Wasion Holdings Limited
威勝控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3393)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB1,654.93 million (Period 2017: RMB1,427.58 million), representing an increase of 16%.
- Revenue from Power AMI increased by 29% to RMB893.55 million as compared with Period 2017.
- Revenue from Communication and Fluid AMI increased by 35% to RMB503.22 million as compared with Period 2017.
- Revenue from ADO decreased by 28% to RMB258.15 million as compared with Period 2017.
- Net profit for the period attributable to owners of the Company amounted to RMB137.41 million (Period 2017: RMB170.69 million).
- Basic earnings per share for the period amounted to RMB13.8 cents (Period 2017: RMB17.0 cents).
- The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

The board of directors (the "Board") of Wasion Holdings Limited (the "Company") (formerly known as Wasion Group Holdings Limited) 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 2018, together with the unaudited comparative figures for the corresponding period in 2017 ("Period 2017"), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
	Notes	**2018**	2017
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,654,925**	1,427,583
Cost of sales		**(1,158,864)**	(1,009,556)
Gross profit		**496,061**	418,027
Other income		**50,441**	62,949
Other gains and losses		**827**	(17,856)
Gain on bargain purchase of interests in subsidiaries		**—**	6,805
Gain on disposal of a subsidiary		**—**	103,294
Administrative expenses		**(85,462)**	(90,332)
Selling expenses		**(143,497)**	(138,741)
Research and development expenses		**(104,391)**	(90,084)
Impairment losses on financial assets		**(2,520)**	—
Finance costs		**(24,308)**	(23,271)
Share of results of associates		**(3,703)**	3,306
Profit before taxation		**183,448**	234,097
Income tax expense	*4*	**(12,646)**	(39,713)
Profit for the period	*5*	**170,802**	194,384
Profit for the period attributable to			
— Owners of the Company		**137,405**	170,688
— Non-controlling interests		**33,397**	23,696
		170,802	194,384
Earnings per share	*7*		
Basic		**RMB13.8 cents**	RMB17.0 cents
Diluted		**RMB13.8 cents**	RMB17.0 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**170,802**	194,384
Other comprehensive (expense) income		
Items that will not be subsequently reclassified to profit or loss		
Fair value changes on investments in equity instruments at fair value through other comprehensive income, net of related deferred taxation	**(27,695)**	—
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**9,597**	(11,582)
Fair value changes on available-for-sale investments	**—**	(2,176)
Other comprehensive expense for the period	**(18,098)**	(13,758)
Total comprehensive income for the period	**152,704**	180,626
Total comprehensive income for the period attributable to		
— Owners of the Company	**119,307**	156,930
— Non-controlling interests	**33,397**	23,696
	152,704	180,626

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,291,531**	1,297,170
Prepaid lease payments		**150,291**	151,292
Investment properties		**15,522**	15,638
Goodwill		**297,919**	297,919
Other intangible assets		**444,845**	425,825
Investment in associates		**6,026**	9,730
Available-for-sale investments		**—**	217,244
Equity instruments at fair value through other comprehensive income		**117,082**	—
Financial assets at fair value through profit or loss		**234,021**	—
Deferred tax assets		**10,516**	—
Other non-current assets		**109,742**	113,773
		2,677,495	2,528,591
CURRENT ASSETS			
Inventories		**471,796**	484,479
Trade and other receivables and prepayments	8	**3,493,227**	3,245,452
Contract assets		**146,053**	—
Prepaid lease payments		**3,541**	3,541
Financial assets at fair value through profit or loss		**111,040**	—
Loan receivables		**105,000**	105,000
Pledged bank deposits		**226,703**	273,099
Bank balances and cash		**1,053,625**	1,243,892
		5,610,985	5,355,463
CURRENT LIABILITIES			
Trade and other payables	9	**2,113,238**	2,253,762
Contract liabilities		**79,547**	—
Tax liabilities		**43,470**	44,183
Borrowings — due within one year		**1,160,581**	841,206
		3,396,836	3,139,151
NET CURRENT ASSETS		**2,214,149**	2,216,312
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,891,644**	4,744,903

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 30 JUNE 2018

	At 30 June 2018 *RMB'000* (unaudited)	At 31 December 2017 *RMB'000* (audited)
CAPITAL AND RESERVES		
Share capital	**9,988**	9,988
Reserves	**4,073,029**	4,156,084
Equity attributable to owners of the Company	**4,083,017**	4,166,072
Non-controlling interests	**527,528**	493,878
	4,610,545	4,659,950
NON-CURRENT LIABILITIES		
Borrowings — due after one year	**262,093**	67,701
Deferred tax liabilities	**19,006**	17,252
	281,099	84,953
	4,891,644	4,744,903

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. BASIS OF PREPARATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors consider the immediate and ultimate holding company to be Star Treasure Investments Holdings Limited, a limited liability company incorporated in the British Virgin Islands (the "BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the interim report.

Pursuant to a special resolution passed at the annual general meeting held on 25 May 2018, the English name of the Company was changed from "Wasion Group Holdings Limited" to "Wasion Holdings Limited" and the Chinese name of the Company was changed from "威勝集團控股有限公司" to "威勝控股有限公司".

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 (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES AND IMPACT OF CHANGES IN 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures.

Impacts of changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 “Revenue from Contracts with Customers” superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;

- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Impacts of changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

3. REVENUE AND SEGMENT INFORMATION

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

Specifically, the Group's reportable and operating segments under HKFRS 8 were as follows:

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

For the six months ended 30 June 2018

	Power advanced metering infrastructure *RMB'000*	**Communication and fluid advanced metering infrastructure** *RMB'000*	**Advanced distribution operations** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	**893,551**	**503,222**	**258,152**	**1,654,925**
Timing of revenue recognition				
At a point of time	**893,551**	**503,222**	**258,152**	**1,654,925**
Segment profit	**82,853**	**92,519**	**26,773**	**202,145**
Unallocated income and gains/losses				**27,287**
Central administration costs				**(17,973)**
Finance costs				**(24,308)**
Share of results of associates				**(3,703)**
Profit before taxation				**183,448**

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

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	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
— current period	**35,900**	39,613
— overprovision in prior periods	**(22,155)**	(1,238)
	13,745	38,375
Deferred taxation		
— current period	**(1,099)**	1,338
	12,646	39,713

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 2017 and 2018.

(ii) the 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, year 2016 to 2018 or year 2017 to 2019, respectively.

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	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of intangible assets (included in selling expenses, administrative expenses and research and development expenses)	**47,756**	44,010
Depreciation of investment properties	**115**	115
Depreciation of property, plant and equipment	**30,768**	30,741
Release of prepaid lease payments	**1,894**	4,162
Net exchange loss	**2,217**	13,347
Fair value loss on revaluation of an available-for-sale investment upon reclassification as a subsidiary	**—**	3,670
Bank interest income	**(8,861)**	(6,766)
Interest income from loans receivables	**(10,097)**	(11,579)
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 RMB0.194, per share was declared and paid to the shareholders as the final dividend for 2017. The aggregate amount of the final dividend declared and paid in the current interim period amounting to RMB202,548,000.

The directors do not recommend the payment of an interim dividend for the period.

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	
	2018	2017
	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)	**137,405**	170,688

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**997,753,719**	1,002,541,123

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 diluted 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 AND PREPAYMENTS

Due to the nature of business, the settlement terms of trade receivables are based on the achievement of certain milestones of each sales transaction. 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 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade and bills receivables		
0–90 days	**1,173,915**	995,265
91–180 days	**382,928**	397,833
181–365 days	**629,288**	402,859
Over 1 year	**528,098**	561,181
	2,714,229	2,357,138
Retentions held by trade customers *(note)*	**261,146**	327,021
Deposits, prepayments and other receivables	**396,852**	351,424
Loan receivables	**90,000**	138,869
Consideration receivables for disposal of subsidiaries	**21,000**	71,000
Loan receivable from an associate	**10,000**	—
	3,493,227	3,245,452

Note: Upon the application of HKFRS 15, the retentions held by trade customers arising from the sales contracts entered into after 1 January 2018 are classified as contract assets. The amount of RMB261,146,000 (31 December 2017: RMB327,021,000) represents retentions held by trade customers arising from the sales contracts which were already completed as of 31 December 2017.

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 2018 *RMB'000* **(unaudited)**	At 31 December 2017 *RMB'000* (audited)
Trade and bills payables		
0–90 days	**1,294,952**	1,314,662
91–180 days	**498,203**	534,649
181–365 days	**187,276**	176,102
Over 1 year	**52,518**	65,739
	2,032,949	2,091,152
Other payables	**80,289**	162,610
	2,113,238	2,253,762

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In the first half of 2018 ("period under review"), the global economy continued its growth momentum of last year and recovery growth trend, but the marginal growth momentum was weakened. Under the influence of supply-side structural reforms and external demand recovery, the Chinese economy has been operating smoothly. However, the Chinese economy has been tested by a series of uncertainties due to the China-US trade conflict and external economic risks. National GDP increased by 6.8% year-on-year, a decrease of 0.1 ppt as compared with the same corresponding period of last year.

The total electricity consumption in China totalled 3,219.1 billion kWh with an increase of 8.0% as compared with last year. A new round of energy reform triggered by large-scale development and utilization of new energy is thriving globally, and China has become a practitioner and leader in global energy transformation and green development. Since the 19th National Congress of the Communist Party of China, the concept of "accelerating the reform of the ecological civilization system and building a beautiful China" has been deeply rooted. The deepening of power reforms advocated since the 13th Five-Year Plan, as well as the cleaning, electrification and intellectualization of energy industry have achieved preliminary results.

Two largest power grids have been promoting the electricity reform actively during the period under review. The State Grid Corporation of China (hereinafter referred to as "State Grid") prepares and publishes the "Work Plan for Promoting the Reform of Mixed Ownership". In power grids markets, it accelerates the pilot work of incremental power distribution reform and insists on prioritizing cooperation with social capital. In terms of power transmission and distribution, it has established a scientific and independent transmission and distribution price mechanism covering all levels of power grids. China Southern Power Grid Co., Ltd. (hereinafter referred to as "Southern Grid") institutionalized and standardized the clean energy dispatching work, promulgating the "China Southern Power Grid Corporation 2018 Clean Energy Dispatching Work Plan", and formulated 41 specific measures to utilize clean energy from the operational level to fully implement the national and company requirements for clean energy consumption, in order to push forward the energy production and consumption reform. The requirements of a new round of rural power grid reconstruction and upgrading projects have been underway, and Guangdong has already achieved the transformation of rural power grid transformation.

In face of the opportunities and challenges co-exist in the current social economic environment, the Group has been adhering to three major businesses and recorded a turnover of RMB1,654.93 million during the period under review (first half of 2017: RMB1,427.58 million), representing an increase of 16% compared to the corresponding period; and a net profit of RMB137.41 million (first half of 2017: RMB170.69 million), representing a decrease of 19% compared to the corresponding period.

Business Review

Power Advanced Metering Infrastructure ("Power AMI")

State Grid organized one centralized tender during the period under review, and the Group has successfully won RMB211.91 million worth of contracts and outperformed its peers in terms of volume and total contract sum. In Southern Grid market, the Group won tenders in five provinces and two cities in recognition of its comprehensive strengths in brand, technology, market, quality, scale and management, with total sum of RMB110 million worth of contracts. The outstanding performance in the two largest traditional grid markets witnessed the Group's competitive strength and leading position.

During the period under review, the Group's power AMI recorded a turnover of RMB893.55 million (first half of 2017: RMB694.60 million, representing an increase of 29% as compared with the corresponding period of last year, and accounting for 54% of the Group's total turnover (first half of 2017: 49%).

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

During the period under review, the Group's Communication and Fluid AMI Business developed steadily, with the turnover of RMB503.22 million (first half of 2017: RMB372.81 million), representing an increase of 35% as compared with the corresponding period of last year, and accounting for 30% of the Group's total revenue (first half of 2017: 26%).

The Group has successfully entered water companies in Huangshi, Nantong, Liaoyang, Ordos to further expand customer base. In addition, the Group launched a smart water system solution platform for smart water supply and digital municipal services, of which seven major water system solutions have been formed. The solutions can provide information systems and supporting equipment for water source, water purification plant, water supply and distribution pipe network, water and sewage plants and build a hydrological information management and control platform. In terms of products, the Group's Internet-based water metering products based on narrow-band Internet of Things (NB-IoT) have been launched and promoted in some cities. The Lora+NFC based separate wireless remote smart water metering products under development will also be applied in multi agricultural water reform projects in batches.

The Group's Communications business focuses on power collection system markets and is one of the key players in the growing market. Products include concentrators, collectors, special-purpose terminals and other full range of terminal equipment. In the centralized tender under the State Grid, the Group has successfully won approximately RMB68.37 million, ranking number one in terms of contract sum. After the full coverage of smart grid power data collection, the market scale has gradually deflated. Nevertheless, with the introduction of new power data collection technology specifications and the development of intelligent power system data into a more deepened side, there are new development opportunities in the industry.

In addition, the Group's communications businesses focus on the broad non-power markets. The Group has cooperated with mobile base stations (i.e. operators), rail transit, and data centers, etc. IoT is an essential part of communication technologies and smart grids and is a key business which the Group will strenuously develop into.

Advanced Distribution Operations ("ADO")

China's power distribution market is the largest in the Asia-Pacific region, with a scale reaching to US$286.3 billion in 2017, accounting for 19.9%. In recent years, China has also placed great emphasis on power distribution networks and new energy. During the period under review, the Group's ADO business recorded a turnover of RMB258.15 million (first half of 2017: RMB360.17 million), representing a decrease of 28% compared with the same period last year, accounting for 16% of the total turnover (first half of 2017: 25%).

The market size of automated equipment series of state-of-the-art distribution network is more than RMB100 billion per year. In terms of new products, the Group's power distribution business department has been working strenuously on innovation and its main businesses are further expanded to the high-end direction of the State Grid and the Southern Grid. In May 2018, the Group won the first batch of agreement inventory centralized procurement tender from State Grid Chongqing Electric Power Company. This is the first time that Wasion Electric Limited's self-developed miniature circuit breakers won the bid under the State Grid. In ADO key industries, the Group won the contract for the design and construction (EPC) project of 26MWP agricultural photovoltaic complementary photovoltaic poverty alleviation power generation project in Qichun County, Hubei, and the ADO model on EPC was further improved. In the field of smart distribution network, the Group has achieved innovative breakthroughs in smart distribution field, such as to develop a new generation distribution terminal based on the IoT, improve the new product system such as smart station area as well as primary and secondary integration equipment, and participate in the discussion and adoption of the smart power distribution area and primary and secondary integration equipment organized by the Inspection Department of the State Grid. The Group has committed to the construction of demonstration projects in Yizhuang, Beijing and Changzhou, Jiangsu. This will provide reliable equipment and mid-to-low voltage integrated solutions for the full completion of a state-of-the-art power distribution network in 2035.

Based on cautious market evaluation and assessment, the Group has paid great efforts in exploring the non-power grid market. For instance, the Group has won a bidding of Phase I rail transit project line no. 3 in Changsha (distribution board procurement project) and Phase II rail transit project line no. 4 in Changsha (distribution board procurement project). In addition, the Group focuses on new industries such as electric chip industry that enjoys rapid development, keen demand, sufficient capital and fast turnaround time.

International market

Geopolitics, local protectionism and the increasing industry competition have become the challenges that the Group has been facing in the international market during the period under review. Despite all the uncertainties, the Group has securely tapped the existing market and expanded into new markets to achieve a turnover of RMB177.64 million in the international market (first half of 2017: RMB286.14 million), representing a decrease of 38% compared with the same period last year.

Energy business plays a key part in Belt and Road Initiatives and is the foundation for all kinds of infrastructure construction. Under the "Go Out" policy, the Group upholds the operating principle of "March Forward Through Innovative Development" and proactively planning to cooperate with the countries in the regions alongside the Belt and Road. The Group has not only expanded the existing businesses scope but also strengthened the cooperation with local enterprises. In Asia, the cooperation between the Group and South Korea has been further promoted by providing Power AMI products and solutions on their provided platform. In addition, the Group and Bangladesh Rural Electrification Board (BREB) formally signed a contract which includes the supply, installation, test and maintenance services and electricity sales service of construction projects for smart pre-paid electricity system. This is the first tender of BREB adopting Power AMI systems. The procurement demand in the future will carry on with good prospects. Besides the existing power meter business, the Group has also taken initiatives in participating in the tender of water meters in African markets such as Egypt, Tanzania and other French-speaking countries. In South America, the Group has explored into the markets in Mexico, Brazil, Chile, etc., and accomplished the certification of pilot projects, and entitled the qualification of conducting sales in the market.

Research and Development ("R&D")

Grasping the R&D innovative technologies and launching new products are the on-going pursuit of the Group. During the period under review, the Group received 135 patents for its new products and energy saving services and 93 copyrights for its softwares. The numbers of effective patents & copyrights for new products, and energy saving services increased to 1,195 and 1,017 respectively.

In respect of Power AMI, the Group has launched smart meters of high stability that suit the market in Southern Grid and finished 698 protocol test procedures for State Grid. The Group also invested human and capital resources into the R&D department targeting overseas markets as to strengthen the cooperation with the local customers by providing strong technical and service support for the intellectualization of power grid for our customers. The Group conducted research on the next-generation State Grid power products as well as on various technical fields such as bidirectional core solution, high level communication, bidirectional interaction, and remote upgrades, etc., to meet the needs of new standards and new energy. The Group has cooperation with different institutions and universities, such as big data analysis of power meters with Central South University, R&D cooperation of energy smart router with Shenzhen Power Supply and the next generation of Southern Grid's power metering equipment with Southern Electric Power Research Institute.

The Group continued to focus on communications technology for the next generation of smart grid and energy IoT related products. In view of the future development of the water, gas and heat market, the Group has carried out and actively promoted a series of research and development work, launched targeted products and solutions in different countries and regions. These initiatives have strengthened the Group's market position in seizing the opportunities in the rapid development of the industry.

To meet the development of clean energy and energy storage sectors, the Group continued to conduct R&D projects in liquid metal batteries, including battery cell preparation technology, battery management system, bidirectional converter system, energy management system, smart communications, smart energy cloud management and other key technologies, and continues to enhance the Group's capabilities in the provision of overall solutions for grid-level energy storage systems.

Financial Review

Revenue

During the period under review, revenue increased by 16% to RMB1,654.93 million (Period 2017: RMB1,427.58 million).

Gross Profit

The Group's gross profit increased by 19% to RMB496.06 million for the six months ended 30 June 2018 (Period 2017: RMB418.03 million). The overall gross profit margin is 30% in the first half of 2018 (Period 2017: 29%).

Other Income

The other income of the Group amounted to RMB50.44 million (Period 2017: RMB62.95 million) which was mainly comprised of interest income, government subsidy and refund of value-added tax.

Other gains and losses

Other gains for the six months ended 30 June, 2018 amounted to RMB0.83 million (Period 2017: other losses of RMB17.86 million) which comprised mainly investment gain net of net foreign exchange loss.

Operating Expenses

In the first half of 2018, the Group's operating expenses amounted to RMB333.35 million (Period 2017: RMB319.16 million). Operating expenses accounted for 20% of the Group's revenue in the first half of 2018, representing a decrease of 2% as compared with 22% in the first half of 2017.

Finance Costs

For the six months ended 30 June 2018, the Group's finance costs amounted to RMB24.31 million (Period 2017: RMB23.27 million). The increase was attributable to the increase of bank borrowings and loan interest rate during the period.

Operating Profit

Earnings before finance costs and tax excluding gain on bargain purchase of interests in subsidiaries and gain on disposal of a subsidiary which were non-recurring items for the six months ended 30 June 2018 amounted to RMB207.76 million (Period 2017: RMB147.27 million), representing an increase of 41% 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 2018 decreased by 19% to RMB137.41 million (Period 2017: RMB170.69 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 2018, the Group's current assets amounted to approximately RMB5,610.99 million (31 December 2017: RMB5,355.46 million), with cash and cash equivalents totaling approximately RMB1,053.63 million (31 December 2017: RMB1,245.25 million).

As at 30 June 2018, the Group's total bank loans amounted to approximately RMB1,422.67 million (31 December 2017: RMB908.91 million), of which RMB1,160.58 million (31 December 2017: RMB841.21 million) will be due to repay within one year and the remaining RMB262.09 million (31 December 2017: RMB67.7 million) will be due after one year. In the first half of 2018, the interest rate for the Group's bank borrowings ranged from 3.30% to 5.69% per annum (31 December 2017: 2.01% to 5.68% per annum).

The gearing ratio (total borrowings divided by total assets) increased from 12% on 31 December 2017 to 17% on 30 June 2018.

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.

Charge on Assets

As at 30 June 2018, 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 2018, 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 RMB24.10 million (31 December 2017: RMB24.25 million).

Contingent Liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

Prospects

Looking forward to the second half of 2018, the direction of economy of China and the world is uncertain and the economies have been facing some critical concerns, such as China-US trade dispute and its on-going change, structural deleveraging and financial risks, real estate market development, the slip in investment growth, etc. The global economic recovery will continue, but in a slow pace.

The Group's three main businesses will follow the adjustment of the energy market on the existing foundation. In State Grid and Southern Grid markets, the Group will further optimize and upgrade the cost and quality of products. In the high-end gateway meter market, the product line will be further refined to consolidate the traditional market share. Facing a decline of tender volume from the two power grid companies, the Group will seek other growing points domestically and strive to maintain the momentum of Power AMI development.

In respect of C&F AMI, the NB-IoT smart solution is expected to be available in more cities. As a key region alongside the "Belt and Road", the Northwest China that has rich potential for new energy and groundwater resources is the focus of the Group's development in the second half of the year. In terms of communications, the Group will carry out large-scale implementation of the overall solution and mass production.

Guided by the landing policies of "Action Plan for the Construction and Reform of Power Distribution Network (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 Network" (《關於加快配電網建設改造的指導意見》), the construction of power distribution network has become one of the focuses in the future development of China's power industry. During the period under review, cumulative projects of incremental power distribution business reform has increased, providing market opportunities for power distribution network equipment suppliers such as the Group and regional power distribution network operators. The Group has accumulated experiences in smart energy maintenance and project construction and will explore power sharing businesses from commercial-based power stations to user-based power stations to bring greater values. As the portion of the power terminal energy consumption market is increasing, the application of new energy will become more extensive. The Group will focus on rail transit, data centers and commercial enterprises, launch new products in a timely manner to meet customers' increasing quality requirements, and explore new technologies, product direction and profit growth drivers for the next generation of power distribution system.

In terms of R&D, the Group will conduct integrated tests on NB-IoT technologies, dual-mode communication technology and related products, and complete on-site installation and delivery. In addition to the research and development of simple power meter products, the Group will vigorously expand the product testing and after-sales service of AMI solutions, and actively launch corresponding products for different overseas markets.

During the period under review, overseas energy and power markets have turned into a new era of upgrade and transformation, and enterprises have conducted the "Go-Out" strategy, thus accelerating the market competition. However, challenges and opportunities coexist. The research report of "China Energy Outlook 2018–2050" released by the Chinese Academy of Social Sciences initiates that China should carry out power interconnection and cooperation with neighboring countries supported by the "Belt and Road" to achieve a win-win situation. The Group will closely follow the policy to strengthen its cooperation with countries alongside the "Belt and Road" and increase the promotion of Chinese standards. Based on the "Belt and Road" Initiatives, the Group will cautiously and meticulously examine the current energy policies and situation, strategically develop businesses in the Asia, Africa, Latin America, South America and Europe to ensure long-term cooperation with customers and achieve a satisfactory result for mutual benefit.

Although China's macro economy will remain uncertain in the second half of 2018 due to the complicated domestic and overseas' situation, under the circumstance of accelerated energy structure transformation and increasing industry competition, the Group will adhere to guideline of "Seeking Progress In Stability" to lay out energy development and firmly grasp new opportunities in the market. The Group will continue to abide by the corporate vision of "Continual Innovation, Contributing To Wasion's Centennial History" and strengthen investment in innovation and R&D. The Group will focusing in the three major businesses in a timely and effective manner to become leader in the industry.

OTHER INFORMATION

Employees and Remuneration Policies

As at 30 June 2018, the Group had 3,733 (31 December 2017: 3,880) 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 share option scheme 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 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 2018 (Period 2017: Nil).

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2018, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

Compliance with the Corporate Governance Code of the Listing Rules

During the six months ended 30 June 2018, 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 25 May 2018 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 2018.

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 2018.

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 2018 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 2018 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 Holdings Limited
Ji Wei
Chairman

Hong Kong, 21 August 2018