Wasion Group Holdings Limited
威勝集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3393)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB1,427.58 million (Period 2016: RMB1,516.33 million), representing a decrease of 6%.
- Revenue from ADO increased by 36% to RMB360.17 million as compared with Period 2016.
- Revenue from Communication and Fluid AMI increased by 1% to RMB372.81 million as compared with Period 2016.
- Revenue from Power AMI decreased by 21% to RMB694.60 million as compared with Period 2016.
- Net profit for the period attributable to owners of the Company amounted to RMB170.69 million (Period 2016: RMB206.32 million), representing a decrease of 17%.
- Basic earnings per share for the period amounted to RMB17.0 cents (Period 2016: RMB20.2 cents).
- The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2017.

The board of directors (the "Board") of Wasion Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the six months ended 30 June 2017, together with the unaudited comparative figures for the corresponding period in 2016 ("Period 2016"), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
	Notes	**2017**	2016
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,427,583**	1,516,325
Cost of sales		**(1,009,556)**	(1,060,612)
Gross profit		**418,027**	455,713
Other income		**62,949**	57,148
Other gains and losses		**(17,856)**	9,797
Gain on bargain purchase of interests in subsidiaries		**6,805**	—
Gain on disposal of a subsidiary		**103,294**	—
Administrative expenses		**(90,332)**	(73,966)
Selling expenses		**(138,741)**	(126,996)
Research and development expenses		**(90,084)**	(64,953)
Finance costs		**(23,271)**	(23,880)
Share of results of associates		**3,306**	2,517
Profit before taxation		**234,097**	235,380
Income tax expense	*4*	**(39,713)**	(29,731)
Profit for the period	*5*	**194,384**	205,649
Profit (loss) for the period attributable to			
— Owners of the Company		**170,688**	206,317
— Non-controlling interests		**23,696**	(668)
		194,384	205,649
Earnings per share	*7*		
Basic		**RMB17.0 cents**	RMB20.2 cents
Diluted		**RMB17.0 cents**	RMB20.2 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**194,384**	205,649
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(11,582)**	1,753
Fair value changes on available-for-sale investments	**(2,176)**	2
Other comprehensive (expense) income for the period	**(13,758)**	1,755
Total comprehensive income for the period	**180,626**	207,404
Total comprehensive income (expense) for the period attributable to		
— Owners of the Company	**156,930**	208,072
— Non-controlling interests	**23,696**	(668)
	180,626	207,404

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	Notes	**At 30 June 2017** *RMB'000* **(unaudited)**	At 31 December 2016 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,298,516**	1,267,972
Prepaid lease payments		**144,335**	392,604
Investment properties		**15,752**	19,752
Goodwill		**297,919**	297,919
Other intangible assets		**377,619**	361,695
Investment in associates		**13,119**	1,063
Available-for-sale investments		**224,628**	150,878
Other non-current assets		**115,065**	60,138
		2,486,953	2,552,021
CURRENT ASSETS			
Inventories		**441,057**	344,075
Trade and other receivables	*8*	**3,801,048**	3,260,764
Prepaid lease payments		**3,343**	7,918
Loan receivables		**205,000**	205,000
Pledged bank deposits		**346,795**	183,297
Bank balances and cash		**888,620**	940,016
		5,685,863	4,941,070
CURRENT LIABILITIES			
Trade and other payables	*9*	**2,328,761**	2,166,141
Tax liabilities		**49,483**	36,816
Borrowings — due within one year		**1,049,772**	532,967
		3,428,016	2,735,924
NET CURRENT ASSETS		**2,257,847**	2,205,146
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,744,800**	4,757,167
CAPITAL AND RESERVES			
Share capital		**9,988**	10,078
Reserves		**4,021,384**	4,138,541
Equity attributable to owners of the Company		**4,031,372**	4,148,619
Non-controlling interests		**537,130**	29,095
		4,568,502	4,177,714
NON-CURRENT LIABILITIES			
Borrowings — due after one year		**157,803**	562,307
Deferred tax liability		**18,495**	17,146
		176,298	579,453
		4,744,800	4,757,167

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 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.

In the previous periods, the Group's reportable and operating segments under HKFRS 8 were 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.

During the year ended 31 December 2016, 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.

The power advanced metering infrastructure segment includes development, manufacturing and sale of standardised and non-standardised smart meter products, each of which is considered as a separate operating segment by the CODM. For segment reporting, these two operating segments have been aggregated into a single reportable segment due to their similar nature of products and production processes.

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

For the six months ended 30 June 2017

	Power advanced metering infrastructure *RMB'000*	**Communication and fluid advanced metering infrastructure** *RMB'000*	**Advanced distribution operations** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	**694,606**	**372,807**	**360,170**	**1,427,583**
Segment profit	**62,344**	**54,966**	**26,328**	**143,638**
Unallocated income and gains/losses				**24,895**
Gain on bargain purchase of interests in subsidiaries				**6,805**
Gain on disposal of a subsidiary				**103,294**
Share of results of associates				**3,306**
Central administration costs				**(24,570)**
Finance costs				**(23,271)**
Profit before taxation				**234,097**

For the six months ended 30 June 2016 (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	881,082	370,083	265,160	1,516,325
Segment profit	160,340	60,574	18,294	239,208
Unallocated income and gains/losses				39,833
Share of results of an associate				2,517
Central administration costs				(22,298)
Finance costs				(23,880)
Profit before taxation				235,380

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 associates, gain on bargain purchase of interests in subsidiaries, gain on disposal of a subsidiary, directors' salaries, finance costs and taxation. This is the measure reported to the CODM, for the purposes of resources allocation and performance assessment.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
— current period	**39,613**	33,153
— overprovision in prior periods	**(1,238)**	(2,749)
	38,375	30,404
Deferred taxation		
— current period	**1,338**	(673)
	39,713	29,731

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 2016 and 2017.

(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 2015 to 2017 or year 2016 to 2018.

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.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of intangible assets	**44,010**	27,094
Depreciation of investment properties	**115**	115
Depreciation of property, plant and equipment	**30,741**	22,631
Release of prepaid lease payments	**4,162**	3,926
Net exchange loss (gain)	**13,347**	(9,718)
Impairment loss on trade receivables	**6,932**	—
Fair value loss on revaluation of an available-for-sale investment upon reclassification as a subsidiary	**3,670**	—
Bank interest income	**(6,766)**	(5,722)
Interest income from loans receivables	**(11,579)**	(11,545)
Gain on disposal of an available-for-sale investment	**(6,000)**	—

6. DIVIDENDS

During the period, a cash dividend of HK$0.24, equivalent to RMB0.212, per share (six months ended 30 June 2016: HK$0.24, equivalent to RMB0.201, per share) was declared and paid to the shareholders as the final dividend for 2016. The aggregate amount of the final dividend declared and paid in the current interim period amounting to RMB204,071,000 (six months ended 30 June 2016: RMB206,135,000).

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

7. 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	
	2017	2016
	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)	**170,688**	206,317

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,002,541,123**	1,020,064,565

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.

The computation of dilutive earnings per share for both periods 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.

8. TRADE AND OTHER RECEIVABLES

Due to the nature of business, the settlement terms of trade receivables are based on the achievement of certain milestones of each transaction and accordingly, 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 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade and bills receivables		
0–90 days	**1,210,354**	1,430,510
91–180 days	**325,895**	277,667
181–365 days	**749,390**	345,692
Over 1 year	**581,929**	489,418
	2,867,568	2,543,287
Retentions held by trade customers	**267,917**	284,397
Deposits, prepayments and other receivables	**534,563**	433,080
Consideration receivables for disposal of subsidiaries	**131,000**	—
	3,801,048	3,260,764

9. 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 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade and bills payables		
0–90 days	**1,422,858**	1,413,624
91–180 days	**481,791**	460,745
181–365 days	**222,543**	87,320
Over 1 year	**20,715**	38,834
	2,147,907	2,000,523
Other payables	**180,854**	165,618
	2,328,761	2,166,141

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Looking back at the first half of 2017 ("period under review"), confidence towards global economy was generally strengthened, but the global economy was still restricted by some uncertainties. Factors such as the outcome of US new policies, the Brexit negotiation, geopolitics risks as well as the unclear commodity prices have brought challenges against the global business environment. As the second largest economy and the main drive of global economic growth, China's development has begun to recover, with the gross domestic product ("GDP") grew at 6.9% during the period under review.

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》) (Zhongfa (2015) No. 9) by the State Council in March 2015, the issuance of "Distribution Network Construction Action (2015–2020)" by the National Energy Administration in July 2015, and the issuance of "Opinions on promoting "Internet +" Intelligent Energy Development" by National Development and Reform Commission, National Energy Administration and Ministry of Industry and Information Technology in February 2016, power reform, energy internet and distribution grid network construction have been the development priority in the energy sector. The two biggest power grids have further promoted the revolution process, of which State Grid Corporation of China (hereinafter referred to as "State Grid") accomplished an investment of RMB226 billion on power grids in the first half of 2017, representing an increase of 7.6% as compared with the corresponding period of last year. China Southern Power Grid Co., Ltd. (hereinafter referred to as "Southern Grid") announced it has accomplished a total fixed assets investments of RMB44.8 billion in the first half of 2017, representing an increase of 18.7% as compared with the corresponding period. This shows that the preparatory work for new power reform has been carried out under the concerted efforts of the government, power grid companies and private sectors and is gradually rewriting the traditional Chinese power market order.

In May 2017, General Office of the State Council issued "13th Five-Year Plan on Developing Border Regions and Improving Border Residents' Income" (hereinafter referred to as the "Plan") to speed up the energy construction in border regions, and to promote the cooperation between those regions and neighboring countries. The Plan has further promoted another round of rural grid reform and upgrade with a focus on small towns and center villages, to improve the general power services in those areas. The Plan endeavors to achieve the target of having full power coverage in rural area and the "well-off" by 2020. State Grid has also promoted another round of rural power grid upgrade since this year and has completed power grid reform in 47,300 small towns (centered villages), electrified 968.1 thousand units of motor-pumped wells, as well as newly-powered and reconstructed dynamic electricity in 27.4 thousand villages. Meanwhile, more central energy enterprises are considering mergers and acquisitions and the market believes the trend may spread. Chinese power grid system reform is, given all the signs, still at its early stage.

In face of the challenges posed by economic uncertainties and opportunities brought by energy reform, the Group insisted on maintaining a steady business development and adjusted its business development strategy targeting future energy market. During the period under review, the Group recorded a turnover of RMB1,427.58 million (first half of 2016: RMB1,516.33 million), representing a decrease of 6% compared to the corresponding period; and a net profit of RMB170.69 million (first half of 2016: RMB206.32 million), representing a decrease of 17% compared to the corresponding period.

Business Review

Power Advanced Metering Infrastructure ("Power AMI")

The Group's power AMI business serves grid companies, non-grid companies and overseas markets. During the period under review, State Grid organized one centralized smart meter tender and the Group has successfully won RMB255.35 million worth of contracts and outperformed its peers in terms of volume and total contract sum. The Group also outperformed in the tender organized by Southern Grid. The results of Southern Grid's second tender in 2016 were announced in March 2017, with the Group winning RMB215 million worth of contracts. The centralized bidding tenders organized by Southern Grid have been changed to tenders in different provinces this year. In the first half of 2017, tenders in Guangdong, Shenzhen and Hainan were accomplished. The Group also won the tenders from Guangdong, Hainan, Guizhou, Guangxi, Yunnan and Shenzhen branches respectively under Southern Grid, with a framework contract worth approximately RMB319 million.

During the period under review, the Group's power AMI recorded a turnover of RMB694.60 million (first half of 2016: RMB881.08 million, representing a decrease of 21% as compared with the corresponding period of last year, and accounting for 49% of the Group's total turnover (first half of 2016: 58%).

Communication and Fluid Advanced Metering Infrastructure Business ("Communication and Fluid AMI Business")

In terms of communication total solutions, the Group has completed the acquisition of controlling shareholdings in Zhuhai Zhonghui Microelectronics Co., Ltd. during the period under review which resulted in synergy effect on research and development and the industry chain has been extended from the existing data collection terminals to hardware products including GPRS wireless module, MCU, reset chips and supplementary embedded software products. These further consolidates the leading position of the Group in the communication industry.

During the period under review, the development of the Group's water metering business benefited from China's active promotion of water escalating pricing and one-household-one-meter as well as the accelerated promotion of introducing running water into rural households by difference provinces and cities remained steady, and the intelligent water meter targeting at rural running water also recorded sound performance. Currently, the Group has entered into more than 85 city level water companies on the smart water metering solutions tenders in core cities in Guangdong, Xinjiang, Hunan, Anhui, Hubei and other provinces. For instance, the Group has successfully been shortlisted in water companies in Urumqi, Nantong and Zhanjiang, etc. Some water companies had launched their batch tenders during the period under review, bringing positive contribution to the Group's water business.

In terms of new products, the Group has made breakthroughs in various new technologies under Internet of Things ("IoT") communications. It has launched water meter products based on NB-loT, and wireless remote water meter products based on LoRaWAN. It is going to launch pilot products in different water companies for laying a solid foundation for new market expansion. On the other side, the Group's prepayment IC Card gas meter and wireless remote water meter were being shortlisted in Sinopec Kunlun Energy Company Limited, and the gas meter products are available for sale in its subsidiaries. In the first half of 2017, the Group was qualified as the main contractor of municipal public works and professional contracting enterprise of construction electrical and mechanical installation projects, and is able to undertake smart water engineering projects. It has won three power distribution and automation projects from water supply works and one project from sewage treatment work.

During the period 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 satisfactory turnover recorded. The overall turnover of Communication and Fluid AMI business was RMB372.81 million (first half of 2016: RMB370.09 million), representing an increase of 1% and accounting for 26% (first half of 2016: 24%) of the Group's total turnover.

Advanced Distribution Operations ("ADO")

After pursuing market expansion and product development during the past years, together with the slow pickup in the macro economy, the Group's ADO business achieved satisfactory results during the period under review. The Group recorded a turnover of RMB360.17 million (first half of 2016: RMB265.16 million), representing an increase of 36% compared to the corresponding period of last year, accounting for 25% (first half of 2016: 18%) of the total turnover.

During the period under review, the Group has not only successfully become the product and services provider of the power distribution network construction in the grid companies of more than 20 provinces including major cities such as Beijing and Shanghai, but was also being invited to participate in the establishment of standards for the new generation power distribution system of State Grid, and two pilot projects (Beijing and Shandong) among projects in four provinces. Meanwhile, the Group actively followed up on a number of potential key industries, including railway and transportation, new energy as well as data centers. During the period under review, the Group won two more tenders from Changsha Metro Group, thus became the only company that had won tenders from Changsha Metro Group three times. The Group, being the main contractor on power distribution, has successfully built up the most energy efficient center in mainland China-Hunan Dongjiang Water China Telecom Data Center project. The Group made further improvements in ADO business, with the contract business model got solid breakthrough. This is beneficial for ADO business for further volume growth. In addition, the Group has won several major industrial and commercial projects in the first half of the year, including the provision of power distribution systems of major power battery production bases of Changsha Walmart and Xiangtan Soundon New Energy. The Group's ADO brand and influence have been significantly improved. With the advantages in new energy system access, system control and smart operation & maintenance technologies, etc., the Group has won three new energy system power distribution design, main engineering and operation & maintenance integration contracts, which showcase the fast growing of its smart energy engineering business. At the same time, the Group also made breakthroughs in power distribution system smart operation and maintenance service pilot project, incremental power distribution pilot project and electricity sales services.

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, platforms for user side smart power distribution and operation management and energy efficiency managements. Based on the continuous cooperation with Siemens, the Group extended the cooperation with ABB and Schneider. A newly authorized product, BlockSet. is obtained from Schneider to meet with the demands from different users. Currently, the Group has obtained power engineering main contractor qualification, power industry (new energy power generation) professional design qualification, electric power installation qualification, mechanical and electrical installation qualification, and operation and maintenance service qualification, etc. These equipped the Group with designing and contracting qualifications in both power distribution and new energy generation and laid a solid foundation for the Group to further explore ADO business.

International Market

Supported by the "Belt and Road Initiative" (BRI) under strong government promotion, the Group's overseas businesses cover nearly 30 countries along the BRI region. Its power AMI business continued to excel in the international market and achieved a turnover of RMB286.14 million (first half of 2016: RMB175.96 million), representing an increase of 63% compared with the corresponding period of last year. The Group remained its leading position in Egypt, Tanzania, Republic of Bangladesh, Indonesia and South African market with a continuous business growth by leveraging its brand advantage. The Group also aggressively explored expansion opportunities. On one hand, the Group has made remarkable progress in entering into Austria, the European smart grid construction pioneer, by gaining all national and industrial accreditation, and has successfully signed the contract in March 2017. On the other hand, the Group has also grabbed various opportunities to showcase its smart Power AMI businesses to its global clients and partners. In May 2017, the Group presented its Power AMI at Africa Energy Forum 2017 — the biggest power energy and smart power network forum in Africa. Starting from this year, the Group deepened its strategic cooperation with Itron, by incorporating its high quality metering products into OpenWay Riva IoT solutions. The Group has also established technical alliance with Itron to strengthen the cooperation and jointly expand international businesses. Besides, as the enhanced strategic cooperation with Siemens, Huawei and other international industry leaders was furthered stabilized, the Group's overall competencies in terms of technology, marketing and branding were further strengthened.

Research and Development

The Group has been working strenuously in the research and development ("R&D") of the technology on AMI and ADO products in order to grasp market demand and technology development in the industry. During the period under review, the Group received 94 patents for its new products and energy saving services and 95 copyrights for its software. The numbers of effective patents & copyrights for new products, and energy saving services increased to 981 and 682 respectively.

For the Power AMI business, the Group continued to upgrade its products, such as distribution line loss collection module with electricity metering, electricity quantity management, real-time clock and communication functions, to meet the demand for product personalization from grid companies, non-grid companies as well as overseas clients.

At the same time, the Group is focusing on communication technologies. Based on the new standards on energy consumption monitoring and centralized data collection technology for 4-in-1 meters 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 R&D of products and systems serving rural areas and water companies. For example, during the period under review, the Group has made breakthroughs in various new technologies under loT communications and has launched water meter products based on NB-IoT, and wireless remote water meter products based on LoRaWAN. Adhering to the Group's strategy in accelerating overseas development, the Group has accomplished cost reduction, design optimization recognition and small-scale delivery for on-sale meters to consolidate its market position in the first half of 2017. The Group will continue to improve the quality of its fundamental products and enhance cost competitiveness, to expand AMI solution capability for grasping the opportunities in the rapidly developing market.

In terms of ADO, the Group focused on the first and second fusion technology of medium voltage distribution and demand of intellectualization of low-voltage distribution area promoted by the State Grid, and conducted research on a series of new products and system in smart ring main unit, smart pole-mounted circuit breaker, smart solutions in the distribution area. On one hand, the products and system are put into use in pilot projects in Beijing and Shandong, which provide references for standard setting and completion of power grid companies. On the other hand, they are going to participate the State Grid's first batch of production qualification test. The Group is expected to become one of the cutting-edge enterprises with product technology capabilities after the implementation of State Grid's new standard on power distribution.

Catching up with China's active promotion of clean energy power generation and energy storage industry, the Group has launched R&D projects on liquid metal battery since 2015. The Group's self-developed liquid metal battery management system has been applied to the trial operation of the first energy storage prototype in May this year. The project team has applied for building 100 kW/200 kW solar energy storage experimental platform. As a demonstration project to test and improve the Group's independent R&D in megawatt-class micro-grid technology, the experimental platform has completed the design and electrical schematic review, and the construction of the platform is expected to be completed and put into trial operations before September.

After winning the 2016 “National Quality Benchmarking Enterprise” Rewards in the National Quality Benchmarking Assessment organized by MIIT, the Group won the “Hunan Governor Quality Award” in June 2017 set up by the Government of Hunan Province to encourage excellence in quality among all sectors. It is also in accordance with the implementation of the “Quality Development Outline (2011–2020)” issued by the State Council. Winning yet another national honor serves as the high recognition for the Group’s core values and efforts in providing quality products and services for customers.

Meanwhile, Wasion Electric Limited, a subsidiary of the Group, was awarded as the “Role Model of Commercial + Residential Enterprises in Hunan Province” (湖南省兩型示範企業) and the “Technical Centre of Enterprises in Hunan Province”(湖南省企業技術中心), reflecting that the Group’s ADO business has been obtaining deeper and wider recognition.

Financial Review

Revenue

During the period under review, revenue decreased by 6% to RMB1,427.58 million (Period 2016: RMB1,516.33 million).

Gross Profit

The Group’s gross profit decreased by 8% to RMB418.03 million for the six months ended 30 June 2017 (Period 2016: RMB455.71 million). The overall gross profit margin is 29% in the first half of 2017 (Period 2016: 30%).

Other Income

The other income of the Group amounted to RMB62.95 million (Period 2016: RMB57.15 million) which was mainly comprised of interest income, dividend income, government subsidy and refund of value-added tax.

Other gains and losses

Other losses for the six months ended 30 June, 2017 amounted to RMB17.86 which was mainly comprised of net foreign exchange loss as compared with other gain of RMB9.80 million in the first half of 2016 which was mainly comprised of net foreign exchange gain.

Operating Expenses

In the first half of 2017, the Group’s operating expenses amounted to RMB319.16 million (Period 2016: RMB265.92 million). Operating expenses accounted for 22% of the Group’s revenue in the first half of 2017, representing an increase of 4% as compared with 18% in the first half of 2016.

Finance Costs

For the six months ended 30 June 2017, the Group's finance costs amounted to RMB23.27 million (Period 2016: RMB23.88 million). The decrease was attributable to the switch of bank borrowings from RMB to HKD during the period.

Operating Profit

Earnings before finance costs and tax for the six months ended 30 June 2017 amounted to RMB257.37 million (Period 2016: RMB259.26 million), representing a decrease of 1% 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 2017 decreased by 17% to RMB170.69 million (Period 2016: RMB206.32 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 2017, the Group's current assets amounted to approximately RMB5,685.86 million (31 December 2016: RMB4,941.07 million), with cash and cash equivalents totaling approximately RMB888.62 million (31 December 2016: RMB940.02 million).

As at 30 June 2017, the Group's total bank loans amounted to approximately RMB1,207.58 million (31 December 2016: RMB1,095.27 million), of which RMB1,049.77 million (31 December 2016: RMB532.97 million) will be due to repay within one year and the remaining RMB157.81 million (31 December 2016: RMB562.3 million) will be due after one year. In the first half of 2017, the interest rate for the Group's bank borrowings ranged from 2.01% to 4.44% per annum (31 December 2016: 2.02% to 4.35% per annum).

The gearing ratio (total borrowings divided by total assets) on 30 June 2017 is 15% which is the same as that on 31 December 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.

Acquisitions and Disposals

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.

On 24 May, 2017, the Group has completed the acquisition of 50.053% of the share capital of Zhuhai Zhonghui Microelectronics 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. The acquisition enables the Group to secure a stable source of chip and module supplies, reduce operation costs, enhance profitability and provide a technical base for the Group to further develop the chip and module business.

On 28 June, 2017, Wasion Group Limited, a wholly-owned subsidiary of the Company, entered into an agreement to dispose 85% of the registered capital of Hunan Jiale Property Development Co., Ltd. ("Hunan Jiale") for a consideration of RMB187 million. As Hunan Jiale is a property development company which business is different from the principal business of the Group, the disposal enables the Group to streamline its business and consolidate its resources to focus on the development of the principal business of the Group.

Charge on Assets

As at 30 June 2017, 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 2017, 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 RMB20.75 million (31 December 2016: RMB22.78 million).

Contingent Liabilities

As at 30 June 2017, the Group had no material contingent liabilities.

Prospects

The global economy continued to stumble ahead, with increasing downward pressure on China's economy. Despite the not-so-ideal macroeconomic environment, China continues to demonstrate its strong determination to subvert the traditional energy market. Apart from building a safe and efficient energy system, deepening the economic system reform would be one of the key objectives. Government departments, grid companies, energy companies, and equipment suppliers including the Group, will inevitably need to re-examine the development approach to cope with energy market reform. The Group is convinced that energy reform is not only the way out for China's energy market, but also an opportunity for the Group's long-term development. Since the beginning of 2015, the Group has gradually adjusted its development strategy and continued adhering to the "Seeking Progress while Ensuring Stability " principle, developing its three key businesses, and following the development pace of the energy market closely.

According to the National Development and Reform Commission's "Guideline of Economic Reform in 2017" (《關於2017年深化經濟體制改革重點工作的意見》) approved by State Council in April 2017, China will complete the first round of pilot reform on the distribution price for the provincial power grid transmission, set a reasonable price for regional and inter-provincial power grid transmission, and give guidance on setting local power grid price and newly-established distribution power price in different areas. "Energy 13th Five-Year planning" (《能源發展"十三五"規劃》) issued by National Energy Administration clearly mentions that China will promote the "Internet +" smart energy development including expansion on smart grid facilities like smart meters, smart information system and applicable range of smart power facilities. In addition, the notice about "13th Five-year plan for Developing Border Regions and Improving Border Residents' Income" (《關於印發興邊富民行動"十三五"規劃的通知》) issued by the State Council says China will conduct another round of rural power grid upgrade with a focus on small towns and center villages, to improve the general power services in those areas. The Plan endeavors to achieve the target of having full power coverage in rural area and the "well-off" by 2020. Therefore, the Group will grab the opportunities brought by the market changes, and cater for the needs from rural power grid users, promote quality products and services in order to grasp the significant demands on smart metering products and systems from the market. On one hand, the Group will continue focusing on the growing demand of the power big data monitoring and analysis and actively expand its clientele coverage to include public utilities such as schools 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 and brand to penetrate into Hunan and extend the successful experience to other key areas. 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.

Guided by the landing policies of "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》), the construction of distribution power grid has become one of the future development focuses in the China's power industry. The Group has been closely following the development trend of the global smart grid through intensive development of ADO business, aiming at seizing the market demand for power distribution upgrade by integration, intellectualization and systemization. In the future, the Group will take advantage on the market 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 serving its power grid clients, as well as further developing the power end-user market especially for railway and transportation, distributed energy, oil and petrochemicals, data centers, high-end commercials and large scale industrial enterprises. Meanwhile, the Group will leverage the Engineering, Procurement, Construction ("EPC") qualification to develop ADO business, from integrated equipment, systems and solutions to EPC and services, by providing diversified products and services to the customers. Furthermore, by its leading market sense, the Group will promote ADO system solution and project servicing through grasping the opportunities on incremental power distribution reformation pilot projects, as well as to explore new business like integrated energy service so as to speed up the development pace of ADO business.

For international markets, the Group will work on the R&D of demand from emerging markets on smart distribution system, power transmission/distribution engineering construction, and distributed energy generation, as well as providing specialized systematic solutions based on its advantages in technology and branding overseas. The Group will focus on Asia, Africa, and Latin America, to accelerate new markets expansion and increase 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 countries and to promote its comprehensive smart metering business development in developed areas.

Upholding its vision of "Continual Innovation Contributing to Wasion's Centennial History", the Group believes that sustained innovation and R&D are the foundations of the long-term development of a technology company and has showed strong commitment in devoting resources in R&D. In the future, the Group will stay tuned to the latest national energy market development to continuously upgrade the existing products and system technologies; as well as working side-by-side with industry experts and famous talents for new technologies.

Looking ahead, boosted by the dual drive of rapidly growing power infrastructure investment in emerging markets and power grid transformation and product upgrades in developed countries, demands on smart power grid facilities from China to other countries throughout the world will keep growing, thus the industry development sentiment remains optimistic. The Group will adhere to the "Seeking Progress while Ensuring Stability" principle to seize market opportunities and to prudently tackle with the uncertainties in the economic environment. It will adhere to its mission as an expert of energy metering and energy efficiency management to steadily pursue for healthy and sustainable development and consolidate its leading position in the global market.

OTHER INFORMATION

Employees and Remuneration Policies

As at 30 June 2017, the Group had 4,029 (31 December 2016: 3,787) staff. 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.

Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (Period 2016: Nil).

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	Lowest price per share	Total Consideration Paid
		HK$	*HK$*	*HK$*
March 2017	4,160,000	4.20	4.01	16,945,500
April 2017	6,000,000	4.08	3.81	23,453,240
	10,160,000			40,398,740

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.

Compliance with the Corporate Governance Code of the Listing Rules

During the six months ended 30 June 2017, 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. Huang Jing, Mr. Luan Wenpeng 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 18 May 2017 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 2017.

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 2017.

The Company has also established written guidelines on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

AUDIT COMMITTEE

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

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

The interim results of the Group for the six months ended 30 June 2017 have been reviewed by the auditors of the Company, Deloitte Touche Tohmatsu, and the Audit Committee.

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

The electronic version of this announcement will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.wasion.com. An interim report for the six months ended 30 June 2017 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange and the Company in due course.

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

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

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

Non-executive Director
Kat Chit

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

Hong Kong, 23 August 2017