

ENERGY METERING &
ENERGY SAVING EXPERT

ENERGY

INTERIM REPORT 2016



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)

CORPORATE VISION :

Continual Innovation Contributing to
Wasion's Centennial History

CORPORATE MISSION :

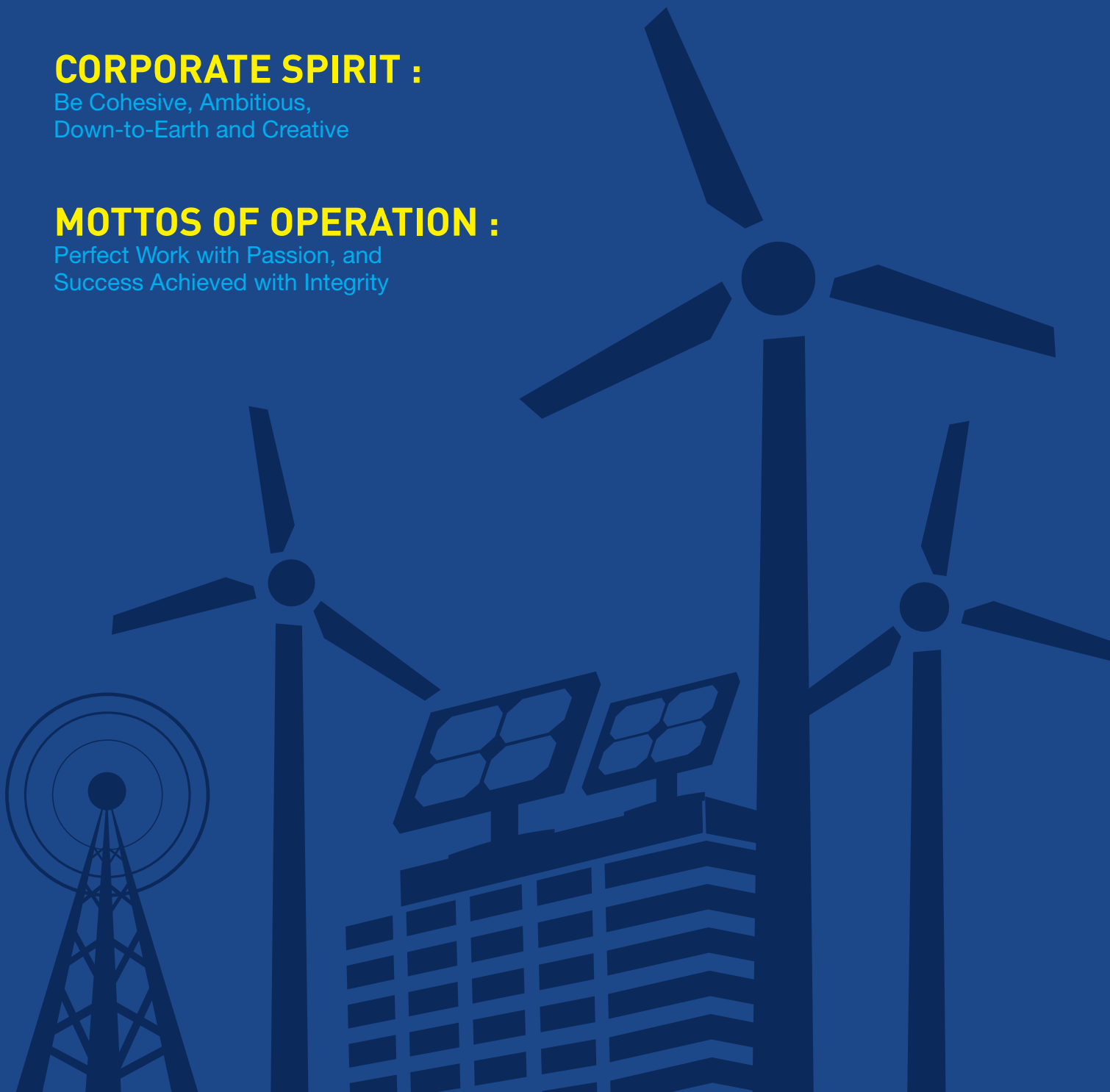
Energy Metering & Energy Saving Expert

CORPORATE SPIRIT :

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

MOTTOS OF OPERATION :

Perfect Work with Passion, and
Success Achieved with Integrity



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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. Luan Wenpeng
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. Luan Wenpeng
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

Internal Control and Risk Management Committee

Mr. Hui Wing Kuen (*Chairman*)
Mr. Zeng Xin
Ms. Li Hong
Mr. Kat Chit
Mr. Wu Jin Ming
Mr. Luan Wenpeng
Mr. Cheng Shi Jie

Principal Bankers

In Hong Kong:

Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank
Standard Chartered Bank
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

CORPORATE INFORMATION (CONTINUED)

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

The header features a dark blue background with white line-art icons of a wind turbine, a radio tower, and a city skyline. The text 'CORPORATE PROFILE' is written in a bold, yellow, sans-serif font across the top.

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	
	2016	2015
	RMB'000	RMB'000
Turnover	1,516,325	1,603,098
Gross profit	455,713	497,109
Profit from operations	256,743	303,539
Net profit attributable to owners of the Company	206,317	253,830
Total assets	7,489,808	7,001,657
Shareholders' equity attributable to owners of the Company	4,043,571	3,935,070
Basic earnings per share (RMB cents)	20.2	26.1
Diluted earnings per share (RMB cents)	20.2	25.9

Key Financial Figures

	Six months ended 30 June	
	2016	2015
Gross profit margin	30%	31%
Operating profit margin	17%	19%
Net profit margin	14%	16%
Trade receivable turnover period (Days)	337	277
Inventory turnover period (Days)	56	59
Trade payable turnover period (Days)	337	246
Gearing ratio (Total borrowings divided by total assets)	15%	14%
Interest coverage (Profit before finance costs and tax divided by finance costs)	10.86	28.14

Revenue

During the period under review, revenue decreased by 5% to RMB1,516.33 million (six months ended 30 June 2015 ("Period 2015"): RMB1,603.10 million).

Gross Profit

The Group's gross profit decreased by 8% to RMB455.71 million for the six months ended 30 June 2016 (Period 2015: RMB497.11 million). The overall gross profit margin is 30% in the first half of 2016 (Period 2015: 31%).

Other Income

The other income of the Group amounted to RMB57.15 million (Period 2015: RMB62.02 million) which was mainly comprised of interest income, dividend income, government subsidy and refund of value-added tax.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Operating Expenses

In the first half of 2016, the Group's operating expenses amounted to RMB265.92 million (Period 2015: RMB254.63 million). Operating expenses accounted for 18% of the Group's revenue in the first half of 2016, representing an increase of 2% as compared with 16% in the first half of 2015.

Finance Costs

For the six months ended 30 June 2016, the Group's finance costs amounted to RMB23.88 million (Period 2015: RMB10.71 million). The increase was mainly attributable to the increase of RMB bank borrowings with higher lending interest rate during the period.

Operating Profit

Earnings before finance costs and tax for the six months ended 30 June 2016 amounted to RMB259.26 million (Period 2015: RMB301.23 million), representing a decrease of 14% 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 2016 decreased by 19% to RMB206.32 million (Period 2015: RMB253.83 million) as compared with the corresponding period of last year.

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 2016, the Group's current assets amounted to approximately RMB4,955.31 million (31 December 2015: RMB4,760.47 million), with cash and cash equivalents totaling approximately RMB668.67 million (31 December 2015: RMB1,171.84 million).

As at 30 June 2016, the Group's total bank loans amounted to approximately RMB1,093.42 million (31 December 2015: RMB877.09 million), of which RMB513.31 million (31 December 2015: RMB300.84 million) will be due to repay within one year and the remaining RMB580.11 million (31 December 2015: RMB576.25 million) will be due after one year. In the first half of 2016, the interest rate for the Group's bank borrowings ranged from 1.72% to 4.20% per annum (31 December 2015: 1.44% to 4.35% per annum).

The gearing ratio (total borrowings divided by total assets) increased from 12% on 31 December 2015 to 15% on 30 June 2016.

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 period, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Employees and Remuneration Policies

As at 30 June 2016, the Group had 4,036 (31 December 2015: 4,189) staff. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB126.98 million in the first half of 2016 (Period 2015: RMB128.89 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 RMB2.36 million for the six months ended 30 June 2016 (Period 2015: RMB1.82 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 adopted a new share option scheme (the "Share Option Scheme") on 16 May 2016 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 share option scheme adopted by the Company on 26 November 2005 has been expired on 25 November 2015.

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.

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 30 June 2016	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\$
	As at 1 January 2016	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period						
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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

Share Award Scheme

The Company has adopted a share award scheme on 3 May 2016 in which the eligible employees will be entitled to participate. The purposes of the share award scheme are to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and also to attract suitable personnel for further development of the Group.

Charge on Assets

As at 30 June 2016, the pledge deposits are denominated in Renminbi and are pledged to banks as security for bills facilities granted to the Group. In addition, the Group's land and buildings are pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 30 June 2016, 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 RMB72.07 million (31 December 2015: RMB70.63 million).

Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Market Review

Looking back to the first half of 2016 (“reviewing period”), the global macro-economy had been facing severe challenges and the Chinese economy had also encountered stagnant growth and problem of lingering RMB depreciation. Additionally, Brexit has brought a huge underlying threat to China-European Union trading relationship. All these economic uncertainties put the government and other private institutions in an even more cautious position in making investment decisions.

Since 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》, also known as “No.9 Document”) by the State Council of China 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)》) by National Energy Administration (“NEA”) in March and July last year respectively, as well as “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》) by National Development and Reform Commission, NEA and Ministry of Industry and Information Technology (“MIIT”) in February this year, power reform, the Internet of Energy and the construction of distribution power grid have become the development highlights of the energy market. The State Grid Corporation of China (“State Grid”) announced its RMB439 billion investment budget in power grid in 2016, which is 4.5% more than its 2015 budget but 3% less than the actual investment in 2015, reflecting the pace of investment in power grid that mainly driven by power transmission and distribution and new energy development is still very cautious and conservative. China Southern Power Grid Co., Ltd. (“Southern Grid”), on the other hand, announced a RMB96 billion fixed assets investment budget.

Under all these economic challenges, the Group aims to pursue the future market opportunities with a pragmatic attitude by precisely assessing different risks and opportunities in order to develop the three business segments of the Group progressively. In the reviewing period, the overall performance of the Group was stable. The revenue was RMB1,516.33 million (first half of 2015: RMB1,603.10 million), representing a decrease of 5% as compared to the corresponding period of last year; while the net profit was RMB206.32 million (first half of 2015: RMB253.83 million), representing a decrease of 19% as compared to the corresponding period of last year.

Business Review

Advanced Metering Infrastructure (“AMI”)

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 in the reviewing period. The turnover of AMI business in the reviewing period recorded a decrease of 3% to RMB809.48 million (first half of 2015: RMB830.71 million) and accounting for 53% of the Group’s total revenue (first half of 2015: 52%).

In the reviewing period, benefited from China’s active promotion of water escalating pricing and one-household-one-meter, the Group’s AMI water business recorded remarkable growth. Currently, the Group has entered into the smart water metering solutions tender list of more than 50 city level water companies in core cities in Hunan, Anhui and other provinces. To effectively grasp the market demand, the Group leveraged on its own advantage as a local enterprise to penetrate into Changsha, Hunan and successfully extended the successful experience to other key cities. Amid market expansion, the Group strictly adhered to innovation and development and launched numerous new products, including the Internet of Things water meters and agricultural water meters. Together with the most advanced systems and terminals, the Group provided the most suitable services for users and received big compliment from the market.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In the reviewing period, the Group continued to excel in AMI international market. Successfully leveraged its brand and market network built over the years in overseas market, the Group has become one of the industry leaders in Egypt, Tanzania, Republic of Bangladesh and Indonesia and progressively seeking for expansion in more new developing markets. At the same time, the core competencies of the Group in technology, marketing and branding were strengthened by having more intensive strategic cooperation with international giants such as Siemens. The policy of “One Belt One Road” also speeded up the Group’s overseas business development.

In the reviewing period, the Group’s overseas business recorded a significant growth, with turnover reaching RMB175.96 million (first half of 2015: RMB127.91 million), representing an increase of 38% as compared to the corresponding period.

Smart Meter (“SM”)

In the first half of 2016, 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 outstanding market position in winning tenders from State Grid and Southern Grid. In the reviewing period, the Group successfully won RMB340.46 million contracts from State Grid, of which RMB279.19 million was the contract value for smart meters. The Group also stood out in the tender invited by Southern Grid among all other tenderers and the contract value reached RMB110 million. In the reviewing period, revenue from SM amounted to RMB441.69 million (first half of 2015: RMB576.52 million) with a decrease of 23% as compared to the corresponding period of last year and accounted for 29% of the Group’s total revenue (first half of 2015: 36%).

Advanced Distribution Operations (“ADO”)

In the reviewing period, the Group’s ADO business has been well progressing and achieved success in both market development and new products launch. In terms of market development, the Group participated in the establishment of standards for the new generation power distribution system of State Grid and has successfully become the product and services provider of the power distribution network construction of major cities including Shanghai and Tianjin. On the other hand, the Group continued to take a closer look at other potential industries including new energy and data centers, and successfully established cooperative relationships with several sizable industrial and commercial clients, which laid an important foundation for future business expansion.

In terms of new products, the Group launched several well-recognized new technology systems, including new type power distribution fault detection system, fault isolation system, power distribution automation terminal, smart power distribution and operation management for users, and energy efficiency management platform. The Group’s in-depth development in railway and transportation made it a vice director unit of the newly established railway transportation manufacturing innovation center in Hunan. The Group also initiated a cooperation with Changsha Metro Group Co., Ltd. to jointly work on energy management and energy saving project in metro stations.

In the reviewing period, the Group successfully obtained a EPC qualification for power engineering, as well as grade B professional qualification in power industry (new energy generation), which together equipped the Group with designing and contracting qualifications in both power distribution and new energy generation. It laid a solid foundation for fully exploring ADO business.

In the reviewing period, the turnover from ADO business was RMB265.16 million (first half of 2015: RMB195.87 million), representing a growth of 35% as compared to the corresponding period of last year and accounting for 18% (first half of 2015: 12%) of the Group’s total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Research and Development

The Group has been working strenuously in the research and development of the know-how of every single AMI and ADO product in order to embrace the trend of market demand and technology development in the industry. In the reviewing period, the Group has confirmed 72 patents for its new products and energy saving services and 44 patents for software received. The number of effective patents for new products and energy saving services increased to 772 and 542 respectively.

In terms of AMI, the Group launched various systems with industry leading technologies based on the new standards on energy consumption monitoring and centralized data collection technology established by the Chinese government and power grid companies, and gained highly market recognition. The Group also kept improving and upgrading the existing products and technology, particularly in the breaker and communications to maintain its industry leading position and advantages.

In terms of ADO, the Group attained satisfactory results in the research and development of primary and secondary power equipment integration, integration technology of hardware and software as well as energy data and service technology. In the newly launched smart distribution power management and operation systems, and energy efficiency management platform, the Group integrated the mobile Internet, including advanced Internet communication technology, big data and cloud computing technology, with power distribution primary and secondary equipment. This multidimensional access to cloud, terminal and client intensified the relations among the management system, devices and users, as well as improved the overall system security.

“Made in China 2025” (「中國製造2025」) is an initiative by the government to comprehensively revamp the manufacturing industry. Based on the existing foundation of informatization and automation, the Group has also developed a smart manufacturing construction plan. Having recognized by MIIT of 2016 Intelligent Manufacturing Comprehensive Standardization and New Model Application Project on 3 June 2016, the Group also received an approval of Intelligent Manufacturing Experimental and Demonstration Project on 17 June. With the great support of government policy, the Group will accelerate the smart manufacturing construction to further strengthen its core competitiveness, and become a role model for the industry.

In July 2016, the Group won the 2016 National Quality Benchmarking Enterprise Rewards in the National Quality Benchmarking Assessment organized by MIIT. Upholding high quality products and systems as the value of the Group, we have imposed stringent quality control to ensure the provision of the most innovative and suitable products and services to users. Winning yet another national honor was the highest recognition to the Group’s core values and efforts.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Prospects

The muted global economic growth and increasing downward pressure on Chinese economy that undermine the operating environment is an undeniable truth. Despite the macroeconomic uncertainties, according to the development plan of the Central Government and power grid companies, smart grid, smart power distribution, and energy efficiency management and smart city industries still remain promising under the government's policy support. Seeing opportunities amid uncertainties, the Group is well-planned to adjust its pace for a stable and sustainable development on a long term basis.

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脫貧攻堅的實施意見》) announced by NEA, China will gear up the upgrading of rural power grid in the western region and poverty area, enhance the level acceptance of distributed energy and promote water-saving irrigation in order to achieve the target of having full power coverage in rural area by 2020. Therefore, the Group will cater to the demand from users in the rural power grid area in order to promote quality products and services for capturing the huge market demand in smart meter products and systems. On the other hand, the Group will continue to focus on the growing demand on power big data monitoring and analysis and actively expand the clientele to public infrastructures such as school and hospitals, as well as new property development projects. Meanwhile, the Group will put a close eye on the development of water metering in China, utilizing our advantages as a smart metering market leader and a finalist on the tender list of numerous water companies, to accelerate water metering business development.

Supported by "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)》) and "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》), construction of distribution power grid, which is regarded as a cornerstone of power quality upgrade and energy efficiency management promotion, has come the development highlight in Chinese power industry. The Group's intensive development of ADO business is to seize the market demand for power distribution upgrade by integration, intellectualization and systemization. In the future, the Group will take advantage on the network being built and marketing efforts being done in the past in the ADO industry to increase the contribution of ADO business. Strategically, the Group will accelerate market expansion by maintaining the relationship with power grid clients, as well as further developing the power end-user market especially for railway and transportation, distributed energy, data centers, high-end commercials and large scale industrial enterprises. Meanwhile, the Group will leverage the EPC qualification to develop ADO business, from integrated equipment, systems and solutions to EPC and services, by providing diversified products and services for customer in order to speed up the development pace of ADO business.

For smart meter business, which is the Group's traditional key business segment, the Group will closely follow the trend led by State Grid and Southern Grid to continue to maintain its market leadership and market share with its high quality products.

For international markets, the Group will keep developing its own brand and channels in Asia, Africa, and Latin America, by accelerating new markets expansion and increasing market penetration through current customer base. At the same time, the Group will leverage on its strategic cooperation with global industry leaders such as Siemens and Huawei, to actively participate in the AMI transformation projects of different countries and hasten the Group's integrated smart metering business in developed regions.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group believes that innovations, research and development form the strong foundation for long term development for any technology companies, and that underlines our commitment in devoting resources in research and development for the invention of market-leading technological breakthroughs with lower cost but higher efficiency. In the future, the Group will stay tuned to the latest national energy market development to continuously update the current products and system; as well as working side-by-side with industry experts and famous talents for new technologies.

In conclusion, the global economic plight draws the market attention to the growth stimulation brought by the rapid development in China. However, the growth drivers for Chinese economy are slowing down, which has shaken the global real economic system and even investors' confidence in the capital market, and brought bigger pressure to companies in different industries. In view of this, the Chinese government has imposed a series of in-depth reforms, including demand side structural reform to increase productivity, aiming at achieving a sustainable and healthy development. As one of the fundamental industry of the nation, energy industry is also facing an accelerating reform with promising prospect which is favorable to the Group's future development.

Looking ahead, by carefully examining every market opportunity and uncertainty, the Group will adhere closely to its vision of "Pertaining a Centennial Wasion by Continual Innovation" in order to achieve a steady and sustainable development and establish it market leading position in the global market.

OTHER INFORMATION

Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (Period 2015: Nil).

Directors' Interests in Shares and Underlying Shares

At 30 June 2016, 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)	517,886,888	51.03%
Wang Xue Xin	Beneficial owner (Note 2)	3,682,000	0.36%
Cao Zhao Hui	Beneficial owner	2,000,000	0.20%
Zeng Xin	Beneficial owner	2,000,000	0.20%
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	440,000	0.04%
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 2016.

OTHER INFORMATION (CONTINUED)

Substantial Shareholders

As at 30 June 2016, 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	517,886,888	51.03%
Star Treasure	Beneficial owner	517,886,888	51.03%

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 2016.

Audit Committee

The audit committee of the Company (the “Audit Committee”) is responsible for assisting the Board in safeguarding the Group’s assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties as assigned by the Board.

All the members of the Audit Committee are independent non-executive directors of the Company.

The interim results of the Group for the six months ended 30 June 2016 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 2016, 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 16 May 2016 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 2016.

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 2016.

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

During the period, the Company has repurchased its listed shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the details are as below:

Month of repurchase	Number of shares repurchased	Highest price per share HK\$	Lowest price per share HK\$	Total Consideration Paid HK\$
February 2016	6,000,000	4.09	3.13	20,376,400
April 2016	4,000,000	4.08	3.91	16,072,940
May 2016	2,000,000	3.95	3.89	7,841,020
	12,000,000			44,290,360

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares.

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 period.

OTHER INFORMATION (CONTINUED)

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 2016



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 19 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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 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 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Revenue	3	1,516,325	1,603,098
Cost of sales		(1,060,612)	(1,105,989)
Gross profit		455,713	497,109
Other income		57,148	62,018
Other gains and losses		9,797	(955)
Administrative expenses		(73,966)	(68,050)
Selling expenses		(126,996)	(116,949)
Research and development expenses		(64,953)	(69,634)
Finance costs	4	(23,880)	(10,706)
Share of results of an associate		2,517	(2,306)
Profit before taxation		235,380	290,527
Income tax expense	5	(29,731)	(38,426)
Profit for the period	6	205,649	252,101
Profit (loss) for the period attributable to			
– Owners of the Company		206,317	253,830
– Non-controlling interests		(668)	(1,729)
		205,649	252,101
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences arising on translation of foreign operations		1,753	1,619
Fair value changes on available-for-sale investments		2	–
Other comprehensive income for the period		1,755	1,619
Total comprehensive income for the period		207,404	253,720
Total comprehensive income (expense) for the period attributable to			
– Owners of the Company		208,072	255,449
– Non-controlling interests		(668)	(1,729)
		207,404	253,720
Earnings per share	8		
Basic		RMB20.2 cents	RMB26.1 cents
Diluted		RMB20.2 cents	RMB25.9 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,234,537	1,182,303
Prepaid lease payments		396,645	400,571
Investment properties		15,983	16,098
Goodwill	9	300,537	300,537
Other intangible assets	9	334,793	296,236
Investment in an associate		2,518	1
Available-for-sale investments	10	83,818	83,816
Amounts due from related parties	20(b)	20,956	20,956
Other non-current assets	11	144,711	162,111
		2,534,498	2,462,629
CURRENT ASSETS			
Inventories		314,144	334,104
Investment held-for-trading		11,160	—
Trade and other receivables	12	3,505,995	2,800,166
Prepaid lease payments		7,870	7,870
Loan receivables	13	205,000	205,000
Pledged bank deposits		242,469	241,489
Bank balances and cash		668,672	1,171,836
		4,955,310	4,760,465
CURRENT LIABILITIES			
Trade and other payables	14	2,258,216	2,133,520
Tax liabilities		39,072	54,452
Borrowings — due within one year	15	513,311	300,839
		2,810,599	2,488,811
NET CURRENT ASSETS		2,144,711	2,271,654
TOTAL ASSETS LESS CURRENT LIABILITIES		4,679,209	4,734,283

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2016

	Notes	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	16	10,078	10,180
Reserves		4,033,493	4,090,980
Equity attributable to owners of the Company		4,043,571	4,101,160
Non-controlling interests		37,744	38,412
		4,081,315	4,139,572
NON-CURRENT LIABILITIES			
Borrowings — due after one year	15	580,104	576,248
Deferred tax liability		17,790	18,463
		597,894	594,711
		4,679,209	4,734,283

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company													
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Exchange reserve RMB'000	PRC statutory reserves RMB'000	Share option reserve RMB'000	Investment revaluation reserve RMB'000	Shares held for share award scheme RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total RMB'000	
			(Note i)		(Note ii)			(Note iii)	(Note iv and v)					
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 (loss) 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 7)	—	—	—	—	—	—	—	—	—	(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	
At 1 January 2016 (audited)	10,180	1,922,917	49,990	(78,902)	262,400	21,342	4	—	27,582	1,885,647	4,101,160	38,412	4,139,572	
Profit (loss) for the period	—	—	—	—	—	—	—	—	—	206,317	206,317	(668)	205,649	
Other comprehensive income for the period	—	—	—	1,753	—	—	2	—	—	—	1,755	—	1,755	
Total comprehensive income (expense) for the period	—	—	—	1,753	—	—	2	—	—	206,317	208,072	(668)	207,404	
Recognition of equity-settled share-based payments	—	—	—	—	—	3,236	—	—	—	—	3,236	—	3,236	
Shares repurchased and cancelled (Note 16)	(102)	(37,381)	—	—	—	—	—	—	—	—	(37,483)	—	(37,483)	
Transaction costs attributable to shares repurchased	—	(160)	—	—	—	—	—	—	—	—	(160)	—	(160)	
Purchase of shares under share award scheme (Note 18)	—	—	—	—	—	—	—	(25,119)	—	—	(25,119)	—	(25,119)	
Dividend recognised as distribution (Note 7)	—	—	—	—	—	—	—	—	—	(206,135)	(206,135)	—	(206,135)	
At 30 June 2016 (unaudited)	10,078	1,885,376	49,990	(77,149)	262,400	24,578	6	(25,119)	27,582	1,885,829	4,043,571	37,744	4,081,315	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2016

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) Shares held for share award scheme represents the own shares of the Company repurchased by a trustee for an employees' share award scheme.
- (iv) Other reserve of RMB27,582,000 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.
- (v) 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 was recorded in other reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Net cash (used in) from operating activities		(313,897)	10,435
Net cash used in investing activities			
Placement of pledged bank deposits		(239,498)	(241,009)
Purchase of property, plant and equipment		(75,010)	(121,226)
Expenditure on intangible assets		(65,651)	(46,193)
Withdrawal of pledged bank deposits		238,518	230,031
Deposit returned (paid) for purchase of a piece of land and certain properties		13,600	(33,498)
Investment in available-for-sale investments		—	(54,000)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	17	—	2,468
Other investing cash flows		7,861	4,173
		(120,180)	(259,254)
Net cash (used in) from financing activities			
Repayment of borrowings		(293,010)	(471,856)
Dividend paid		(206,135)	(191,751)
Shares repurchased and cancelled	16	(37,483)	—
Shares repurchased for share award scheme		(25,119)	—
Transaction costs attributable to shares repurchased and cancelled	16	(160)	—
New borrowings raised		508,750	699,989
Proceeds from subscription of shares		—	638,928
Capital injection by non-controlling interests		—	8,558
Proceeds from issue of shares upon exercise of share option		—	77
Acquisition of additional interests in a subsidiary		—	(32,500)
Transaction costs attributable to subscription of shares		—	(743)
Other financing cash flows		(23,880)	(10,706)
		(77,037)	639,996
Net (decrease) increase in cash and cash equivalents		(511,114)	391,177
Cash and cash equivalents at beginning of the period		1,021,836	327,434
Effect of foreign exchange rate changes		7,950	(56)
Cash and cash equivalents at end of the period		518,672	718,555
Represented by:			
Bank balances and cash		668,672	718,555
Less: Short-term bank deposit		(150,000)	—
		518,672	718,555

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 (the “Stock Exchange”) (“Listing Rules”).

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

Repurchase of equity instruments

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Equity-settled share-based payment transactions

Awarded shares granted to employees

When trustee of the share award scheme purchases the Company’s shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company’s own shares.

The fair value of services received is determined by reference to the fair value of share award granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share award reserve).

When the trustee transfers the Company’s granted shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held for share award scheme. Accordingly, the related expense of the granted shares vested is reversed from share award reserve. The difference arising from such transfer is debited/credited to retained profits. At the end of the reporting period, the Group revises its estimates of the number of shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to the share award reserve.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

2. Principal Accounting Policies (Continued)

Equity-settled share-based payment transactions (Continued)

Awarded shares granted to employees (Continued)

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 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separated Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 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 design, 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 2016

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 2016

	Smart meter RMB'000	Advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Consolidated RMB'000
Segment revenue	441,691	809,474	265,160	1,516,325
Segment profit	36,747	184,167	18,294	239,208
Unallocated income				39,833
Share of results of an associate				2,517
Central administration costs				(22,298)
Finance costs				(23,880)
Profit before taxation				235,380

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

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 2016

4. Finance Costs

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on borrowings	16,320	10,706
Interest on factoring of trade receivables	7,560	—
	23,880	10,706

For the six months ended 30 June 2016, the borrowing costs capitalised of RMB8,598,000 (six months ended 30 June 2015: RMB2,567,000) arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.72% (six months ended 30 June 2015: 3.11%) per annum to expenditures on qualifying assets.

5. Income Tax Expense

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
— current period	33,153	38,760
— (over)underprovision in prior periods	(2,749)	560
	30,404	39,320
Deferred taxation		
— current period	(673)	(894)
	29,731	38,426

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 2015 and 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

5. Income Tax Expense (Continued)

Notes: (continued)

(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 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 is calculated at the rates prevailing in the respective jurisdictions. Under the Decree Law No. 58/99/M Chapter 2, Article 12, dated 18 October 1999, a Macao company incorporated under that Law ("58/99/M Company") is exempted from Macao Complementary Tax (Macao Income Tax) as long as the 58/99/M Company does not sell its products to a Macao resident company.

No deferred taxation has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries arising on or after 1 January 2008 as the directors consider that such earnings will not be distributed in the foreseeable future.

6. Profit For the Period

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of intangible assets	27,094	23,162
Depreciation of investment properties	115	115
Depreciation of property, plant and equipment	22,631	22,688
Release of prepaid lease payments	3,926	2,818
Bank interest income	(5,722)	(3,951)
Interest income from loans receivables	(11,545)	(11,375)
Net exchange (gain) loss	(9,718)	1,042

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

7. Dividends

During the period, a cash dividend of HK\$0.24, equivalent to RMB0.201, per share (six months ended 30 June 2015: HK\$0.24, equivalent to RMB0.194, per share) was declared and paid to the shareholders as the final dividend for 2015. The aggregate amount of the final dividend declared and paid in the current interim period amounting to RMB206,135,000 (six months ended 30 June 2015: RMB191,751,000).

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

8. Earnings Per Share

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

	Six months ended 30 June	
	2016	2015
	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)	206,317	253,830
	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,020,064,565	971,527,476
Effects of dilutive potential ordinary shares in respect of share options	—	9,182,720
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,020,064,565	980,710,196

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company as set out in Note 18.

The computation of dilutive earnings per share for the six months ended on 30 June 2016 does not assume the exercise of share options because the exercise prices of those options were higher than the average market price for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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

During current interim period, the Group incurred costs of RMB69,438,000 (six months ended 30 June 2015: RMB106,955,000) on the construction of new factory and office premises and acquired property, plant and equipment of RMB5,572,000 (six months ended 30 June 2015: RMB14,271,000) in order to upgrade its manufacturing capabilities. Development costs of RMB62,652,000 (six months ended 30 June 2015: RMB44,945,000) are capitalised.

In addition, during the six months ended 30 June 2015, property, plant and equipment of RMB654,000 (six months ended 30 June 2016: nil) was acquired and goodwill of RMB2,618,000 (six months ended 30 June 2016: nil) was generated through the acquisition of a subsidiary (see Note 17).

10. Available-For-Sale Investments

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Available-for-sale investments comprise:		
Investment in trust fund, at fair value (Note i)	50,006	50,004
Unlisted equity securities, at cost less impairment (Note ii)	33,812	33,812
	83,818	83,816

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

11. Other Non-Current Assets

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Life insurance products	34,490	33,808
Consideration receivable for disposal of a subsidiary (Note)	21,000	21,000
Deposit paid for purchase of certain properties	89,221	93,703
Deposit paid for purchase of a piece of land	—	13,600
	144,711	162,111

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 this balance, and the Group is not permitted to sell the asset in absence of default of the acquirer.

12. Trade and Other Receivables

Due to the nature of business, the Group generally allows credit periods ranging from 90 days to 365 days to its trade customers, except for certain customers, the credit periods may beyond 365 days.

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 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Trade and bills receivables		
0–90 days	1,513,229	1,675,389
91–180 days	166,029	204,873
181–365 days	949,435	321,461
Over 1 year	226,347	96,124
	2,855,040	2,297,847
Retentions held by trade customers	245,182	215,535
Deposits, prepayments and other receivables	405,773	286,784
	3,505,995	2,800,166

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

13. Loan Receivables

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 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 2016, a borrower has negotiated with the Group to extend the loan period of a loan receivable amounted to RMB100,000,000 for six more months to October 2016. 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 2016, 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.

14. 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 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Trade and bills payables		
0–90 days	1,398,580	1,470,814
91–180 days	481,900	333,313
181–365 days	122,424	39,305
Over 1 year	42,450	37,901
Other payables	2,045,354	1,881,333
Consideration payable on acquisition of a subsidiary	206,462	245,787
	6,400	6,400
	2,258,216	2,133,520

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

15. Borrowings

During the period, the Group obtained bank loans of RMB508,750,000 (six months ended 30 June 2015: RMB699,989,000) and repaid bank loans of RMB293,010,000 (six months ended 30 June 2015: RMB471,856,000). The loans carry interest at market rates ranging from 1.72% to 4.20% (six months ended 30 June 2015: 0.39% to 6.12%) 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.

16. Share Capital

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2015, 30 June 2015, 31 December 2015 and 30 June 2016	100,000,000,000	1,000,000
		RMB'000
Issued and fully paid:		
At 1 January 2015	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 and 31 December 2015	1,026,881,675	10,180
Shares repurchased and cancelled (Note iv)	(12,000,000)	(102)
At 30 June 2016	1,014,881,675	10,078

Notes:

- (i) During the six months ended 30 June 2015, 30,000 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).
- (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 RMB 519,661,000) was received in May 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 2016

16. Share Capital (Continued)

Notes: (Continued)

- (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 RMB 119,267,000) was received in June 2015. The new shares rank pari passu with the existing shares in all respects.
- (iv) During the six months ended 30 June 2016, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK\$0.01 each of the Company	Price per share		Aggregate consideration paid RMB'000
		Highest HK\$	Lowest HK\$	
February 2016	6,000,000	4.09	3.13	17,244
April 2016	4,000,000	4.08	3.91	13,603
May 2016	2,000,000	3.95	3.89	6,636
	12,000,000			37,483

The above ordinary shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

17. Acquisition of a Subsidiary

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

	Six months ended 30 June 2015 Lineng Technology RMB'000
Consideration transferred:	
Consideration payable (Note i)	6,400
Fair value of assets acquired and liabilities recognised at the date of acquisition:	
Property, plant and equipment	654
Inventories	2,050
Trade and other receivables (Note ii)	11,745
Bank balances and cash	2,468
Trade and other payables	(11,007)
	5,910
Goodwill arising on the acquisition (Note iii)	
Consideration	6,400
Plus : non-controlling interest (Note iv)	2,128
Less : net assets acquired	(5,910)
	2,618
Cash inflow arising from the acquisition	
Bank balances and cash acquired	2,468

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

17. Acquisition of a Subsidiary (Continued)

Notes:

- (i) The consideration payable is included in other payable and will be settled in late 2016.
- (ii) The fair values of trade and other receivables at the date of acquisition are the same as their gross contractual amounts at the same date.
- (iii) Goodwill mainly attributable to the difference between the fair values of the consideration plus non-controlling interests and the underlying assets and liabilities acquired, because the consideration 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.
- (iv) The non-controlling interest recognised at the acquisition date were measured with reference to the non-controlling interest's proportionate share of fair values of the net assets at that date.
- (v) The aggregate acquisition-related costs amounting to RMB246,000 have been excluded from the consideration transferred and have been recognised as an expense during the six months ended 30 June 2015, within the administrative expenses line item in the condensed consolidated statement of profit or loss and other comprehensive income.

18. Share-Based Payment Transaction

The Company's share award scheme (the "Scheme") was adopted pursuant to a resolution passed on 3 May 2016. Pursuant to the Scheme under which eligible employees are entitled to participate. The purpose of the Scheme is to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and also to attract suitable personnel for further development of the Group. The Scheme became effective on 3 May 2016 and, unless otherwise terminated or amended, will remain in force for 10 years.

The Scheme is operated through a trustee which is independent of the Group and has the right to, among other conditions, in its sole discretion, determine whether the shares are to be purchased on or off the Stock Exchange from time to time, unless during the year at which the directors of the Company are prohibited by the Listing Rules or any corresponding codes or securities dealing restrictions adopted by the Company. In any given financial year of the Company, the maximum number of shares to be purchased by the trustee for the purpose of the Scheme shall not exceed 10% of the total number of issued shares as at the beginning of that financial year.

The directors would notify the trustee of the Scheme in writing upon the making of any award to any participants. Upon the receipt of such notice, the trustee would set aside the appropriate number of awarded shares in the pool of shares. No new shares would be allotted and issued to satisfy the awards made under the Scheme.

During the six months ended 30 June 2016, 7,500,000 ordinary shares of the Company have been acquired at an aggregate cost of HK\$29,681,000 (equivalent to RMB25,119,000). As at 30 June 2016, no participant has been awarded any share under the Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

19. Capital Commitments

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 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	72,066	70,634

20. Related Party Disclosures

(a) Transactions

Relationship	Transactions	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
An associate	Sales of goods by the Group	7,591	9,831
	Rental income received by the Group	237	265

(b) Balances

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

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Trade receivable due from an associate	395	93,035
Other receivable due from an associate	9,681	9,681
Other payable due to an associate	(49)	(229)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

20. Related Party Disclosures (Continued)

(b) Balances (Continued)

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

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Companies beneficially owned and controlled by certain directors of the Company (Note)	20,956	20,956

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

(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	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Short-term benefits	3,370	2,563
Retirement benefit scheme contributions	72	50
	3,442	2,613

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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.

	Fair value as at		
	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)	Fair value hierarchy
Financial asset			
Available-for-sale investments:			
Investment in trust fund, at fair value (Note 10)	50,006	50,004	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.