,634**	2,002,070
Overseas	**303,262**	123,148	**—**	—
	2,969,033	2,811,871	**2,325,634**	2,002,070

Note: Non-current assets exclude financial instruments.

4. OTHER INCOME

	2015	2014
	RMB'000	*RMB'000*
Other income comprises:		
Bank interest income	**6,513**	8,567
Change in fair value of financial assets classified as held for trading	**3,304**	—
Dividend income from available-for-sale investments	**3,485**	—
Gain on disposal of available-for-sale investments	**—**	15,896
Government grants *(Note i)*	**78,924**	14,754
Interest income from available-for-sale investments	**3,003**	—
Interest income from consideration receivable for disposal of a subsidiary	**1,344**	1,344
Interest income from consideration receivable for disposal of assets	**—**	4,809
Interest income from loan receivables *(Note ii)*	**24,536**	36,848
Refund of value-added tax ("VAT") *(Note iii)*	**20,879**	17,633
Rental income from investment properties	**1,235**	1,089
Others	**1,966**	3,664
	145,189	104,604

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

	2015	2014
	RMB'000	*RMB'000*
Other (losses) gains comprises:		
Net foreign exchange loss	**(18,439)**	(6,839)
Net gain (loss) on disposal of property, plant and equipment	**101**	(146)
Impairment loss recognised on other receivables	**—**	(155)
	(18,338)	(7,140)

6. PROFIT BEFORE TAXATION

	2015	2014
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and benefits	**250,956**	253,164
Retirement benefit scheme contributions	**16,822**	16,423
Share-based payment expenses	**11,461**	9,881
	279,239	279,468
Auditor's remuneration	**2,829**	2,794
Depreciation of property, plant and equipment	**45,215**	43,897
Depreciation of investment properties	**230**	230
Release of prepaid lease payments	**6,204**	1,474
Amortisation of intangible assets (included in selling expenses, administrative expenses and research and development expenses)	**44,766**	43,019
Cost of inventories recognised as expense	**2,072,834**	1,849,184

7. INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
— Current year	**67,892**	66,051
— Overprovision in prior years	**(18,372)**	(9,282)
	49,520	56,769
Deferred taxation		
— Current year	**(1,664)**	(1,394)
	47,856	55,375

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 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, year 2014 to 2016 or year 2015 to 2017.

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 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

	2015	2014
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2014 final dividend — HK$0.24, equivalent to RMB0.194, per share (2014: 2013 final dividend — HK$0.21, equivalent to RMB0.166, per share)	**191,751**	157,912

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2015 of HK$0.24, equivalent to RMB0.201, per share (2014: final dividend in respect of the year ended 31 December 2014 of HK$0.24, equivalent to RMB0.194, 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:

	2015	2014
	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)	**423,533**	482,439

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**999,432,059**	944,912,226
Effect of dilutive potential ordinary shares in respect of share options	**8,809,140**	4,766,858
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,008,241,199**	949,679,084

10. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade and bills receivables, gross	**2,317,539**	1,923,657
Less: Allowance for doubtful debts *(Note i)*	**(19,692)**	(19,692)
Trade and bills receivables, net *(Note ii)*	**2,297,847**	1,903,965
Retentions held by trade customers *(Note iii)*	**215,535**	201,588
Deposits, prepayments and other receivables *(Note iv)*	**286,784**	292,906
	2,800,166	2,398,459

Notes:

(i) The entire balance of the allowance for doubtful debts as at 31 December 2014 and 2015 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 2014, 31 December 2014 and 31 December 2015	19,692

(ii) Included in the Group's trade receivable is trade balance with an associate of RMB93,035,000 (2014: RMB12,024,000). 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:

	2015	2014
	RMB'000	*RMB'000*
0–90 days	**1,675,389**	1,520,687
91–180 days	**204,873**	167,435
181–365 days	**321,461**	157,802
Over 1 year	**96,124**	58,041
	2,297,847	1,903,965

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. 95% (2014: 97%) 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 RMB111,456,000 (2014: RMB65,422,000) 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 401 days (2014: 462 days).

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

	2015	2014
	RMB'000	*RMB'000*
Days overdue:		
0–90 days	**59,693**	35,175
91–180 days	**16,949**	6,273
181–365 days	**6,349**	7,103
Over 1 year	**28,465**	16,871
	111,456	65,422

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:

	2015	2014
	RMB'000	*RMB'000*
Hong Kong dollars ("HKD")	**124**	124
United States Dollar ("USD")	**50,430**	90,214

(iii) Included in the retentions held by trade customers is an aggregate amount of RMB78,058,000 (2014: RMB85,296,000) 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 (2014: 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 2016 (2014: 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:

	2015	2014
	RMB'000	*RMB'000*
Trade and bills payables		
0–90 days	**1,470,814**	816,612
91–180 days	**333,313**	404,563
181–365 days	**39,305**	26,389
Over 1 year	**37,901**	36,393
	1,881,333	1,283,957
Other payables *(Note)*	**245,787**	201,788
Consideration payable on acquisition of a subsidiary	**6,400**	—
	2,133,520	1,485,745

Note: Included in the balance in an amount of RMB229,000 (2014: nil) due to an associate. The amount is non-trade in nature, unsecured, interest free and is repayable on demand.

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

	2015	2014
	RMB'000	*RMB'000*
HKD	**3,704**	2,985

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Chinese economy has entered a period of new normal since 2015 with a GDP growth of 6.9% and smaller growth drivers for exports, investments and consumptions. Given the slowdown in microeconomic growth, especially in the fourth quarter, and the continued RMB depreciation which brought unexpected foreign exchange loss to a number of Chinese corporations, the business environment in China became difficult. Nevertheless, the Chinese government has shown definite and clear determination in developing clean energy and implementing long term power reform policies. During the year under review, State Grid completed RMB535.6 billion of investment targets among which RMB452.1 billion was invested in power grid development. In the meantime, the development of smart cities in China had been accelerating. During the 12th Five Year Plan, investment in constructing smart cities reached RMB500 billion, driving the demand for the overall use of all kinds of information technology and products. During the year, "Four-in-one Data Collection System" project had been started to support the construction of smart cities, which stimulated the demand for corresponding systems and smart water, heat and gas meters.

After the announcement of "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》) as well as other related ancillary documents by State Council of China in March 2015, National Development and Reform Commission ("NDRC") together with National Energy Administration ("NEA") jointly announced the "Guiding Opinions on Advancing Smart Grid Development" (《關於促進智能電網發展的指導意見》) in July, and NEA issued "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》) and "Action Plan for the Construction of Reform of Distribution Power Grid (2015–2020) " (《配電網建設改造行動計劃(2015–2020年) 》) in July and August respectively, creating a much clearer development blueprint for China's power market. In the meantime, Chinese government had been actively promoting the "One Belt One Road" strategy and signed cooperation agreements including power business with numerous countries which helped establishing a strong export platform for Chinese corporates. The market impacts from the above measures are yet to be reflected, but they serve as good proof of government's support towards the industry and its determination in creating a suitable development environment.

In face of the change in Chinese macroeconomics and future market opportunities, during the year under review, the Group devoted much effort on balancing risks and opportunities for all three key business segments in order to achieve steady growth in an active and cautious manner. During the year under review, the Group recorded a total turnover of RMB2,969.03 million (2014: RMB2,811.87 million), representing an increase of 6% year-over-year. Due to the unfavorable macroeconomic situation, the Group recorded a net profit of RMB423.53 million (2014: RMB482.44 million). In view of the changes in macroeconomic environment, the Group adopted a series of solutions in order to secure short term results and long term development during the year under review.

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 constitutes a fundamental part of the Group. With our integrated strengths and strong experience, the Group continued to maintain a leading position in the AMI industry during the reviewing year. The turnover of AMI business during the year under review recorded a growth of 1% to RMB1,688.90 million (2014: RMB1,677.04 million) and accounting for 57% (2014: 60%) of the Group's total revenue.

During the year under review, benefited from China's active promotion of water escalating pricing and one-household-one-meter, AMI water business of the Group recorded a strong growth of 23% as compared with last year to RMB173.30 million. Currently, the Group has entered into the smart water meters solutions tender list of another 53 city level water companies.

Smart Meter ("SM")

During the year under review, with our comprehensive strengths in branding, technology, market size, quality, business scale and management, the Group continued to be a solid market leader 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"). During 2015, State Grid organized three tenders and the Group successfully won RMB1,082.35 million contracts, of which RMB777.84 million was the contract value for smart meters. The Group continued to be in a leading position in Southern Grid's tenders by winning a total contract value of RMB95.69 million in the reviewing year. During the year under review, the revenue from SM amounted to RMB853.52 million (2014: RMB824.48 million), representing an increase of 4% as compared with last year and accounting for 29% (2014: 29%) 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 data centres 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 higher Safety, more energy Saving, Smarter and better Service.

During the year under review, the newly established Wasion Electric Industry Park further enhanced the technology and service quality of ADO business. Upon its completion, Wasion Electric Industry Park will be one of 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.

Upholding the strategy to be the technology leader, the Group intensified the research on smart grid, energy saving and emission reduction, and clean energy during the year under review to target the new industry policies on the grid development and energy structural adjustment in China. In terms of smart power distribution grid, the Group successfully made a breakthrough in the core technologies of new type fault detection, isolation system and responsive self-healing systems for power distribution grid.

During the year under review, the turnover from ADO business was RMB426.61 million (2014: RMB310.36 million), representing a year-over-year growth of 37% and accounting for 14% (2014: 11%) of the Group's total revenue.

International Markets

During the year under review, the Group achieved certain breakthroughs in international market. By leveraging its brand and capabilities built over the years in overseas market, the contract sum procured by the Group in traditional markets increased steadily. And by leveraging with its cooperation with Siemens, the Group gained sizeable contracts in Mexico and successfully entered into Brazilian market.

While working on further cooperation with Siemens, the Group has kicked start some technological cooperation projects with other international leaders. The new cooperation further enhances the Group's technologies for systems and solutions and serves as an important foundation for new market exploration.

During the year under review, the Group's international business recorded significant growth, with turnover reaching RMB303.26 million, representing a 146% year-over-year growth.

Research and Development

The Group has been working strenuously in the research and development of know-how of every single AMI and ADO product in order to grasp market demand and technology development in the industry. During the year under review, the Group received 129 patents for its new products and energy saving services and 127 patents for its software. The number of effective patents for new products and energy saving services increased to 689 and 498 respectively.

In terms of AMI, the Group continued to have in-depth research on power meters, smart power consumption and energy efficiency management, terminal communication as well as water, gas and heat meters, and have launched various systems with industry leading technologies based on the new standards on energy consumption monitoring and centralised data collection technology established by the Chinese government and power grid companies. They are expected to bring significant contribution after the full application of the new standards.

In terms of ADO, the Group tailor-made different solutions according to the needs of different clients with a focus on primary and secondary power equipment integration, integration technology of hardware and software as well as energy data and service technology which can totally secure power safety and increase power supply reliability and power consumption quality.

Financial Review

Turnover

During the year under review, turnover increased by 6% to RMB2,969.03 million (2014: RMB2,811.87 million).

Gross Profit

The Group's gross profit decreased by 7% to RMB896.20 million for the year ended 31 December 2015 (2014: RMB962.69 million). The overall gross profit margin is 30% in 2015 (2014: 34%).

Other Income

The other income of the Group amounted to RMB145.19 million (2014: RMB104.60 million) which was mainly comprised of interest income, dividend income, government grants and refund of value-added tax.

Operating Expenses

In 2015, the Group's operating expenses amounted to RMB524.88 million (2014: RMB485.68 million) and accounted for 18% of the Group's turnover in 2015, representing an increase of 1% as compared with 17% in 2014.

Finance Costs

For the year ended 31 December 2015, the Group's finance costs amounted to RMB25.39 million (2014: RMB28.87 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 2015 amounted to RMB495.06 million (2014: RMB570.42 million), representing a decrease of 13% 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 2015 decreased by 12% to RMB423.53 million (2014: RMB482.44 million) as compared with 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 year ended 31 December 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 31 December 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 31 December 2015, the Group's current assets amounted to approximately RMB4,760.47 million (2014: RMB3,514.95 million), with cash and cash equivalents totaling approximately RMB1,171.84 million (2014: RMB327.43 million).

As at 31 December 2015, the Group's total bank loans amounted to approximately RMB877.09 million (2014: RMB750.64 million), of which RMB300.84 million (2014: RMB503 million) will be due to repay within one year and the remaining RMB576.25 million (2014: RMB247.64 million) will be due after one year. As at 31 December 2014, the net book value of the Group's pledged assets for the bank loans was RMB158.21 million (2015: Nil). In 2015, the interest rate for the Group's bank borrowings ranged from 1.44% to 4.35% per annum (2014: 1.17% to 9.23% per annum).

The gearing ratio (total borrowings divided by total assets) decreased from 13% in 2014 to 12% in 2015.

Exchange Rate Risk

Most of the businesses of the Group are settled in Renminbi while businesses in foreign currencies are mainly settled in USD. The fluctuation of exchange rate of both currencies will have certain impact on the Group's business which are settled in foreign currencies. During the year, 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. On 5 August 2015, the Group further acquired from the non-controlling interests for the remaining 36% equity interest in Lineng Technology at a consideration of RMB3,600,000. 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 31 December 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 31 December 2015, the capital commitments in respect of the acquisition of property, plant and equipment and additions of construction in progress contracted for but not provided in the consolidated financial information amounted to RMB70.63 million (2014: RMB126.48 million).

Contingent Liabilities

As at 31 December 2015, the Group had no material contingent liabilities.

Prospects

According to macro data, the growth of China economy will further slowdown in the future bringing heavier pressure and more uncertainties to the operating environment. Yet the prospects for the Group's related industries including smart grid, smart power distribution, and energy efficiency management and advanced metering infrastructure remain promising according to the favorable development plan launched by the Chinese government and power grid companies.

Eye on the development of the whole energy market, NDRC, NEA and Ministry of Industry and Information Technology jointly announced "Guiding Opinions on Promoting the Development of "Internet Plus" Smart Energy" (《關於推進「互聯網+」智慧能源發展的指導意見》) which declared the development route for the Internet of Energy in the coming decade in February 2016. The Internet of Energy is a new shape of the energy industry representing the in-depth integration of internet and energy generation, transmission, storage, consumption and the energy market. Among which, the development of power data collection, energy efficiency management, distributed power storage, remote automated data collection for water, gas, heat and power, all meters in one, are all closely related to the Group's business.

In terms of power grid, "Guiding Opinions on Advancing Smart Grid Development"《關於促進智能電網發展的指導意見》jointly announced by NDRC and NEA in July 2015, outlined the target to preliminarily establish the smart power grid system by early 2020 for achieving comprehensive allocation of energy generation and consumption, as well as pushing forward clean energy and distributed energy for building a safe, highly efficient, clean, modern and secured energy system. "Action Plan for the Construction of Reform of Distribution Power Grid (2015–2020) "《配電網建設改造行動計劃 (2015–2020年)》announced by NEA in August clearly stated the need to establish a city-country-coordinated, safe and reliable, highly economical efficient, technological advanced and environmental-friendly distribution network facilities and service systems with the aim of providing welfare, pulling in investments, improving manufacturing standards as well as supporting the energy interconnection and Internet Plus development. The stated notional investment amount on distribution network development was no less than RMB2 trillion. "Guiding Opinions about Accelerating the Construction and Reform of Power Distribution Grid" (《關於加快配電網建設改造的指導意見》) later announced by NEA emphasized the importance of solving the problems related to weak and fragile China power distribution network, enhancing the ability for new energy connection, pushing forward the facilities upgrade and technological innovations to speed up the development of modern distribution network and service systems.

Concurrently, China will utilize the foundation of smart cities construction in 12th Five Year Plan to accelerate the promotion of the concept of smart city to different places, continuously stimulating every industry that can enhance the intelligence and informatization of cities, including high-end energy data collection systems and smart water, gas and heat meters.

Under the support of the favorable policies, the development of China smart grid and Internet of Energy and also the construction of smart cities will reach its peak in the near future, bringing a bright and promising future for the related industries. To better seize this historical opportunity, the Group has established a series of development strategies and will adopt a flexible pace to match with market changes in achieving stable and sustainable development.

In terms of AMI business, according to "Implementing Opinions about Accelerating Energy Development and Construction in Poor Regions from Poverty" (《關於加快貧困地區能源開發建設推進脱貧攻堅的實施意見》) announced by NEA, full power coverage in rural area can be achieved by 2020 which translates into huge demand for the Group's various smart metering products and systems. On the other hand, the market outlook of total solution which supports micro grid and the monitoring and analysis of big data on power is prosperous and the Group will develop relative business proactively.

The development of power distribution grid is one important measure under China's determination in improving power quality and promoting efficient energy management, which again is the future development focus for the power industry. The Group has been actively developing and expanding its ADO business for the past 2 years and is able to enjoy some first mover advantage. ADO market is still at startup stage which is very fragmented, and the lack of market leader gives the Group much room for development. Upon the commencement of operation of Wasion Electric Industry Park, the research and development, integration, intellectualization and systemization of the Group's ADO business is expected to be more centralized which is beneficial for improving the business 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. Market expects State Grid will attain 100% coverage rate for its smart metering in the coming year and will kick start meter replacement right after. The Group will stay close to the development of State Grid, and to maintain its market share by high standard 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 the AMI transformation projects of different counties; 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 believes innovations, research and development form the strong foundation for long term development of any technology companies, and that underlies our commitment in devoting resources in research and development for inventing market leading technological breakthroughs and to become the provider of quality products and services. In the future, the Group will continue to fine-tune and upgrade its existing products and system technology based on market demand and national standards; and to strengthen its research and development capabilities by working side-by-side with industry experts and famous talents for building a solid foundation for future energy market development.

In the future, facing numerous market opportunities and variable macroeconomic environment, the Group will adhere closely with its corporate vision of "Continual Innovation Contributing to Wasion's Centennial History" to continue to develop its business at steady pace and to gradually build up its international leading position.

OTHER INFORMATION

Employees and Remuneration Policies

As at 31 December 2015, the Group had 4,189 (2014: 4,153) staff. The staff costs (including other benefits and contributions to defined contribution plan) amounted to RMB279.24 million in 2015 (2014: RMB279.47 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. The existing share option scheme has been expired on 25 November 2015 and a new share option scheme will be proposed for shareholders' approval in the forthcoming annual general meeting.

Dividends

The Board has proposed a final dividend of HK$0.24 (2014: HK$0.24) per share to shareholders of the Company whose name appear in the register of members on 20 May 2016 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 27 May 2016.

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 16 May 2016 ("AGM"), the register of members will be closed on Thursday, 12 May 2016 to Monday, 16 May 2016, 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 Wednesday, 11 May 2016.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members will be closed on Friday, 20 May 2016. 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, 19 May 2016.

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 research and development 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 year ended 31 December 2015.

Compliance with the Corporate Governance Code of the Listing Rules

During the year ended 31 December 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 year ended 31 December 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 year ended 31 December 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 annual results of the Group for the year ended 31 December 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. The annual report of the Company for the year ended 31 December 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 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
Hui Wing Kuen

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

Hong Kong, 18 March 2016