Wasion Group Holdings Limited

威勝集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3393)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB2,607.5 million (2015: RMB2,969.03 million), representing a decrease of 12%.
- Revenue from ADO increased by 21% to RMB514.95 million as compared with 2015.
- Revenue from Power AMI decreased by 17% to RMB1,590.68 million as compared with 2015.
- Revenue from Communication and Fluid AMI decreased by 19% to RMB501.87 million as compared with 2015.
- Net profit for the year attributable to owners of the Company amounted to RMB307.27 million (2015: RMB423.53 million).
- Basic earnings per share for the year amounted to RMB30 cents (2015: RMB42 cents).
- The board of directors has proposed a final dividend of HK$0.24 (equivalent to RMB0.212) per share for the year ended 31 December 2016.

The board of directors (the "Board") of Wasion Group Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
Revenue	*3*	**2,607,504**	2,969,033
Cost of sales		**(1,790,744)**	(2,072,834)
Gross profit		**816,760**	896,199
Other income	*4*	**111,133**	145,189
Other gains and losses	*5*	**16,150**	(18,338)
Administrative expenses		**(148,264)**	(136,978)
Selling expenses		**(247,841)**	(244,570)
Research and development expenses		**(147,047)**	(143,330)
Finance costs		**(52,564)**	(25,389)
Share of results of an associate		**1,062**	(3,108)
Profit before taxation	*6*	**349,389**	469,675
Income tax expense	*7*	**(41,484)**	(47,856)
Profit for the year		**307,905**	421,819
Profit (loss) for the year attributable to			
— Owners of the Company		**307,265**	423,533
— Non-controlling interests		**640**	(1,714)
		307,905	421,819
Earnings per share	*9*		
Basic		**RMB30 cents**	RMB42 cents
Diluted		**RMB30 cents**	RMB42 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 RMB'000	2015 RMB'000
Profit for the year	**307,905**	421,819
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation	**21,582**	(6,339)
Fair value changes on available-for-sale investments	**(1,204)**	4
Other comprehensive income (expense) for the year	**20,378**	(6,335)
Total comprehensive income for the year	**328,283**	415,484
Total comprehensive income (expense) for the year attributable to		
— Owners of the Company	**327,643**	417,198
— Non-controlling interests	**640**	(1,714)
	328,283	415,484

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,267,972**	1,182,303
Prepaid lease payments		**392,604**	400,571
Investment properties		**19,752**	16,098
Goodwill		**297,919**	300,537
Other intangible assets		**361,695**	296,236
Investment in an associate		**1,063**	1
Available-for-sale investments		**150,878**	83,816
Amounts due from related parties		**—**	20,956
Other non-current assets		**60,138**	162,111
		2,552,021	2,462,629
CURRENT ASSETS			
Inventories		**344,075**	334,104
Trade and other receivables	*10*	**3,260,764**	2,800,166
Prepaid lease payments		**7,918**	7,870
Loan receivables		**205,000**	205,000
Pledged bank deposits		**183,297**	241,489
Bank balances and cash		**940,016**	1,171,836
		4,941,070	4,760,465
CURRENT LIABILITIES			
Trade and other payables	*11*	**2,166,141**	2,133,520
Tax liabilities		**36,816**	54,452
Borrowings — due within one year		**532,967**	300,839
		2,735,924	2,488,811
NET CURRENT ASSETS		**2,205,146**	2,271,654
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,757,167**	4,734,283
CAPITAL AND RESERVES			
Share capital		**10,078**	10,180
Reserves		**4,138,541**	4,090,980
Equity attributable to owners of the Company		**4,148,619**	4,101,160
Non-controlling interests		**29,095**	38,412
		4,177,714	4,139,572
NON-CURRENT LIABILITIES			
Borrowings — due after one year		**562,307**	576,248
Deferred tax liability		**17,146**	18,463
		579,453	594,711
		4,757,167	4,734,283

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
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 HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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

3. REVENUE AND SEGMENT INFORMATION

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

In previous years, the Group's reportable and operating segments under HKFRS 8 are as follows:

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

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

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

3. **REVENUE AND SEGMENT INFORMATION (CONTINUED)**

During the current year, management of the Group has restructured its segment reporting in accordance with the future development strategy of the Group. CODM has used the new segment information for the decision making, resources allocation and segment performance assessment and the Group's reportable and operating segments under HKFRS 8 are changed to below:

(a) Power advanced metering infrastructure segment, which engages in the development, manufacture and sale of smart power meters and provision of respective system solution;

(b) Communication and fluid advanced metering infrastructure segment, which engages in the development, manufacture and sale of communication terminals and water, gas and heat metering products and provision of respective system solution; and

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

Segment revenue and results

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

For the year ended 31 December 2016

	Power advanced metering infrastructure *RMB'000*	**Communication and fluid advanced metering infrastructure** *RMB'000*	**Advanced distribution operations** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	**1,590,680**	**501,873**	**514,951**	**2,607,504**
Segment profit	**261,041**	**65,105**	**76,607**	**402,753**
Unallocated income and gains/losses				**48,581**
Share of results of an associate				**1,062**
Central administration costs				**(50,443)**
Finance costs				**(52,564)**
Profit before taxation				**349,389**

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the year ended 31 December 2015 (restated)

	Power advanced metering infrastructure *RMB'000*	Communication and fluid advanced metering infrastructure *RMB'000*	Advanced distribution operations *RMB'000*	Consolidated *RMB'000*
Segment revenue	1,919,462	622,959	426,612	2,969,033
Segment profit	296,124	108,323	111,880	516,327
Unallocated income and gains/losses				27,323
Share of results of an associate				(3,108)
Central administration costs				(45,478)
Finance costs				(25,389)
Profit before taxation				469,675

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

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are mainly located in the PRC.

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

	Revenue from external customers Year ended 31 December		Non-current assets *(Note)*	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**2,209,900**	2,665,771	**2,345,825**	2,304,713
Overseas	**397,604**	303,262	**—**	—
	2,607,504	2,969,033	**2,345,825**	2,304,713

Note: Non-current assets exclude financial instruments.

4. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Other income comprises:		
Bank interest income	**11,957**	6,513
Change in fair value of financial assets classified as held for trading	**9,686**	3,304
Dividend income from available-for-sale investments	**3,485**	3,485
Government grants *(Note i)*	**32,283**	78,924
Interest income from available-for-sale investments	**3,832**	3,003
Interest income from consideration receivable for disposal of a subsidiary	**906**	1,344
Interest income from loan receivables *(Note ii)*	**24,383**	24,536
Refund of value-added tax ("VAT") *(Note iii)*	**20,942**	20,879
Rental income from investment properties	**1,678**	1,235
Others	**1,981**	1,966
	111,133	145,189

4. **OTHER INCOME (CONTINUED)**

Notes:

(i) Government grants mainly comprise financial subsidies from the PRC governments for the immediate rewards of the Group's contribution to the relevant provinces and the continuous technological advancements of the Group in its products with no future related costs or obligations.

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

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

5. **OTHER GAINS AND LOSSES**

	2016	2015
	RMB'000	*RMB'000*
Other gains (losses) comprises:		
Net foreign exchange gain (loss)	**15,442**	(18,439)
Net (loss) gain on disposal of property, plant and equipment	**(32)**	101
Gain on disposal of a subsidiary	**740**	—
	16,150	(18,338)

6. PROFIT BEFORE TAXATION

	2016	2015
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and benefits	**248,245**	250,956
Retirement benefit scheme contributions	**18,601**	16,822
Share-based payment expenses	**5,816**	11,461
	272,662	279,239
Capitalised in development costs	**(60,102)**	(62,565)
Capitalised in inventories	**(22,090)**	(21,550)
	190,470	195,124
Auditor's remuneration	**2,915**	2,829
Depreciation of property, plant and equipment	**44,679**	45,215
Depreciation of investment properties	**304**	230
Release of prepaid lease payments	**7,918**	6,204
Amortisation of intangible assets (included in selling expenses, administrative expenses and research and development expenses)	**60,091**	44,766
Total depreciation and amortisation	**112,992**	96,415
Capitalised in inventories	**(3,269)**	(3,207)
	109,723	93,208
Cost of inventories recognised as expense	**1,790,744**	2,072,834

7. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
— Current year	**59,327**	67,892
— Overprovision in prior years	**(16,526)**	(18,372)
	42,801	49,520
Deferred taxation		
— Current year	**(1,317)**	(1,664)
	41,484	47,856

7. INCOME TAX EXPENSE (CONTINUED)

Notes:

(i) Hong Kong

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

(ii) PRC

PRC EIT was calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC, except 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, year 2015 to 2017 or year 2016 to 2018, respectively.

(iii) Other jurisdictions

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

8. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2015 final dividend — HK$0.24, equivalent to RMB0.201, per share (2015: 2014 final dividend — HK$0.24, equivalent to RMB0.194, per share)	**206,135**	191,751

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2016 of HK$0.24, equivalent to RMB0.212, per share (2015: final dividend in respect of the year ended 31 December 2015 of HK$0.24, equivalent to RMB0.201, per share), in an aggregate amount of HK$243,572,000, equivalent to RMB215,318,000, (2015: HK$243,572,000, equivalent to RMB206,135,000), has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

9. EARNINGS PER SHARE

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

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**307,265**	423,533

	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,013,705,745**	999,432,059
Effect of dilutive potential ordinary shares in respect of share options	**41,543**	8,809,140
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,013,747,288**	1,008,241,199

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.

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade and bills receivables, gross	**2,562,979**	2,317,539
Less: Allowance for doubtful debts *(Note i)*	**(19,692)**	(19,692)
Trade and bills receivables, net *(Note ii)*	**2,543,287**	2,297,847
Retentions held by trade customers *(Note iii)*	**284,397**	215,535
Deposits and prepayments	**254,094**	195,794
Other receivables *(Note iv)*	**178,986**	90,990
	3,260,764	2,800,166

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(i) The entire balance of the allowance for doubtful debts as at 31 December 2015 and 2016 are individually impaired trade receivables which are in severe financial difficulties. Movements in the provision for impairment of trade and bills receivables are as follows:

	RMB'000
At 1 January 2015, 31 December 2015 and 31 December 2016	19,692

(ii) Included in the Group's trade receivable is trade balance with an associate of RMB27,532,000 (2015: RMB93,035,000). 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 aged analysis of trade and bills receivables net of allowance for doubtful debts, presented based on the revenue recognition dates at the end of the reporting period:

	2016	2015
	RMB'000	*RMB'000*
0–90 days	**1,430,510**	1,675,389
91–180 days	**277,667**	204,873
181–365 days	**345,692**	321,461
Over 1 year	**489,418**	96,124
	2,543,287	2,297,847

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. 93% (2015: 95%) of the trade receivables that are neither past due nor impaired have good credit rating.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB178,050,000 (2015: RMB111,456,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The directors consider no deterioration in credit qualities of these debtors and the settlements after the end of the reporting period from those debtors are satisfactory, the directors conclude that no provision for impairment loss is required. The Group does not hold any collateral over these balances. The average age of these receivables is approximately 495 days (2015: 401 days).

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

	2016	2015
	RMB'000	*RMB'000*
Days overdue:		
0–90 days	**117,393**	59,693
91–180 days	**14,377**	16,949
181–365 days	**10,351**	6,349
Over 1 year	**35,929**	28,465
	178,050	111,456

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(ii) (Continued)

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

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

	2016	2015
	RMB'000	*RMB'000*
Hong Kong dollars ("HKD")	**124**	124
USD	**234,289**	50,430

(iii) Included in the retentions held by trade customers is an aggregate amount of RMB96,510,000 (2015: RMB78,058,000) that is expected to be realised after twelve months from the end of the reporting period.

(iv) Included in the balance is an amount of RMB9,681,000 (2015: RMB9,681,000) due from an associate arising from the transferring of certain intangible assets during the year ended 31 December 2014. The amount is unsecured, interest free and is expected to be repaid within one year.

11. TRADE AND OTHER PAYABLES

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

	2016	2015
	RMB'000	*RMB'000*
Trade and bills payables		
0–90 days	**1,413,624**	1,470,814
91–180 days	**460,745**	333,313
181–365 days	**87,320**	39,305
Over 1 year	**38,834**	37,901
	2,000,523	1,881,333
Other payables *(Note)*	**165,618**	245,787
Consideration payable on acquisition of a subsidiary	**—**	6,400
	2,166,141	2,133,520

Note: Included in the balance is an amount of RMB1,035,000 (2015: RMB229,000) due to an associate. The amount is non-trade in nature, unsecured, interest free and is repayable on demand.

11. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2016	2015
	RMB'000	*RMB'000*
HKD	**11,031**	3,704

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The global economic development in 2016 ("year under review") faced strong resistance. International issues such as the US presidential election, Brexit and devaluation of the Renminbi were dragging down the trading, foreign exchange and financial markets. As the world's second largest economy and the main driver of global economic growth, China recorded a 6.7% growth in GDP during the year under review, representing a continuing economic slowdown.

Despite the economic fluctuation, Chinese government has showed its determination in promoting energy reform, actively upgrading energy construction, and constructing a safe and efficient energy system. According to the statistics published by National Energy Administration (NEA), in 2016, China's major power enterprises have collectively invested RMB885.5 billion in power-related engineering construction, which included RMB342.9 billion in power supply engineering and RMB542.6 billion in power grid construction. Since the issuance of "Opinions on Deepening the Reform of Electricity System" (《關於進一步深化電力體制改革的若干意見》) by the State Council two years ago, 23 provinces have started their power system reform pilot programme, 33 power trading institutions were established, 31 provincial power grids have implemented full grid transmission and distribution price reform and 6,400 electricity sales companies were established. The two major power grid companies have also been actively pushing forward the power reform progress. During the year under review, the State Grid Corporation of China (hereinafter referred to as "State Grid") completed a total investment of RMB497.7 billion, including RMB171.8 billion investment in upgrading rural grid and over RMB64 billion investment in new energy grid connection and transmission engineering. China Southern Power Grid Co., Ltd. (hereinafter referred to as "Southern Grid") also completed a fixed assets investment of RMB102.2 billion. There is no doubt that, with the concerted efforts of the government, grid companies and the private sector, the preparatory work for the new power reform has been carried out and is gradually rewriting the traditional power market order.

As another important infrastructure for national economic and social development, water reform was upgraded as a national strategy during the "12th Five-Year Plan" period. During which, the total investment in national water conservancy construction reached RMB2 trillion with an average annual investment of RMB400 billion. Over the past year, many provinces and cities followed the pace of the central government to tighten their water resources management regulation and speed up water conservancy construction. However, other water related problems such as water shortage, water ecological damage, water pollution have become increasingly prominent. The National Development and Reform Commission, in conjunction with the Ministry of Water Resources and the Ministry of Housing, Urban and Rural Construction, therefore issued the "13th Five-Year Plan" for Water Conservancy Reform and Development (《水利改革發展「十三五」規劃》) in December 2016, proposing the construction of a water-saving society, acceleration of water conservancy infrastructure network improvement, and further consolidation of rural water conservancy foundation.

In the face of the challenges posed by the economic downturn and the opportunities brought by energy reform during the year under review, the Group insisted on maintaining a steady business development and adjusted its business development strategy targeting future energy market. In 2016, the Group recorded a turnover of RMB2,607.5 million (2015: RMB2,969.03 million), representing a decrease of 12% as compared to 2015; and a net profit of RMB307.27 million (2015: RMB423.53 million), representing a decrease of 27% as compared to 2015. The slid in net profit was due to the unexpected shrinking of the tender size and the slowdown of delivery schedule by the Group's key client State Grid, the significant increase in amortisation of intangible assets and finance costs, as well as the decrease in government subsidies.

In order to seize more opportunities in the capital market for the Group's long-term sustainable development, the Group was exploring the possibility of spin-off and separately listing of part of the Group's businesses on a stock exchange in the People's Republic of China ("PRC") during the year under review, pursuant to an official announcement made in September 2016.

Business Review

During the year under review, management of the Group has adjusted its reporting segments in accordance with the future development strategy of the Group. As the power grid customers also require the Group to have tailor-made adjustments on products procured in centralized bidding and in anticipation of the new generation of smart power meter to be introduced to the market in the near future, management of the Group has reclassified the non-standardised power metering business from Advanced Metering Infrastructure ("AMI") segment and consolidated with the Smart Meter ("SM") segment to become a new segment namely Power Advanced Metering Infrastructure ("Power AMI"). The remaining business segment under AMI, including the data collection terminal and water, gas and heat metering business, will be renamed into Communication and Fluid Advanced Metering Infrastructure ("Communication and Fluid AMI"), which is also the business segment the Group is considering to spin-off for separate listing on a stock exchange in the PRC. There will be no change in the definition of Advanced Distribution Operations (ADO) segment.

Therefore the Group's revised reportable and operating segments are as follows:

(a) Power advanced metering infrastructure segment, which engages in the development, manufacturing and sale of smart power meters as well as the provision of respective system solution;

(b) Communication and fluid advanced metering infrastructure segment, which engages in the development, manufacturing and sale of communication terminals and water, gas and heat metering products as well as the provision of respective system solution;

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

Power AMI Business

The Group's power AMI business serves grid companies, non-grid companies and overseas markets. During the year under review, State Grid organized three centralized smart meter tenders and the Group successfully won RMB481.28 million worth of contracts. The Group also outperformed in the first tender organized by Southern Grid by winning a framework contract of RMB110 million. The results of Southern Grid's second tender in 2016 were announced in March 2017. The Group won a contract of RMB215 million.

During the year under review, supported by the "One Belt One Road" strategy launched by the government, the Group's power AMI business continued to excel in the international market and achieved a turnover of RMB397.6 million, a significant increase of 31% over last year. In addition to leveraging the brand advantage for achieving continuous business growth in Egypt, Tanzania, Republic of Bangladesh, Indonesia and South African market, the Group also aggressively explored expansion opportunities and made remarkable progress in entering into Austria, the European smart grid construction pioneer. At the same time, the enhanced strategic cooperation with Siemens and with other international companies furthered strengthened the Group's overall competencies in terms of technology, marketing and branding.

During the year under review, the Group's power AMI business recorded a turnover of RMB1,590.68 million (2015: RMB1,919.46 million), representing a decrease of 17% and accounting for 61% (2015: 65%) of the Group's total turnover. The decrease in revenue is mainly due to the delay of tenders and reduction of tender volume by power grid companies during the year.

Excluding the revenue of the non-standardised smart power metering business from the Group's power AMI business, the revenue from the previous SM segment amounted to RMB632.63 million (2015: RMB853.52 million), representing a decrease of 26% as compared with last year and accounting for 24% (2015: 29%) of the Group's total turnover.

Communication and Fluid AMI Business

During the year under review, benefited from China's active promotion of water escalating pricing and one-household-one-meter as well as the accelerating promotion of introducing running water into rural households by difference provinces and cities, the Group's water metering business maintained steady development. Currently, the Group has entered into the smart water metering solutions tenders for more than 80 city level water companies in core cities in Hunan, Anhui, Hubei and other provinces. Some water companies had launched their batch tenders during the year under review, bringing positive contribution for the Group's water business.

In terms of communication terminals, the Group has won contracts of RMB116 million from State Grid during the year under review. A significant growth in contracts from non-grid clients was also recorded.

During the year under review, the Group has leveraged on its brand and network in the international power AMI market, and successfully introduced its Communication and Fluid AMI services to overseas with a recorded satisfactory turnover. The overall turnover of Communication and Fluid AMI business was RMB501.87 million (2015: RMB622.96 million), representing a decrease of 19% and accounting for 19% (2015: 21%) of the Group's total turnover.

Including the revenue of the non-standardised smart power metering business in the Group's Communication and Fluid AMI business, the revenue from the previous AMI segment amounted to RMB1,459.92 million (2015: RMB1,688.9 million), representing a decrease of 14% as compared with last year and accounting for 56% (2015: 57%) of the Group's total turnover.

Advanced Distribution Operations (ADO)

After pursuing market expansion and product development during the past years, the Group's ADO business achieved satisfactory results in 2016 despite the fact that the macroeconomic situation has still not improved. The Group recorded a turnover of RMB514.95 million (2015: RMB426.61 million), representing an increase of 21% over 2015, accounting for 20% (2015: 14%) of the total turnover. During the year under review, the Group not only has successfully become the product and services provider of the power distribution network construction for more than 20 provinces including major cities such as Beijing and Shanghai, but also being invited to participate in the establishment of standards for the new generation power distribution system of State Grid. Meanwhile, the Group actively worked on a number of potential key industries, including railway and transportation, new energy as well as data centers, and successfully established long-term cooperative relationship with a number of large industrial and commercial clients. The Group also successfully managed to provide power distribution EPC services with advanced distribution products and solutions as core, which laid an important foundation for future business development. Moreover, 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 terms of new products, the Group launched several well-recognized new technology systems, including new type power distribution fault detection system, fault isolation system, primary and secondary power equipment integration, smart power distribution and operation management for users, and energy efficiency management platform. During the year under review, 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 the Group to further explore ADO business.

Research and Development

The Group has been working strenuously in the research and development of the know-how of each AMI and ADO product in order to grasp market demand and technology development in the industry. During the year under review, the Group received 194 patents for its new products and energy saving services and 89 patents for its software. The number of effective patents for new products and energy saving services increased to 894 and 587 respectively.

For the power metering business, the Group continued to upgrade its products by developing higher efficient components, such as anti-tampering system and external circuit breaker, to order to meet the demand for product personalization from grid companies, non-grid companies as well as to overseas clients.

Based on the new standards on energy consumption monitoring and centralized data collection technology established by the Chinese government and power grid companies, the Group launched a number of market-leading systems with advanced communication technologies, and gained high market recognition. Targeting the promising development of water metering market, the Group has engaged in a series of research and development of products and systems serving rural areas and water companies. Adhering to the Group's strategy in accelerating overseas development, the Group has enhanced its research and development efforts in accordance with the regulations and technical requirements of different regions, including the European market where smart grid transformation is expected.

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 multi-dimensional access to the cloud, terminal and client strengthened the relations among the management system, devices and users, as well as improved the overall security of the systems.

Catching up with China's progressive promotion of clean energy power generation and energy storage industry, the Group has launched two research and development projects regarding brushless doubly-fed motor and liquid metal battery since last year. During the year under review, these two projects were in good condition and were well prepared for marketization.

"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. Wasion Electric Company Limited, the Group's ADO platform, was recognized as one of the 15 smart manufacturing demonstrating companies in Hunan in 2016.

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, stringent quality control was imposed to ensure the provision of the most innovative and suitable products and services to users. Winning yet another national honor serves as the high recognition for the Group's core values and efforts.

Financial Review

Turnover

During the year under review, turnover decreased by 12% to RMB2,607.5 million (2015: RMB2,969.03 million).

Gross Profit Margin

The Group's overall gross profit margin for the year ended 31 December 2016 is 31%, representing an increase of 1% as compared with 30% in 2015.

Other Income

The other income of the Group amounted to RMB111.13 million (2015: RMB145.19 million) which was mainly comprised of interest income, dividend income, government grants and refund of value-added tax.

Operating Expenses

In 2016, the Group's operating expenses amounted to RMB543.15 million (2015: RMB524.88 million) and accounted for 21% of the Group's turnover in 2016, representing an increase of 3% as compared with 18% in 2015.

Finance Costs

For the year ended 31 December 2016, the Group's finance costs amounted to RMB52.56 million (2015: RMB25.39 million). The increase was attributable to the increase of RMB bank borrowings with higher lending interest rate during the year.

Operating Profit

Earnings before finance costs and tax for the year ended 31 December 2016 amounted to RMB401.95 million (2015: RMB495.06 million), representing a decrease of 19% as compared with last year.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the year ended 31 December 2016 decreased by 27% to RMB307.27 million (2015: RMB423.53 million) as compared with 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 31 December 2016, the Group's current assets amounted to approximately RMB4,941.07 million (2015: RMB4,760.47 million), with cash and cash equivalents totaling approximately RMB940.02 million (2015: RMB1,171.84 million).

As at 31 December 2016, the Group's total bank loans amounted to approximately RMB1,095.27 million (2015: RMB877.09 million), of which RMB532.97 million (2015: RMB300.84 million) will be due to repay within one year and the remaining RMB562.3 million (2015: RMB576.25 million) will be due after one year. In 2016, the interest rate for the Group's bank borrowings ranged from 2.02% to 4.35% per annum (2015: 1.44% to 4.35% per annum).

The gearing ratio (total borrowings divided by total assets) increased from 12% in 2015 to 15% in 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 year, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

Charge on Assets

As at 31 December 2016, the pledge deposits are denominated in Renminbi and Hong Kong dollars and are pledged to banks as security for bills facilities granted to the Group. In addition, the Group's land and buildings are pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 31 December 2016, the capital commitments in respect of the acquisition of property, plant and equipment and additions of construction in progress contracted for but not provided in the consolidated financial information amounted to RMB22.78 million (2015: RMB70.63 million).

Contingent Liabilities

As at 31 December 2016, the Group had no material contingent liabilities.

Prospects

Continuing the political and economic destabilizing factors of 2016, the global economy would continue to stumble ahead, with increasing downward pressure on China's economy. Despite the not so ideal macroeconomic environment, China still has a strong determination to subvert the traditional energy market and thereby build an efficient and safe energy system through a series of energy reform measures. Government departments, grid companies, energy companies, and the Group's equipment suppliers, will inevitably need to re-examine the development approach to meet the future trend of the energy market. Since the beginning of 2015, the Group has gradually adjusted its development strategy to develop the AMI and ADO business at a sound pace. The Group is convinced that energy reform is not only the way out for China's energy market and is also an opportunity for the Group's long-term development. The Group will continue adhering to the "steady progress" principle, followed by the pace of development of the energy market.

In terms of AMI business, according to "Implementing Opinions about Accelerating Energy Development and Construction in Poor Regions from Poverty" (《關於加快貧困地區能源開發建設推進脱貧攻堅的實施意見》) announced by NEA, China will gear up the upgrading of rural power grid in the western region and poverty area, enhancing the level acceptance of distributed energy and promoting water-saving irrigation in order to achieve the target of having full power coverage in rural area by 2020. Therefore, the Group will cater for 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 focusing 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 keep a close eye on the development of water metering in China, utilizing the advantages as a smart metering market leader and a finalist on the tender list of numerous water companies, to accelerate water metering business development. In order to effectively grasp the market demand, the Group leverages on its own advantage as a local enterprise to penetrate into Changsha, Hunan and successfully extended the successful experience to other key cities. On the other hand, the Group believes the gas and heat market will undergo a rapid growth in future under the support of gas escalating pricing policy and heat metering reform respectively, which is favorable to the long-term development of the Group's corresponding businesses.

Under the support of the favorable policies, the construction of distribution power grid has become one of the future development focuses in the China's power industry. The Group's intensive development of ADO business aims at seizing 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. Moreover, the Group is going to seek for more opportunities from the power distribution incrementation reform, and push forward our solutions and services as well as integrated energy services in order to speed up the development pace of ADO business.

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 international industry leaders such as Siemens and Huawei, to actively participate in the AMI transformation projects of different counties and to promote its comprehensive smart metering business development in developed areas.

Adhere closely to its vision of "Pertaining a Centennial Wasion by Continual Innovation", the Group has showed strong commitment in devoting resources in research and development to consolidate its development foundation as a technology company. 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.

Looking ahead, the Group will proactively respond to different economic uncertainties and actively explore market opportunities for energy reform, as well as uphold its mission as an expert of energy metering and energy efficiency management to steadily pursue for a healthy and sustainable development and establish its market leading position in the global market.

OTHER INFORMATION

Employees and Remuneration Policies

As at 31 December 2016, the Group had 3,787 (2015: 4,189) staff. The staff costs (including other benefits and contributions to defined contribution plan) amounted to RMB272.66 million in 2016 (2015: RMB279.24 million). Employee remuneration is determined on performance, experience and prevailing market conditions, with compensation policies being reviewed on a regular basis. The Company has adopted a new share option scheme on 16 May 2016 to recognize and acknowledge the contributions made or will be made to the Group by the eligible participants. The Company has also adopted a share award plan on 3 May 2016 in which the eligible employees will be entitled to participate. The purposes of the share award plan 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.

Dividends

The Board has proposed a final dividend of HK$0.24 (2015: HK$0.24) per share to shareholders of the Company whose name appear in the register of members on 25 May 2017 and a resolution to this effect will be proposed and subject to the shareholders' approval in the forthcoming annual general meeting. The final dividend is expected to be paid on or before 2 June 2017.

Closure of Register of Members

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

(a) For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on 18 May 2017 ("AGM"), the register of members will be closed on Monday, 15 May 2017 to Thursday, 18 May 2017, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited situated at 31st Floor, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Friday, 12 May 2017.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members will be closed on Thursday, 25 May 2017. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited situated at 31st Floor, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Wednesday, 24 May 2017.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2016, 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**	**Lowest price per share**	**Total Consideration Paid**
		HK$	*HK$*	*HK$*
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 year.

Compliance with the Corporate Governance Code of the Listing Rules

During the year ended 31 December 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 year ended 31 December 2016.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made with all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 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.

AUDIT COMMITTEE

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

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

The annual results of the Group for the year ended 31 December 2016 have been reviewed by the auditors of the Company, Deloitte Touche Tohmatsu, and the Audit Committee.

EVENTS AFTER THE REPORTING PERIOD

From the end of the reporting period of 31 December 2016 to the announcement date, the Company has the following events:

(1) On 12 January 2017, Hunan Wasion Information Technology Company Limited ("Wasion Information Technology"), a subsidiary of the Company, has entered into two investment agreements with two connected persons, pursuant to which, the connected persons have agreed to contribute an aggregate of RMB100.44 million to subscribe for RMB40.02 million of the registered capital of Wasion Information Technology, representing an aggregate of 9% of the enlarged equity interest of Wasion Information Technology. On 13 January 2017, Wasion Information Technology has entered into five additional investment agreements with five independent investors, pursuant to which, the independent investors have agreed to contribute an aggregate of RMB290.26 million to subscribe for RMB115.63 million of the registered capital of Wasion Information Technology, representing 26% of the enlarged equity interest of Wasion Information Technology. Upon completion of the above capital increase, Wasion Information Technology will be held as to 65% by the Group, and will remain as a subsidiary of the Group.

(2) The Company has passed an ordinary resolution in an extraordinary general meeting held on 20 March 2017 to acquire 50.053% of the share capital of Zhuhai Zhonghui Microelectronics Holdings Co., Ltd. ("Zhuhai Zhonghui") at an aggregate consideration of RMB52,105,200. Zhuhai Zhonghui is a company established in the PRC which provides professional measurement chip, GPRS wireless module, MCU, reset chip and other embedded software products mainly used in the electric energy metering and information automation area.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The electronic version of this announcement will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.wasion.com. The annual report of the Company for the year ended 31 December 2016 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

As at the date of this announcement, the directors are:

Executive Directors
Ji Wei
Cao Zhao Hui
Zeng Xin
Zheng Xiao Ping
Tian Zhongping

Non-executive Director
Kat Chit

Independent non-executive Directors
Hui Wing Kuen
Huang Jing
Luan Wenpeng
Cheng Shi Jie

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

Hong Kong, 21 March 2017