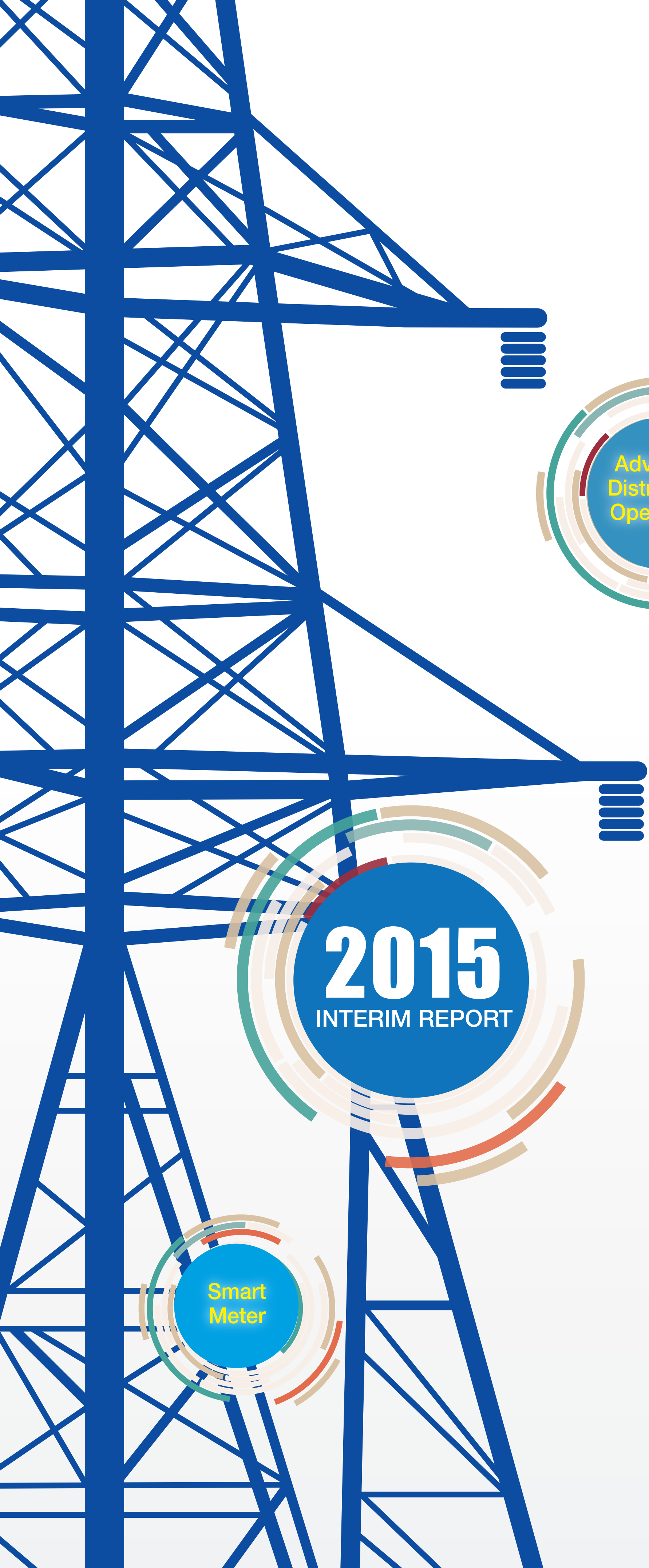
Wasion Group Holdings Limited

威勝集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3393)



Advanced Distribution Operations

2015 INTERIM REPORT

Advanced Metering Infrastructure

ENERGY METERING & ENERGY SAVING EXPERT

CORPORATE VISION :

Continual Innovation Contributing to
Wasion's Centennial History

CORPORATE MISSION :

Energy Metering & Energy Saving Expert

CORPORATE SPIRIT :

Be Cohesive, Ambitious,
Down-to-Earth and Creative

MOTTOS OF OPERATION :

Perfect Work with Passion, and
Success Achieved with Integrity

Contents

Corporate Information

Executive Directors

Mr. Ji Wei *(Chairman)*
Ms. Cao Zhao Hui
Mr. Zeng Xin
Ms. Zheng Xiao Ping
Mr. Wang Xue Xin
Ms. Li Hong

Non-Executive Director

Mr. Kat Chit

Independent Non-Executive Directors

Mr. Wu Jin Ming
Mr. Pan Yuan
Mr. Cheng Shi Jie
Mr. Hui Wing Kuen

Company Secretary

Mr. Choi Wai Lung Edward *FCCA, FCPA*

Authorised Representatives

Mr. Ji Wei
Mr. Choi Wai Lung Edward *FCCA, FCPA*

Audit Committee

Mr. Hui Wing Kuen *(Chairman)*
Mr. Wu Jin Ming
Mr. Pan Yuan
Mr. Cheng Shi Jie

Nomination Committee

Mr. Ji Wei *(Chairman)*
Mr. Hui Wing Kuen
Mr. Wu Jin Ming

Remuneration Committee

Mr. Hui Wing Kuen *(Chairman)*
Mr. Ji Wei
Mr. Wu Jin Ming

Principal Bankers

In Hong Kong:

Hongkong and Shanghai Banking
Corporation Limited
Bank of Communications Hong Kong Branch

In the People's Republic of China (the "PRC"):

China Construction Bank
Bank of Communications

Legal Adviser

Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Auditor

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

Principal Place of Business

Unit 2605, 26/F, West Tower, Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited
31/F, 148 Electric Road
North Point
Hong Kong

Company Website

www.wasion.com

Stock Code

3393

Corporate Profile

Leading Total Solution Provider of Advanced Metering, Advanced Distribution and Energy Efficiency Management

Wasion Group Holdings Limited ("Wasion Group" or the "Group") is the leading total solution provider of advanced metering, advanced distribution and energy efficiency management in China, and is committed to becoming an "Energy Metering and Energy Saving Expert" in China and across the world. The Group was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2005, which was the first professional syndicate engaged in energy metering and energy efficiency management in China listed overseas, as well as the first company in Hunan Province listed on the Main Board overseas.

Wasion Group has long been focusing on the research and development, production and sales of total solutions relating to energy metering and energy efficiency management, the products and services of which have been extensively applied in energy supply industries for electricity, water, gas and heat, and large energy-consuming units of large-scale public infrastructure, petroleum and chemical, transportation, machine manufacturing, metallurgical and chemical fields and residents.

The advanced smart metering business of the Group mainly comprises of comprehensive smart meters, smart water meters, smart gas meters and ultrasonic calorimeters; various meters and power quality monitoring devices; comprehensive energy data collection terminals, load management terminals and user management devices; measurement automation systems and various application systems, services and energy data mining. The Group, with more than 20% of the domestic market share of high-end metering products, has built up its leading position in China and is the only professional manufacturer in China which provides various advanced energy metering products, systems and services for electricity, water, gas and heat, as well as satisfies the demand of the whole process from energy production, transmission and distribution to consumers.

The advanced distribution and energy efficiency management business of the Group comprises mainly of 40.5kV/12kV comprehensive high voltage switchgear; 12kV smart switchgear; 35kV/10kV comprehensive circuit breakers; 10kV power distribution automation terminals; electrical and electronic devices for power quality control and smooth connection with new energy; smart distribution systems, engineering and services; energy-saving services, etc. The Group is devoted to becoming the leading total solution provider for advanced distribution system in China.

Amidst the substantial changes in energy production and energy consumption mode in China and the world, the material social responsibility and development opportunities arisen from energy saving and carbon reduction as well as the new demand of smart power grids, Wasion Group will adhere to its corporate motto "Energy Metering and Energy Saving Expert" while upholding its core value "Perfect Work with Passion, and Success Achieved with Integrity" by continuous innovation and improvement in order to become the pioneer in smart power grids and smart metering in China, one of the major international smart power grids and smart metering provider and a well-known international brand.

In the future, every city, every enterprise and every family will be benefited from the use of the technology, products and services of Wasion.

Management Discussion and Analysis

Financial Review

Financial Highlights

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Turnover	1,603,098	1,367,099
Gross profit	497,109	456,319
Profit from operations	303,539	244,700
Net profit attributable to owners of the Company	253,830	202,786
Total assets	7,001,657	5,499,956
Shareholders' equity attributable to owners of the Company	3,935,070	2,964,786
Basic earnings per share (RMB cents)	26.1	21.6
Diluted earnings per share (RMB cents)	25.9	21.4

Key Financial Figures

	Six months ended 30 June	
	2015	2014
Gross profit margin	31%	33%
Operating profit margin	19%	18%
Net profit margin	16%	15%
Trade receivable turnover period (Days)	277	234
Inventory turnover period (Days)	59	69
Trade payable turnover period (Days)	246	207
Gearing ratio (Total borrowings divided by total assets)	14%	19%
Interest coverage (Profit before finance costs and tax divided by finance costs)	28.14	19.13

Revenue

During the period under review, revenue increased by 17% to RMB1,603.10 million (six months ended 30 June 2014 ("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.

Management Discussion and Analysis (Continued)

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).

Management Discussion and Analysis (Continued)

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.

Emolument Policy

As at 30 June 2015, the Group had 4,151 (31 December 2014: 4,153) staff. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB128.89 million in the first half of 2015 (Period 2014: RMB128.75 million). Employee remuneration is determined on performance, experience and prevailing market conditions, with compensation policies being reviewed on a regular basis. The aggregate amount of the emoluments of the Company's directors was RMB1.82 million for the six months ended 30 June 2015 (Period 2014: RMB2.03 million).

The Group's employees in the People's Republic of China (the "PRC") have enrolled in the mandatory central pension scheme operated by the State. The Group also provides housing allowances and benefits for medicine, employment injury and retirement for its staff in the PRC in accordance with the relevant PRC rules and regulations. The directors of the Company (the "Directors") confirm that the Group has fulfilled its obligations under the relevant PRC employment laws. The Group also set up the mandatory provident fund scheme for the employees in Hong Kong.

Share Option Scheme

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 26 November 2005 whereby the Directors are authorised, at their discretion, to invite eligible participants, including directors of any company in the Group, to take up options to subscribe for ordinary shares in the Company.

The exercise price of options granted, as specified in the rules governing the Share Option Scheme, is to be not less than the highest of the official closing price of the ordinary shares of the Company on the Stock Exchange on the date of the offer of grant of the options, the average of the official closing price of the ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the options and the nominal value of an ordinary share of the company. For acceptance of options granted by the Company, an eligible participant is required to duly sign the duplicate offer document constituting acceptance of the options and remit HK$1 to the company within 30 days from the date of receiving the offer of the options.

Management Discussion and Analysis (Continued)

The movements in the Company's share options during the period are as follows:

Name and category of participants	Number of share options: As at 1 January 2015	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 June 2015	Date of grant of share options	Vesting period of share options	Exercise period of share options	Exercise price of share options* HK$	Share price of the Company as at the date of the grant of share options** HK$
Other employees	9,000,000	–	–	–	9,000,000	10 February 2014	10 February 2014 to 9 February 2016	10 February 2016 to 9 February 2024	4.680	4.680
Other employees	9,000,000	–	–	–	9,000,000	10 February 2014	10 February 2014 to 9 February 2017	10 February 2017 to 9 February 2024	4.680	4.680
Total	18,000,000	–	–	–	18,000,000					

* The exercise price of share options is subject to adjustment made in respect of the alteration in capital structure of the Company.

** The share price of the Company as at the date of the grant of share options was the closing price as quoted on the Stock Exchange of the trading day on the date of the grant of share options.

The valuation was conducted based on the binomial model with the following data and assumptions:

Grant date	10 February 2014	10 February 2014
Fair value per share option	HK$1.846	HK$1.927
Expected volatility	52% per annum	52% per annum
Expected life	6.14 years	6.93 years
Expected dividend	3.3% per annum	3.3% per annum
Risk-free rate of interest	2.23% per annum	2.23% per annum
Rate of leaving service	8% per annum	8% per annum

The binomial model was developed to value option plans which contain vesting and performance conditions. Such option pricing model requires input of highly subjective assumptions, including the expected volatility of the Company's share price which was determined with reference to the historical movements of the share prices of the Company and its comparators. Changes in subjective input assumptions could materially affect the fair value estimate. The binomial model does not necessarily provide a reliable measure of the fair value of share options.

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.

Management Discussion and Analysis (Continued)

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.

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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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.

Prospect

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.

Management Discussion and Analysis (Continued)

"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.

Management Discussion and Analysis (Continued)

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

Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

Directors' Interests in Shares and Underlying Shares

At 30 June 2015, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ji Wei	Interest of controlled corporation (Note 1)	513,716,888	50.03%
Wang Xue Xin	Beneficial owner (Note 2)	3,682,000	0.36%
Cao Zhao Hui	Beneficial owner	2,000,000	0.19%
Zeng Xin	Beneficial owner	2,000,000	0.19%
Zheng Xiao Ping	Beneficial owner (Note 2)	3,682,000	0.36%
Li Hong	Beneficial owner	350,000	0.03%
Hui Wing Kuen	Beneficial owner	400,000	0.04%
Pan Yuan	Beneficial owner	200,000	0.02%
Wu Jin Ming	Beneficial owner	200,000	0.02%

Notes:

(1) The shares are held by Star Treasure Investments Holdings Limited ("Star Treasure"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Ji Wei ("Mr. Ji").

(2) 1,692,000 shares and 1,990,000 shares are held by Mr. Wang Xue Xin and Ms. Zheng Xiao Ping respectively. Ms. Zheng Xiao Ping is the spouse of Mr. Wang Xue Xin.

Other than as disclosed above, none of the directors, chief executives nor their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 30 June 2015.

Other Information (Continued)

Substantial Shareholders

As at 30 June 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in shares and underlying shares" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions — Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued capital of the Company
Ji Wei	Interest in controlled corporation	513,716,888	50.03%
Star Treasure	Beneficial owner	513,716,888	50.03%

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2015.

Audit Committee

The audit committee of the Company (the "Audit Committee") is responsible for assisting the board of directors (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.

Compliance with the Corporate Governance Code of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

Other Information (Continued)

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.

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 which is wholly owned by 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.

Appreciation

The Board would like to take this opportunity to express gratitude to our shareholders, customers, banks, professional parties and employees for their continuous patronage and support.

By order of the Board

Ji Wei
Chairman

Hong Kong, 19 August 2015

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF WASION GROUP HOLDINGS LIMITED
威勝集團控股有限公司
(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Wasion Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

19 August 2015

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)	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	5	(10,706)	(12,722)
Share of results of an associate		(2,306)	(1,372)
Profit before taxation		290,527	230,606
Income tax expense	6	(38,426)	(24,887)
Profit for the period	7	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
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		1,619	1,097
Fair value changes on available-for-sale investments		—	(3,239)
Other comprehensive income (expense) for the period		1,619	(2,142)
Total comprehensive income for the period		253,720	203,577

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Total comprehensive income (expense) for the period attributable to			
— Owners of the Company		255,449	200,644
— Non-controlling interests		(1,729)	2,933
		253,720	203,577
Earnings per share	9		
Basic		RMB26.1 cents	RMB21.6 cents
Diluted		RMB25.9 cents	RMB21.4 cents

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	10	1,099,941	1,000,879
Prepaid lease payments		319,989	322,807
Investment properties		16,213	16,328
Goodwill	10	300,537	297,919
Other intangible assets	10	264,536	241,505
Investment in an associate		804	3,109
Available-for-sale investments	11	83,811	29,811
Amounts due from related parties	20(b)	20,949	20,956
Other non-current assets	12	204,393	170,287
		2,311,173	2,103,601
CURRENT ASSETS			
Inventories		382,457	334,702
Trade and other receivables	13	3,130,275	2,404,594
Loan receivables	14	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	15	1,984,862	1,485,745
Tax liabilities		42,770	55,798
Borrowings — due within one year	16	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

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2015

	Notes	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	17	**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	16	**255,527**	247,641
Deferred tax liability		**19,233**	20,127
		274,760	267,768
		4,250,265	3,574,009

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note i)	Exchange reserve RMB'000	PRC statutory reserves RMB'000 (Note ii)	Share option reserve RMB'000	Investment revaluation reserve RMB'000	Other reserve RMB'000 (Note iii and iv)	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2014 (audited)	9,429	1,237,360	49,990	(72,404)	189,835	17,802	5,721	33,164	1,401,903	2,872,800	400	2,873,200
Profit for the period	–	–	–	–	–	–	–	–	202,786	202,786	2,933	205,719
Other comprehensive income (expense) for the period	–	–	–	1,097	–	–	(3,239)	–	–	(2,142)	–	(2,142)
Total comprehensive income (expense) for the period	–	–	–	1,097	–	–	(3,239)	–	202,786	200,644	2,933	203,577
Issue of shares upon exercise of share options	159	62,597	–	–	–	(17,802)	–	–	–	44,954	–	44,954
Recognition of equity-settled share-based payments	–	–	–	–	–	4,300	–	–	–	4,300	–	4,300
Acquisition of subsidiaries (Note 18)	–	–	–	–	–	–	–	–	–	–	8,791	8,791
Dividend recognised as distribution (Note 8)	–	–	–	–	–	–	–	–	(157,912)	(157,912)	–	(157,912)
At 30 June 2014 (unaudited)	9,588	1,299,957	49,990	(71,307)	189,835	4,300	2,482	33,164	1,446,777	2,964,786	12,124	2,976,910
At 1 January 2015 (audited)	9,588	1,299,957	49,990	(72,563)	224,823	9,881	–	32,391	1,691,442	3,245,509	60,732	3,306,241
Profit for the period	–	–	–	–	–	–	–	–	253,830	253,830	(1,729)	252,101
Other comprehensive income for the period	–	–	–	1,619	–	–	–	–	–	1,619	–	1,619
Total comprehensive income (expense) for the period	–	–	–	1,619	–	–	–	–	253,830	255,449	(1,729)	253,720
Subscription of shares	591	638,337	–	–	–	–	–	–	–	638,928	–	638,928
Transaction costs attributable to subscription of shares	–	(15,453)	–	–	–	–	–	–	–	(15,453)	–	(15,453)
Recognition of equity-settled share-based payments	–	–	–	–	–	5,557	–	–	–	5,557	–	5,557
Issue of shares upon exercise of share options	1	76	–	–	–	–	–	–	–	77	–	77
Acquisition of additional interests in a subsidiary (Note iv)	–	–	–	–	–	–	–	(3,246)	–	(3,246)	(29,254)	(32,500)
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	–	8,558	8,558
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	2,128	2,128
Dividend recognised as distribution (Note 8)	–	–	–	–	–	–	–	–	(191,751)	(191,751)	–	(191,751)
At 30 June 2015 (unaudited)	10,180	1,922,917	49,990	(70,944)	224,823	15,438	–	29,145	1,753,521	3,935,070	40,435	3,975,505

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2015

Notes:

(i) Merger reserve represents the difference between the nominal value of shares of the subsidiary acquired over the nominal value of the shares used by the Company in exchange thereafter.

(ii) PRC statutory reserves are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to the Group's PRC subsidiaries.

(iii) Other reserve of RMB29,145,000 includes an amount of RMB33,164,000 representing the excess of the balance of plan asset over the carrying amount of shares held under share award plan of the Company, which was recognised upon termination of the plan in prior years.

(iv) The Group accounts for changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and recognises any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received in other reserve.

During the period ended 30 June 2015, the Group acquired an additional 23.08% equity interest in an existing subsidiary from the non-controlling interests. The difference between the amount of consideration and the carrying value of the interests acquired amounting to RMB3,246,000 is recorded in other reserve.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Note	Six months ended 30 June 2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Net cash from (used in) operating activities		10,435	(228,516)
Net cash used in investing activities			
Placement of pledged bank deposits		(241,009)	(241,943)
Purchase of property, plant and equipment		(121,226)	(15,153)
Investment in available-for-sale investments		(54,000)	—
Expenditure on intangible assets		(46,193)	(19,633)
Deposit paid for purchase of a piece of land and certain properties		(33,498)	(35,000)
Withdrawal of pledged bank deposits		230,031	150,345
Capital injection by non-controlling interests		8,558	—
Acquisition of subsidiaries, net of cash and cash equivalents acquired	18	2,468	(77,724)
Advance of short-term loan receivables under entrusted loan contract		—	(230,000)
Repayment of consideration payable on acquisition of a subsidiary		—	(100,000)
Repayment of advance of short-term loans receivables under entrusted loan contracts		—	230,000
Consideration received for disposal of subsidiary		—	33,000
Other investing cash flows		4,173	3,303
		(250,696)	(302,805)
Net cash from financing activities			
New borrowings raised		699,989	782,466
Proceeds from subscription of shares		638,928	—
Proceeds from issue of shares upon exercise of share option		77	44,954
Repayment of borrowings		(471,856)	(409,458)
Dividend paid		(191,751)	(157,912)
Acquisition of additional interests in a subsidiary		(32,500)	—
Transaction costs attributable to subscription of shares		(743)	—
Other financing cash flows		(10,706)	(12,722)
		631,438	247,328
Net increase (decrease) in cash and cash equivalents		391,177	(283,993)
Cash and cash equivalents at beginning of the period		327,434	552,925
Effect of foreign exchange rate changes		(56)	248
Cash and cash equivalents at end of the period, represented by bank balances and cash		718,555	269,180

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 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.

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

3. Revenue and Segment Information (Continued)

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

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. Finance Costs

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on borrowings		
— wholly repayable within five years	**10,700**	12,708
— not wholly repayable within five years	**6**	14
	10,706	12,722

For the six months ended 30 June 2015, the borrowing costs capitalised of RMB2,567,000 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.11% per annum (six months ended 30 June 2014: Nil) to expenditures on qualifying assets.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

6. Income Tax Expense

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

7. 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)

8. 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).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

9. 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

10. Movements in Property, Plant and Equipment, Goodwill and Other Intangible Assets

During current interim period, the Group incurred costs of RMB106,955,000 (six months ended 30 June 2014: RMB4,181,000) on the construction of new factory and office premises and acquired property, plant and equipment of RMB14,271,000 (six months ended 30 June 2014: RMB10,972,000) in order to upgrade its manufacturing capabilities. Development costs of RMB44,945,000 (six months ended 30 June 2014: RMB19,625,000) are capitalised.

In addition, property, plant and equipment of RMB654,000 (six months ended 30 June 2014: RMB24,494,000) and intangible assets of nil amount (six months ended 30 June 2014: RMB7,481,000) are acquired and goodwill of RMB2,618,000 (six months ended 30 June 2014: RMB75,550,000) is generated through the acquisition of subsidiaries (see Note 18).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

11. Available-For-Sale Investments

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Available-for-sale investments comprise:		
Investment in trust fund, at fair value (Note i)	50,000	—
Unlisted equity securities, at cost less impairment (Note ii)	33,811	29,811
	83,811	29,811

Notes:

(i) Amount represents investment in a trust fund made by the Group through a security house. The trust fund invested in ranges of debt instrument products which were generally government bonds and corporate loans.

(ii) Amount represents unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

12. Other Non-Current Assets

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Life insurance products	31,823	31,835
Consideration receivable for disposal of a subsidiary (Note)	21,000	21,000
Deposit paid for purchase of a piece of land	45,127	32,460
Deposit paid for purchase of certain properties	105,823	84,992
Other receivables	620	—
	204,393	170,287

Note: The balance carries fixed-interest at 6.40% per annum, and is repayable in June 2018. A piece of land has been pledged to the Group until the full settlement of the consideration.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

13. 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 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (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

14. Loan Receivables

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Fixed-rate loan receivables	205,000	205,000

The amounts represent short-term loans advanced by the Group to certain independent third parties under entrusted loan contracts. During the six months ended 30 June 2015, the borrowers have negotiated with the Group to extend the loan period for six more months to September and October 2015. These entrusted loans carry fixed interests at 12% per annum and are repayable within twelve months from the end of the reporting period.

Certain land and buildings of the borrowers have been pledged to the Group, and the Group is not permitted to sell these assets in the absence of default of the borrowers. As at 30 June 2015, the fair value of the pledged assets which has been assessed by the management with reference to recent market prices for similar land and buildings in similar locations and conditions is greater than the respective loan balances. The pledge will be released upon settlement of the relevant loans.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

15. 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 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (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	201,788
Consideration payable on acquisition of a subsidiary	6,400	—
	1,984,862	1,485,745

16. Borrowings

During the period, the Group obtained bank loans of RMB699,989,000 (six months ended 30 June 2014: RMB782,466,000) and repaid bank loans of RMB471,856,000 (six months ended 30 June 2014: RMB409,458,000). The loans carry interest at market rates ranging from 0.39% to 6.12% (six months ended 30 June 2014: 0.23% to 9.23%) per annum and are repayable in instalments over a period of 3 years. The proceeds were used for general working capital purposes and to finance the acquisition of property, plant and equipment.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

17. Share Capital

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2014, 30 June 2014, 31 December 2014 and 30 June 2015	100,000,000,000	1,000,000

		RMB'000
Issued and fully paid:		
At 1 January 2014	931,718,675	9,429
Issue of shares upon exercise of share options	20,133,000	159
At 30 June 2014 and 31 December 2014	951,851,675	9,588
Issue of shares upon exercise of share options (Note i)	30,000	1
Issue of shares upon subscription of shares (Note ii and iii)	75,000,000	591
At 30 June 2015	1,026,881,675	10,180

Notes:

(i) During the six months ended 30 June 2015, 30,000 (six months ended 30 June 2014: 20,133,000) ordinary shares of HK$0.01 each in the Company were issued upon the exercise of share options under the share option scheme of the Company with proceeds of HK$96,000 (equivalent to RMB77,000) (six months ended 30 June 2014: HK$54,117,000 (equivalent to RMB42,752,000)).

(ii) On 5 May 2015, the Company entered into a subscription agreement with Star Treasure Investments Holdings Limited ("Star Treasure"), the immediate and ultimate holding company of the Company, pursuant to which Star Treasure agreed to subscribe 61,000,000 new ordinary shares of the Company at a price of HK$10.80 per share. The total subscription price of HK$658,800,000 (equivalent to RMB519,661,000) was received in May 2015. The new shares rank pari passu with the existing shares in all respects.

(iii) On 1 June 2015, the Company entered into a subscription agreement with an independent financial institution pursuant to which the financial institution agreed to subscribe 14,000,000 new ordinary shares of the Company at a price of HK$10.80 per share. The total subscription price of HK$151,200,000 (equivalent to RMB119,267,000) was received in June 2015. The new shares rank pari passu with the existing shares in all respects.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

18. Acquisition of Subsidiaries

For the six months ended 30 June 2015

Acquisition of Hunan Lineng Technology Co., Ltd. ("Lineng Technology")

On 28 January 2015, the Group completed its acquisition of a 64% equity interest in 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 Group obtained control on the date of completion of the acquisition which has been accounted for using the purchase method.

For the six months ended 30 June 2014

(I) Acquisition of a state-owned enterprise in Changsha ("Changsha entity")

On 31 May 2014, the Group completed its acquisition of a 65% equity interest in the Changsha entity, a state-owned enterprise before acquisition, from an independent third party at a consideration of RMB21,120,000. Changsha entity is principally engaged in manufacturing, developing and selling switchgears and circuit breaker that used in power stations and public communities. The Group obtained control on the date of completion of the acquisition which has been accounted for using the purchase method.

(II) Acquisition of a private enterprise in Wuhan ("Wuhan entity")

On 30 April 2014, the Group completed its acquisition of a 65.7143% equity interest in the Wuhan entity from an independent third party at a consideration of RMB52,900,000. Wuhan entity is principally engaged in manufacturing, developing and selling switchgears, ring main unit ("RMU") switchgears and pole-mounted circuit breakers that used in power stations and public communities. The Group obtained control on the date of completion of the acquisition which has been accounted for using the purchase method.

(III) Acquisition of a private enterprise in Xi'an ("Xi'an entity")

On 28 February 2014, the Group completed its acquisition of a 90% equity interest in the Xi'an entity from an independent third party at a consideration of RMB38,250,000. Xi'an entity is principally engaged in trading of RMU switchgears and cable distribution boxes that used in power stations and public communities. The Group obtained control on the date of completion of the acquisition which has been accounted for using the purchase method.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

18. Acquisition of Subsidiaries (Continued)

	Six months ended 30 June				
	2015	2014			
	Lineng Technology RMB'000	Changsha entity RMB'000	Wuhan entity RMB'000	Xi'an entity RMB'000	Total RMB'000
Considerations transferred:					
Cash considerations paid	—	5,000	52,900	38,250	96,150
Consideration payable (Note i)	6,400	16,120	—	—	16,120
	6,400	21,120	52,900	38,250	112,270
Fair value of assets acquired and liabilities recognised at the date of acquisitions (Note ii):					
Property, plant and equipment	654	22,056	2,127	311	24,494
Intangible assets	—	1,923	5,558	—	7,481
Inventories	2,050	27,387	6,662	—	34,049
Trade and other receivables (Note iii)	11,745	73,427	11,831	31,582	116,840
Pledged bank deposits	—	11,851	—	—	11,851
Bank balances and cash	2,468	791	4,167	13,468	18,426
Trade and other payables	(11,007)	(102,300)	(15,171)	(17,159)	(134,630)
Borrowings — due with one year	—	(30,000)	(3,000)	—	(33,000)
	5,910	5,135	12,174	28,202	45,511
Goodwill arising on acquisitions (Note iv)					
Consideration	6,400	21,120	52,900	38,250	112,270
Plus : non-controlling interests (Note v)	2,128	1,797	4,174	2,820	8,791
Less : net assets acquired	(5,910)	(5,135)	(12,174)	(28,202)	(45,511)
	2,618	17,782	44,900	12,868	75,550
Net cash (inflows) outflows arising from the acquisition					
Cash consideration paid	—	5,000	52,900	38,250	96,150
Less: bank balances and cash acquired	(2,468)	(791)	(4,167)	(13,468)	(18,426)
	(2,468)	4,209	48,733	24,782	77,724

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

18. Acquisition of Subsidiaries (Continued)

Notes:

(i) The consideration payable is included in other payable and will be settled in September 2015 (six months ended 30 June 2014: settled in July 2014).

(ii) The initial accounting of the acquisitions during the six months ended 30 June 2014 (six months ended 30 June 2015: completed) was not yet completed at the end of that reporting period. The fair values of assets acquired and liabilities recognised are provisionally determined at the respective date of acquisitions with reference to preliminary professional valuation conducted by an independent valuer.

(iii) The fair values of trade and other receivables at the respective date of acquisitions are the same as their gross contractual amounts at the same date.

(iv) Goodwill mainly attributable to the difference between the fair values of the considerations plus non-controlling interests and the underlying assets and liabilities acquired, because the considerations paid for the combination effectively included amounts in relation to the benefit of expected synergies arising from revenue growth and future market development of the targets. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

(v) The non-controlling interest recognised at the respective acquisition dates were measured with reference to the non-controlling interests' proportionate share of fair values of the net assets at that date.

(vi) The aggregate acquisition-related costs amounting to RMB246,000 (six months ended 30 June 2015: nil) have been excluded from the considerations transferred and have been recognised as an expense during the six months ended 30 June 2014, within the administrative expenses line item in the condensed consolidated statement of profit or loss and other comprehensive income.

(vii) Included in the profit for the period ended 30 June 2014 was revenue of RMB38,582,000 and profit of RMB3,438,000 attributable to the additional business generated by the Changsha entity.

Had the acquisition of the Changsha entity been completed on 1 January 2014, total group revenue for the period ended 30 June 2014 would have been RMB1,376,405,000 and profit for the period would have been RMB190,652,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

The directors of the Company are of the opinion that the subsidiary acquired during the six months ended 30 June 2015 and the other two subsidiaries acquired during the six months ended 30 June 2014 had no significant contribution to the Group's revenue or results for the six months ended 30 June 2015 and 2014.

19. Capital Commitments

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	101,430	125,093

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

20. Related Party Disclosures

(a) Transactions

Relationship	Transactions	Six months ended 30 June 2015 RMB'000 (unaudited)	Six months ended 30 June 2014 RMB'000 (unaudited)
An associate	Sales of goods by the Group	9,831	4,768
	Rental income received by the Group	265	431

(b) Balances

Details of balances between the Group and an associate are as below:

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Trade receivable due from an associate	12,026	12,024
Other receivable due from an associate	14,712	9,681

Particulars of amounts due from related parties other than an associate were as follows:

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Companies beneficially owned and controlled by certain directors of the Company (Note)	20,949	20,956

Note: The amounts are unsecured, interest-free and expected to be recovered after twelve months from the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

20. Related Party Disclosures (Continued)

(c) The remuneration of directors and other members of key management of the Group during the period were as follows:

	Six months ended 30 June	
	2015 **RMB'000** **(unaudited)**	2014 RMB'000 (unaudited)
Short-term benefits	**2,563**	2,732
Retirement benefit scheme contributions	**50**	69
	2,613	2,801

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

21. Fair Value Measurements of Financial Instruments

(a) Fair value of financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. In the level 2 fair value measurements, the Group derived the inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly with reference to the market information.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

21. Fair Value Measurements of Financial Instruments (Continued)

(a) Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)

	Fair value as at		
	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)	Fair value hierarchy
Financial asset			
Available-for-sale investments:			
Investment in trust fund, at fair value (Note 11)	50,000	—	Level 2

The fair value of the trust fund is based on the redemption price provided by the fund manager, which is based on net assets value of the fund.

(b) There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets or any reclassification of financial assets in the period.

(c) Fair value of financial instruments that are recorded at amortised cost

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values at the end of the reporting period.