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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB3,340.3 million (2017: RMB2,928.0 million), representing an increase of 14%.
- Revenue from Power AMI increased by 9% to RMB1,734.9 million as compared with 2017.
- Revenue from Communication and Fluid AMI increased by 23% to RMB929.9 million as compared with 2017.
- Revenue from ADO increased by 16% to RMB675.5 million as compared with 2017.
- Net profit for the year attributable to owners of the Company amounted to RMB270.82 million (2017: RMB301.58 million).
- Basic earnings per share for the year amounted to RMB27 cents (2017: RMB30 cents).
- The board of directors has proposed a final dividend of HK$0.20 (equivalent to RMB0.171) per share for the year ended 31 December 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 consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Revenue	*3*	**3,340,321**	2,927,989
Cost of sales		**(2,349,035)**	(2,093,318)
Gross profit		**991,286**	834,671
Other income	*4*	**122,895**	141,836
Other gains and losses	*5*	**(1,398)**	1,854
Impairment losses on financial assets		**(8,023)**	(6,932)
Administrative expenses		**(174,517)**	(176,355)
Selling expenses		**(292,863)**	(290,422)
Research and development expenses		**(217,660)**	(181,592)
Finance costs		**(59,594)**	(43,291)
Share of results of associates		**(580)**	(83)
Gain on bargain purchase of interests in subsidiaries		**—**	8,241
Gain on disposal of subsidiaries		**—**	103,294
Profit before taxation	*6*	**359,546**	391,221
Income tax expense	*7*	**(28,775)**	(53,425)
Profit for the year		**330,771**	337,796
Profit for the year attributable to			
— Owners of the Company		**270,817**	301,575
— Non-controlling interests		**59,954**	36,221
		330,771	337,796
Earnings per share	*9*		
Basic		**RMB27 cents**	RMB30 cents
Diluted		**RMB27 cents**	RMB30 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**330,771**	337,796
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	**(51,147)**	—
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**16,531**	(12,033)
Fair value changes on available-for-sale investments	**—**	(3,125)
Other comprehensive expense for the year	**(34,616)**	(15,158)
Total comprehensive income for the year	**296,155**	322,638
Total comprehensive income for the year attributable to		
— Owners of the Company	**236,201**	286,417
— Non-controlling interests	**59,954**	36,221
	296,155	322,638

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	**2018**	2017
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,282,072**	1,297,170
Prepaid lease payments		**148,460**	151,292
Investment properties		**28,160**	15,638
Goodwill		**297,919**	297,919
Other intangible assets		**472,948**	425,825
Investment in associates		**9,150**	9,730
Available-for-sale investments		**—**	217,244
Equity instruments at fair value through other comprehensive income		**125,889**	—
Financial assets at fair value through profit or loss		**200,000**	—
Deferred tax assets		**17,111**	—
Other non-current assets		**142,057**	113,773
Loan receivables		**105,000**	—
		2,828,766	2,528,591
CURRENT ASSETS			
Inventories		**495,522**	484,479
Trade and other receivables and prepayments	*10A*	**3,303,877**	3,245,452
Contract assets	*10B*	**263,358**	—
Prepaid lease payments		**3,541**	3,541
Financial assets at fair value through profit or loss		**30,888**	—
Loan receivables		**—**	105,000
Pledged bank deposits		**280,981**	273,099
Bank balances and cash		**1,401,362**	1,243,892
		5,779,529	5,355,463
CURRENT LIABILITIES			
Trade and other payables	*11*	**2,271,847**	2,253,762
Contract liabilities		**102,259**	—
Tax liabilities		**55,026**	44,183
Borrowings — due within one year		**1,069,864**	841,206
		3,498,996	3,139,151
NET CURRENT ASSETS		**2,280,533**	2,216,312
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,109,299**	4,744,903

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2018

	2018 *RMB'000*	2017 *RMB'000*
CAPITAL AND RESERVES		
Share capital	**9,969**	9,988
Reserves	**4,176,691**	4,156,084
Equity attributable to owners of the Company	**4,180,660**	4,166,072
Non-controlling interests	**555,624**	493,878
	4,742,284	4,659,950
NON-CURRENT LIABILITIES		
Borrowings — due after one year	**348,303**	67,701
Deferred tax liabilities	**18,712**	17,252
	367,015	84,953
	5,109,299	4,744,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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.

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

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

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 as described below.

2.1 *HKFRS 15 Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 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.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018***
	RMB'000	*RMB'000*	*RMB'000*
Current Liabilities			
Trade and other payables	2,253,762	(87,173)	2,166,589
Contract liabilities	—	87,173	87,173

* The amounts in this column are before the adjustments from the application of HKFRS 9.

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

		As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Current Assets				
Trade and other receivables and prepayments		3,303,877	263,358	3,567,235
Contract assets	*(a)*	263,358	(263,358)	—
Current Liabilities				
Trade and other payables		2,271,847	102,259	2,374,106
Contract liabilities	*(b)*	102,259	(102,259)	—

Notes:

(a) As at 31 December 2018, retention receivable from customers of RMB263,358,000 were classified as contract assets.

(b) As at 31 December 2018, deposits received in advance from customers of RMB102,259,000 were classified as contract liabilities.

2.2 *HKFRS 9 Financial Instruments*

In the current year, 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 under ECL model) 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".

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale investments *RMB'000*	**Equity instruments at FVTOCI** *RMB'000*	**Financial assets at FVTPL** *RMB'000*	**Trade receivables** *RMB'000*	**Deferred tax assets** *RMB'000*	**Deferred tax liabilities** *RMB'000*	**Investment revaluation reserve** *RMB'000*	**Retained profits** *RMB'000*	**Non-controlling interests** *RMB'000*
Closing balance at 31 December 2017 — HKAS 39	217,244	—	—	3,245,452	—	(17,252)	4,325	(2,210,166)	(493,878)
Effect arising from initial application of HKFRS 9:									
Reclassification									
From available-for-sale	(217,244)	97,244	120,000	—	—	—	—	—	—
Remeasurement									
Impairment under ECL model	—	—	—	(13,816)	3,454	—	—	10,115	247
Remeasurement at fair value	—	8,463	—	—	—	(2,116)	(6,347)	—	—
Opening balance at 1 January 2018	—	105,707	120,000	3,231,636	3,454	(19,368)	(2,022)	(2,200,051)	(493,631)

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 based on different products sold. This is also the basis upon which the Group is managed and organised. No operating segments identified by the CODM have been aggregated in arriving the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are 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.

Segment revenue and results

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

For the year ended 31 December 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	**1,734,857**	**929,944**	**675,520**	**3,340,321**
Segment profit	**174,973**	**143,763**	**85,332**	**404,068**
Unallocated income and gains/losses				**47,705**
Share of results of associates				**(580)**
Central administration costs				**(32,053)**
Finance costs				**(59,594)**
Profit before taxation				**359,546**

For the year ended 31 December 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	1,591,163	755,762	581,064	2,927,989
Segment profit	159,227	87,412	60,943	307,582
Unallocated income and gains/losses				57,065
Gain on bargain purchase of interests in subsidiaries				8,241
Gain on disposal of subsidiaries				103,294
Share of results of associates				(83)
Central administration costs				(41,587)
Finance costs				(43,291)
Profit before taxation				391,221

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

Geographical information

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

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

	Revenue from external customers		**Non-current assets** ***(Note)***	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**2,945,553**	2,546,803	**2,256,139**	2,202,290
Asian countries, except for PRC	**202,050**	75,852	**—**	—
African countries	**142,670**	196,304	**306**	—
Other overseas countries	**50,048**	109,030	**—**	—
	3,340,321	2,927,989	**2,256,445**	2,202,290

Note: Non-current assets exclude financial instruments.

4. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Other income comprises:		
Bank interest income	**23,950**	13,854
Change in fair value of financial assets classified as held for trading	**—**	8,916
Dividend income from available-for-sale investments	**—**	6,333
Dividend income from financial assets at FVTPL	**631**	—
Dividend received from equity instruments at FVTOCI	**1,159**	—
Government grants	**26,533**	36,183
Interest income from available-for-sale investments	**—**	7,558
Interest income from consideration receivable for disposal of a subsidiary	**4,486**	2,770
Interest income from loan receivables	**11,919**	20,716
Interest income on financial assets at FVTPL	**15,331**	—
Refund of value-added tax ("VAT")	**34,712**	27,948
Rental income from investment properties	**2,561**	1,491
Others	**1,613**	16,067
	122,895	141,836

5. OTHER GAINS AND LOSSES

	2018	2017
	RMB'000	*RMB'000*
Other gains (losses) comprises:		
Net foreign exchange loss	**(3,715)**	(11,262)
Net gain on disposal of property, plant and equipment	**211**	352
Fair value gain on financial assets at FVTPL	**2,106**	—
Gain on disposal of an available-for-sale investment	**—**	6,000
Gain on disposal of intangible assets	**—**	10,434
Fair value loss on revaluation of an available-for-sale investment upon reclassification as a subsidiary	**—**	(3,670)
	(1,398)	1,854

6. PROFIT BEFORE TAXATION

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and benefits	**323,396**	284,269
Retirement benefit scheme contributions	**13,713**	18,967
Share-based payment expenses	**3,107**	572
	340,216	303,808
Capitalised in development costs	**(79,666)**	(91,887)
Capitalised in inventories	**(30,981)**	(27,179)
	229,569	184,742
Auditor's remuneration	**3,425**	3,129
Depreciation of property, plant and equipment	**59,428**	51,020
Depreciation of investment properties	**483**	230
Release of prepaid lease payments	**2,832**	5,927
Amortisation of intangible assets (included in selling expenses, administrative expenses and research and development expenses)	**92,176**	91,333
Total depreciation and amortisation	**154,919**	148,510
Capitalised in inventories	**(149,271)**	(143,328)
	5,648	5,182
Cost of inventories recognised as expense	**2,349,035**	2,093,318

7. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
— Current year	**58,572**	79,796
— Overprovision in prior years	**(26,667)**	(25,308)
	31,905	54,488
Deferred taxation		
— Current year	**(3,130)**	(1,063)
	28,775	53,425

Notes:

(i) Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first RMB2 millions of profits of the qualifying group entity will be taxed at 8.25%, and profits above RMB2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements.

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

(ii) PRC

PRC EIT was calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC, except that certain PRC subsidiaries which are approved as enterprises that satisfied the condition as high technology development enterprises and obtained the Certificate of High New Technology Enterprise continue to enjoy the preferential tax rate of 15% for a consecutive three years from year 2015 to 2017, year 2016 to 2018 or year 2017 to 2019, respectively.

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC, certain of the subsidiaries established in the PRC are entitled to claim additional 50% to 75% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year.

(iii) Other jurisdictions

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

8. DIVIDENDS

	2018 *RMB'000*	2017 *RMB'000*
Dividends recognised as distribution during the year:		
2017 final dividend — HK$0.24, equivalent to RMB0.194, per share (2017: 2016 final dividend — HK$0.24, equivalent to RMB0.212, per share)	**202,548**	204,071

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK$0.20, equivalent to RMB0.171, per share (2017: final dividend in respect of the year ended 31 December 2017 of HK$0.24, equivalent to RMB0.194, per share), in an aggregate amount of HK$199,992,000, equivalent to RMB170,993,000 (2017: HK$241,133,000, equivalent to RMB194,474,000), has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2018 *RMB'000*	2017 *RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**270,817**	301,575

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**996,781,538**	999,887,376
Effect of dilutive potential ordinary shares in respect of share options	**5,569**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**996,787,107**	999,887,376

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 and the shares repurchased by the Company but yet to be cancelled.

The computation of diluted earnings per share for the year ended 31 December 2017 does not assume the exercise of the Company's outstanding share options as the relevant exercise price of those options were higher than the average market price for the year.

10A. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2018	2017
	RMB'000	*RMB'000*
Trade and bills receivables, gross	**2,762,303**	2,383,762
Less: Allowance for credit loss	**(45,830)**	(26,624)
Trade and bills receivables, net *(Note)*	**2,716,473**	2,357,138
Retentions held by trade customers	**174,280**	327,021
Purchase and bidding deposits	**123,887**	99,109
Other deposits and prepayments	**90,973**	89,128
Loan receivables	**51,000**	138,869
Loan receivable from an associate	**18,000**	—
Other receivables	**129,264**	163,187
Consideration receivables for disposal of subsidiaries	**—**	71,000
	3,303,877	3,245,452

Note:

Included in the Group's trade receivable is trade balance with an associate of RMB39,925,000 (2017: RMB42,559,000). Due to the nature of business, the settlement terms of trade and bills receivables are based on the achievement of certain milestones of each sales 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 maybe beyond 365 days. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts, presented based on the revenue recognition dates at the end of the reporting period:

	2018	2017
	RMB'000	*RMB'000*
0–90 days	**1,219,657**	995,265
91–180 days	**382,137**	397,833
181–365 days	**508,310**	402,859
Over 1 year	**606,369**	561,181
	2,716,473	2,357,138

10B. CONTRACT ASSETS

The contract assets primarily relate to the Group's right to consideration for goods delivered and not billed for the sales contracts entered after 1 January 2018 because the rights are conditional on the completion of the retention period. The contract assets are transferred to trade receivables when the rights become unconditional. This amount is expected to be realised after twelve months from the end of the reporting period.

11. TRADE AND OTHER PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Trade and bills payables		
0–90 days	**1,761,118**	1,314,662
91–180 days	**224,373**	534,649
181–365 days	**115,260**	176,102
Over 1 year	**72,642**	65,739
	2,173,393	2,091,152
Other payables	**98,454**	162,610
	2,271,847	2,253,762

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The global economy continued to enjoy moderate growth, though momentum noticeably began to slow down in 2018 ("year under review"). There were clear differences in how the major economies performed in terms of their inflation rates and monetary policy. With Federal Reserve interest rates rising and capital outflow accelerating in the new economies, financial markets continued to fluctuate. China maintained its position as the world's second largest economy with GDP reaching RMB90.03 trillion during the year under review, a year-on-year increase in GDP of 6.6%, and representing 16% of the total global economy.

The 19th CPC National Congress report introduced new measures to build a stronger and more powerful national capital, cultivate world-class enterprises that are globally competitive; accelerate construction of power grid infrastructure networks; promote energy production and consumption; and build clean, low-carbon, energy systems that are safe and efficient. In 2018, China's total electricity consumption was 6,844.9 billion kWh, representing a year-on-year increase of 8.5%, the highest annual growth rate in seven years.

The two largest power grid companies made significant progress in constructing smart grids. State Grid Corporation of China (hereinafter referred to as "State Grid") invested RMB488.9 billion to strengthen its new energy grid connection and transmission projects. To date, it has built energy grids and installed 5,430 km of transmission lines that support 506 new power generation projects. In southern China, the booming Guangdong–Hong Kong–Macao Greater Bay Area is forming a world-class conurbation. China Southern Power Grid Company Limited (hereinafter referred to as "Southern Grid") has become an electricity benchmark for the cities to participate in the high-end industry competition worldwide. At the same time, Southern Grid increased construction work in Guangdong province with remarkable performance, and provinces and cities such as Guangdong, Guangzhou, Shenzhen and Hainan have all achieved full low-voltage data collection coverage. Southern Grid is further developing smart metering in line with the new requirements. With metering equipment being gradually replaced by State Grid and Southern Grid and smart metering technology increasingly introduced, the construction of smart grids for domestic power supply will create new development opportunities. More importantly, the two largest power grids have been accelerating their business transformation. The "Three types and Two Networks" policy promoted by State Grid aims to speed up the construction of smart grids and Ubiquitous Electric Power IoT. Both power grids have strategies for developing integrated energy services, which is entirely in line with the Group's mission and creates new development opportunities for its different business segments.

In July 2018, the National Development and Reform Commission issued its "Opinions on Innovating and Improving the Price Mechanism for Promoting Green Development" which proposes improvements in price formation mechanism for the urban water supply. It specifically aims to establish a price formation and dynamic adjustment mechanism that fully reflects the true costs of water supply and encourages improvements in water quality; to gradually adjust the price of residential water cost above the current average; to adjust the price of non-residential water to cover costs and deliver a reasonable profit level; to further increase the price difference between special water users and non-residential water users; and to improve the escalating pricing system for residential water. Since the recent NPC and CPPCC, the construction of direct drinking water systems within cities has become a hot topic for members and representatives, attracting considerable attention at a national level.

State Grid has completed the construction for smart grids and has entered the upgrade phase. The new data collection equipment (collectors, concentrators, terminals) will gradually introduce 4G networks for data transmission. Data communication modules for smart meters will also be upgraded. According to the State Grid tender requirements, the annual demand for new data collection equipment will be over 10 million multiplies. Southern Grid has begun transitioning from 2G/3G to 4G network for public grid data collection, creating opportunities to replace products and equipment.

As an energy metering and energy saving expert, the Group's three major businesses achieved satisfactory results during the year under review, recording a turnover of RMB3,340.3 million (2017: RMB2,928.0 million) which represents a 14% increase as compared with 2017; and a net profit of RMB270.82 million (2017: RMB301.58 million) which represents a 10% decrease as compared with 2017.

Business Review

Power Advanced Metering Infrastructure ("Power AMI")

Power AMI conducts business with a wide range of power and non-power enterprises. An increasingly competitive and segmented marketplace is highlighting the Group's business edge and competitive advantages. During the year under review, the Group successfully won RMB388 million worth of contracts within two centralised smart meter tenders organised by State Grid, maintaining its industry leading position. In the Southern Grid market, the Group won tenders in five provinces and two cities by virtue of its overall strengths in branding, technology, market share, quality, scale and management. These centralised framework project tender contracts of Southern Grid were worth a total of RMB110 million. The Group's outstanding performance in the two largest traditional grid markets reveals its competitive advantage and market strength. The Group also ranked top among the companies for winning tenders, and increased its market share from local power grid companies in different provinces and cities such as Shaanxi, Sichuan, Guangxi, Inner Mongolia and Hunan, testament to our brand reputation and business strength.

During the year under review, the Group's Power AMI business recorded a turnover of RMB1,734.9 million (2017: RMB1,591.1 million), representing an increase of 9% as compared with 2017, and accounting for 52% of the Group's total turnover (2017: 54%).

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

During the year under review, the Group's Communication and Fluid AMI business achieved satisfactory results with a turnover of RMB929.9 million (2017: RMB755.8 million), representing an increase of 23% as compared with 2017, and accounting for 28% of the Group's total revenue (2017: 26%).

During the year under review, the Group's data collection terminal and concentrators successfully won RMB135.86 million worth of contracts within two centralised tenders organised by State Grid, maintaining its market leading position. Aside from the traditional grid market, the Group's communications business also focused on other industries, achieving strategic successes during the year under review. In October 2018, the Group's data collection terminal successfully assisted with the opening of the new Hong Kong–Zhuhai–Macao Bridge, monitoring its power supply systems. The Group also won a project with China Unicom Internet of Things Co., Ltd for its 4G power terminal to provide specialized communication components and solutions. In December 2018, the Group officially began working with Alibaba Cloud, a leading global cloud computing and artificial intelligence technology company, signing a smart city strategic cooperation agreement to develop LoRaWan Internet of Things ("IoT") terminal. This has helped the Group to establish the foundation for its IoT business which is underpinned by technological innovation.

Building an energy internet is a major goal of State Grid and many other energy enterprises. State Grid's "Two Networks" strategy of "Building Strong Smart Grid + Ubiquitous Electric Power IoT" offers a clear direction for the Group's IoT business. The Group plans to produce the communication modules that are widely used by national and local power grid companies as well as industrial and commercial users. Creating a Ubiquitous Electric Power IoT with comprehensive responsiveness and highly-efficient information processing that can be widely applied across distribution networks is a priority for the Group, and station areas are the core of distribution networks. The Group has therefore set up a number of station area business departments. It has also launched new products and solutions including smart distribution and monitoring terminals, and end-terminal monitoring and sensing stations. The first batch of these products will commence operations in Jiangsu, Guangdong, Shanxi and Beijing.

The six ministries and commissions in China, including the National Development and Reform Commission, the Ministry of Water Resources, the Ministry of Finance, the Health and Family Planning Commission, the Ministry of Environmental Protection, and the Ministry of Housing and Urban-Rural Development, jointly issued a "Notice on Consolidation and Improvement of Rural Drinking Water Safety and Planning during the 13th Five-Year Plan Period". By 2020, tap water penetration is expected to exceed 80%, with public water supply services being extended from urban areas to reach 33% of rural areas.

The Group has successfully entered into agreements with water companies in Huangshi, Shiyan, Chenzhou, Bole, Ankang, Hejian, and Liaoyang which will help further expand its customer base. Sales of water meter products reached new highs during the year under review, and these metering products have also been newly provided to provincial water companies, such as Lanzhou, Taiyuan, Xining and Urumqi. The Group also improved the capabilities of its smart solutions for water and gas meters. An auto payment system for customers and an online platform to monitor water leakage have both been introduced. A new series of smart gas meter products based on the new structure has also been launched and these include IC card smart gas meters, LoRa wireless gas meters and NB-IoT IoT gas meters.

Advanced Distribution Operations ("ADO")

Smart grids are increasingly being adopted around the world. A report issued by research company Markets and Markets predicts that the market for smart power grids will increase from US$23.8 billion in 2018 to US$61.3 billion in 2023. In terms of smart power grid construction, total investment is expected to reach RMB1,400 billion, with investment in intellectualization aspect of RMB175 billion. During the year under review, State Grid has promoted the upgrade construction of power distribution networks in ten cities including Beijing, Tianjin and Shanghai.

The Group's ADO business achieved satisfactory results in 2018, recording a turnover of RMB675.5 million (2017: RMB581.1 million), representing an increase of 16% over last year and accounts for 20% (2017: 20%) of total turnover.

Since 2017, the Group has followed a strategic plan to improve primary and secondary equipment integration, with significant progress in this area being made during the year under review. Its entire product range was certified by State Grid and Southern Grid, and also passed the special test set by China Electric Power Research Institute. The Group participated in establishing an industry standard for smart area stations, and primary and secondary integration organized by the State Grid Transportation Inspection Department. It successfully constructed pilot projects in Yizhuang and Changzhou and won a number of tenders of for smart distribution demonstration projects from provincial power grid companies in Shaanxi and Guangxi. In late 2018, the Group won a scalable tender from Jiangsu's primary and secondary ring main unit, and plans to participate more tenders in 2019.

In May 2018, the Group was awarded the centralised inventory agreement tender from Chongqing Electric Power Company. This is the first time that the Group's smart micro circuit breaker, which was independently researched and developed, has won a tender from the State Grid. The Group also won the 26MWP agricultural solar power generator engineering, procurement and construction ("EPC") contract to alleviate poverty in Qichun County, Hubei and charging station's energy maintenance service project from Changsha Transportation Group. Those achievements further enhanced the Group's ADO service model and EPC capabilities.

Based on careful market evaluation and analysis, the Group has devoted considerable efforts to exploring non-power grid markets. During the year under review, the Group continued to win new tenders from rail transit project in Changsha.

International markets

Deloitte's recent "Outlook of Belt and Road International Power Cooperation" in 2018 reports that the construction of power grids by Chinese companies within the 'One Belt and One Road' initiative has achieved good results. It notes, however, that there is growing uncertainty due to a range of factors including carbon restrictions, competition for capital, and geopolitical issues such as trade protectionism. Enterprises must therefore be fully prepared to deal with rapidly changing market conditions. The Group launched new products and identified opportunities in different countries and regions. During the year under review, turnover in international markets was RMB394.8 million (2017: RMB381.2 million), representing an increase of 4% over 2017. The Group successfully upgraded its marketing strategy; established a strong market base with cutting-edge sales capabilities; and improved its overall product range, and services and sales capabilities with a focus on communications, system integration, and water and gas products.

In Asia, the sales volume in Bangladesh improved significantly as compared with last year, and the Group is expected to provide smart power meters, water meters and ADO products to Bangladesh. In South Korea, the Group continued to partner with high-calibre local enterprises, providing smart metering products and solutions to a wide market. In Africa, the Group's electricity business continued to steadily grow in Egypt and Tanzania. It also actively participated in tenders for electricity and water metering projects in some French-speaking countries. The Group's market share in Indonesia also continued to grow, laying the foundation for future large-volume orders. In West African markets such as Ghana and Benin, the Group's products and solutions are in the exploratory stage. In Europe, the Group passed the stringent European IDIS certification tests. In South America, the Group actively sought acquisition opportunities with local enterprises to enhance competitiveness.

Research and Development ("R&D")

Innovation is the force that drives growth and development. Upgrading and transforming the power distribution network and promoting the construction of smart grids required substantial investment and innovation. During the year under review, the Group increased its investment in R&D through recruiting new talents and providing additional funding. A total of 231 patents and 188 software copyrights were registered, resulting in 1,281 patents for new products and energy efficiency services and 1,049 software copyrights.

In terms of Power AMI area, smart meters and meter reading are being adopted as part of a drive to rapidly develop new energy technologies and applications. Since Organization Internationale de Métrologie Légale formulated its R46 technologies, the Group has played a leading role in meeting the national standard smart meters for R46. It completed 698 protocol test procedures for State Grid during the year under review, and conducted research into the next generation of smart meters for State Grid and Southern Grid. For example, to meet the new R46 standard energy requirements and electricity marketization, a multi-core solution was used to conduct in-depth research into communication, two-way interaction, remote upgrades and other technical areas. R&D was conducted into several key technologies for State Grid's new generation of energy meters including dynamic load measurement, Bluetooth communication applications, electricity load identification and improving smart manufacturing processes. The Group also partnered with different institutions and universities on various projects such as analysing big data for power meters with Central South University; and researching and developing energy smart routers with Shenzhen Power Supply.

For non-power grid area, the Group successfully developed its shared-charging socket solution. This meets the smart and custom management requirements for personal pre-paid electricity service, as well as mobile device and electric vehicle charging in public spaces.

For the Communication and Fluid AMI area, the Group successfully developed a new series of products including Smart Distribution Terminal (TTU), Branch Monitoring Terminal and Rear-end Sensing Terminal which provide product support in building and marketing total solutions for Power IoT. The completion of R&D on LoRaWan communication modules has successfully created a low-cost communications solution for Communication and Fluid AMI data collection services.

In terms of ADO market, the Group developed key technologies in Ubiquitous Electric Power IoT, and wide ranging IoT solutions for low-voltage distribution. The Group also developed a comprehensive range of power distribution terminals including box-type FTU, hood-style FTU, centralized DTU, and distributed DTU. Additionally, the Group designed and commenced manufacturing of a segmented ring network cabinet based on sealing structures for the Southern Grid market, and continued to enhance its overall capabilities in grid-level energy storage system solution.

During the year under review, the Group substantially invested in R&D for overseas markets. The Group completed a R&D programme on water and gas data collection terminals and independently developed products for collecting comprehensive data usage on water, electric and gas energies for overseas markets. In terms of power infrastructure AMI capabilities, the Group now possesses various mainstream communication technologies, further improving the overall structure of its systems, communication and energy metering products, and allowing it begin creating an implementation team. The Group also focused on the next generation smart prepayment AMI products, successfully accomplished the software platform upgrades and cost reductions. Those products have been successfully promoted to African markets such as Ghana, South Africa and Southeast Asian markets such as Bangladesh. In the high-end European market, the Group's aMeterX50 series smart meter product was recognized by the Austrian market. It is believed that under the development of the global industrial chain, the Group will continue the research on the reliability and stability of its products, strengthen the onsite communication and interaction with local clients, continue to provide quality technical services to customers.

Financial Review

Revenue

During the year under review, revenue increased by 14% to RMB3,340.3 million (2017: RMB2,928.0 million).

Gross Profit

The Group's gross profit increased by 19% to RMB991.29 million for the year ended 31 December 2018 (2017: RMB834.67 million). The overall gross profit margin is 30% in 2018 (2017: 29%).

Other Income

The other income of the Group amounted to RMB122.90 million (2017: RMB141.84 million) which was mainly comprised of interest income, government grant and refund of value-added tax.

Other gains and losses

Other losses for the year ended 31 December 2018 amounted to RMB1.40 million (2017: other gains of RMB1.85 million) which comprised mainly net foreign exchange loss net of investment gain.

Operating Expenses

In 2018, the Group's operating expenses amounted to RMB685.04 million (2017: RMB648.37 million). Operating expenses accounted for 21% of the Group's revenue in 2018, representing a decrease of 1% as compared with 22% in 2017.

Finance Costs

For the year ended 31 December 2018, the Group's finance costs amounted to RMB59.59 million (2017: RMB43.29 million). The increase was attributable to the increase of bank borrowings and loan interest rate during the year.

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 year ended 31 December 2018 amounted to RMB419.14 million (2017: RMB322.98 million), representing an increase of 30% as compared with last year.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the year ended 31 December 2018 decreased by 10% to RMB270.82 million (2017: RMB301.58 million) as compared with last year.

Liquidity and Financial Resources

The Group's primary sources of working capital and long-term funding needs have been cash flows from operation and financing activities.

As at 31 December 2018, the Group's current assets amounted to approximately RMB5,779.53 million (2017: RMB5,355.46 million), with cash and cash equivalents totaling approximately RMB1,401.36 million (2017: RMB1,243.89 million).

As at 31 December 2018, the Group's total bank loans amounted to approximately RMB1,418.17 million (2017: RMB908.91 million), of which RMB1,069.87 million (2017: RMB841.21 million) will be due to repay within one year and the remaining RMB348.30 million (2017: RMB67.70 million) will be due after one year. In 2018, the interest rate for the Group's bank borrowings ranged from 3.50% to 6.64% per annum (2017: 2.01% to 5.68% per annum).

The gearing ratio (total borrowings divided by total assets) increased from 12% in 2017 to 16% in 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 year, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

Charge on Assets

As at 31 December 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 31 December 2018, the capital commitments in respect of the acquisition of property, plant and equipment and additions of construction in progress contracted for but not provided in the consolidated financial information amounted to RMB23.65 million (2017: RMB24.25 million).

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

Prospects

It is estimated that China's total domestic electricity consumption will exceed 700 billion KWH in 2019, with a CAGR of 6.08% in the next five years (2019–2023). It is also estimated that China's total domestic electricity consumption will reach 9130.8 billion KWH by 2023, underscoring its rapid economic development. In the beginning of 2019, State Grid and Southern Grid announced to accelerate goals of being recognised as a world-class energy internet enterprise. In particular, State Grid plans to build a "Three Types and Two Networks" enterprise, and "Ubiquitous Electric Power IoT". These technologies will make full use of big data, cloud computing, IoT, mobile internet, smart city which belong within the five major systems namely: modern information technology; cash communication technology; construction of terminals, networks and platforms; operations and maintenance; and security. All of these will be used to open up the five major business opportunities: transmission, transformation, distribution, electricity usage, and operational management.

The Group's three major businesses will continue to be led by energy demand, making any necessary adjustments in line with market fluctuations. In its two biggest grid markets, the Group will continue seeking to reduce costs and enhance quality. It will also closely follow customer needs and actively collaborate in setting new technical standards in key technologies for State Grid, Southern Grid and local electric power companies. The Group will pioneer the next generation of smart meters and energy IoT related technologies and products and contribute to new thinking on intellectualization of power grids. The Group has greatly expanded its Power AMI product solutions certification capability, client installation services, and operations and maintenance services. The Group, with no doubt, will also benefit from the "Ubiquitous Electricity Power IoT" in the non-power grid market. It will continue to grasp opportunities in rail transportation, schools, telecommunications, petroleum and petrochemical industries, while striving to secure more orders.

For Communication and Fluid AMI business, it is expected that more cities will bring NB-IoT intelligent solutions online. The Group will continue improving its overall solutions capabilities on scalable area implementation. Water companies in Tianjin, Jiangxi and other cities will start the replacement of smart water meters in 2019 and planning to install 5G networks and initiate 5G pilot projects. The Northwestern part of China, as a key related district of the "One Belt and One Road" initiative, it offers considerable opportunity to expand the use of Fluid AMI solutions in new energy, underground water and other resources. For example, Yinchuan city is gradually introducing sophisticated functionality smart water meters. The Group will also fully make use of the tender from China Unicom's communication project and the strategic partnership with Alibaba Cloud, focusing on building end-to-end IoT solutions and service capabilities.

In its report to the NPC and CPPCC in 2019, State Grid said that it plans to comprehensively champion a "Three Types and Two Networks" policy, build high-quality power distribution networks, and encourage construction of power distribution networks in ten world-class cities including Beijing and Shanghai. At the same time, it plans to implement a new round of agricultural power network upgrades, which will accelerate the construction and application of automated power distribution systems. Moreover, several comprehensive new energy service demonstration projects have been rolled out, new innovative products and business models are expected to be unveiled in the near future.

With the rapid growth of solar capacity in emerging markets, the Group's ADO business is increasingly focusing on these markets. Since the "Government Work Report" introduced the concept of "Defending Blue Sky", the development of renewable energy sources in China is being given higher priority and renewable energy will contribute an increasing percentage of the country's total energy output. The Group will continue focusing on emerging non-power grid areas such as petroleum and petrochemicals, business centres, communication industries, etc. It will also regularly launch new products and continue enhancing after-sales and maintenance services to meet customers' ever higher quality expectations, thereby living up to its brand values. In order of priority, the Group will strive to continuously improve quality, optimize customer mix, and maximize profits.

Committed to harnessing the "Strong Smart Grid" and "Ubiquitous Electric Power IoT" of State Grid, and constructing smart cities and comprehensive new energy networks, the Group will increase its R&D into new technologies and products in the fields of IoT communications, artificial intelligence applications, IoT edge terminals, and energy routers. We will continue to seek for cost reduction, improve the product range and scale of AMI total solutions.

As more and more international power projects enter the implementation stage, power related enterprises need to better understand market trends to establish a "Going Out" strategy and improve their capabilities to internationalize their business model. The Greater Bay Area and "One Belt and One Road" initiatives will bring new demand for the Group's products and total solutions, and create new opportunities for the Group.

In a complex domestic and international economic environment, the Group will be guided by the principle of "Aggressive with Keen Determination and Achieving Growth through Innovation". We will adhere to high quality and sustainable development and meet all challenges through being united behind a single vision, seizing new development opportunities, and confidently pursuing our goal of being a world-class energy metering and energy saving export in China and throughout the world.

OTHER INFORMATION

Employees and Remuneration Policies

As at 31 December 2018, the Group had 3,640 (2017: 3,880) staff. The staff costs (including other benefits and contributions to defined contribution plan) amounted to RMB340.22 million in 2018 (2017: RMB303.81 million). Employee remuneration is determined on performance, experience and prevailing market conditions, with compensation policies being reviewed on a regular basis. The Company has adopted a 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 to recognize the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and also to attract suitable personnel for further development of the Group.

Dividends

The Board has proposed a final dividend of HK$0.20 (2017: HK$0.24) per share to shareholders of the Company whose name appear in the register of members on 29 May 2019 and a resolution to this effect will be proposed and subject to the shareholders' approval in the forthcoming annual general meeting. The final dividend is expected to be paid on or before 12 June 2019.

Closure of Register of Members

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

(a) For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on 22 May 2019 ("AGM"), the register of members will be closed on Friday, 17 May 2019 to Wednesday, 22 May 2019, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited situated at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong not later than 4:30 p.m. on Thursday, 16 May 2019.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members will be closed on Tuesday, 28 May 2019 to Wednesday, 29 May 2019, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited situated at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong not later than 4:30 p.m. on Monday, 27 May 2019.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2018, the Company has repurchased its listed shares on the Stock Exchange and the details are as below:

Month of repurchase	**Number of shares repurchased**	**Highest price per share** *HK$*	**Lowest price per share** *HK$*	**Total Consideration Paid** *HK$*
October 2018	1,960,000	3.89	3.60	7,430,480
November 2018	300,000	4.05	3.99	1,210,820
December 2018	1,500,000	3.95	3.75	5,794,820
	3,760,000			14,436,120

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

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the year.

Compliance with the Corporate Governance Code of the Listing Rules

During the year ended 31 December 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 above, there has been no deviation from the code provisions of the Corporate Governance Code as set forth in the Appendix 14 of the Listing Rules for the year ended 31 December 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 year ended 31 December 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 annual results of the Group for the year ended 31 December 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.hkexnews.hk and on the website of the Company at www.wasion.com. The annual report of the Company for the year ended 31 December 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 websites of the Stock Exchange and the Company in due course.

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

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

Non-executive Director
Kat Chit

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

By order of the Board
Wasion Holdings Limited
Ji Wei
Chairman

Hong Kong, 27 March 2019