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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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB3,655.6 million (2018: RMB3,340.3 million), representing an increase of 9%.

- Revenue from Power AMI decreased by 1% to RMB1,713.9 million as compared with 2018.

- Revenue from Communication and Fluid AMI increased by 26% to RMB1,167.5 million as compared with 2018.

- Revenue from ADO increased by 15% to RMB774.2 million as compared with 2018.

- Net profit for the year attributable to owners of the Company amounted to RMB280.57 million (2018: RMB270.82 million).

- Basic earnings per share for the year amounted to RMB28 cents (2018: RMB27 cents).

- The board of directors has proposed a final dividend of HK$0.20 (equivalent to RMB0.183) per share for the year ended 31 December 2019.

For the reasons explained below in the paragraph headed "Review of Unaudited Annual Results", the auditing process for the annual results of Wasion Holdings Limited (the "Company") and its subsidiaries (hereby collectively referred to as the "Group") for the year ended 31 December 2019 has not be completed. In the meantime, the board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(unaudited)	(audited)
Revenue	*3*	**3,655,646**	3,340,321
Cost of sales		**(2,508,013)**	(2,349,035)
Gross profit		**1,147,633**	991,286
Other income	*4*	**130,545**	122,895
Other gains and losses	*5*	**6,561**	(1,398)
Impairment losses on financial assets under expected credit loss model		**(25,118)**	(8,023)
Administrative expenses		**(179,596)**	(174,517)
Selling expenses		**(329,319)**	(292,863)
Research and development expenses		**(245,722)**	(217,660)
Finance costs		**(86,518)**	(59,594)
Share of results of a joint venture		**(4,000)**	—
Share of results of associates		**168**	(580)
Profit before taxation	*6*	**414,634**	359,546
Income tax expense	*7*	**(57,256)**	(28,775)
Profit for the year		**357,378**	330,771
Profit for the year attributable to			
— Owners of the Company		**280,567**	270,817
— Non-controlling interests		**76,811**	59,954
		357,378	330,771
Earnings per share	*9*		
Basic		**RMB28 cents**	RMB27 cents
Diluted		**RMB28 cents**	RMB27 cents

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Profit for the year	**357,378**	330,771
Other comprehensive income (expense)		
Item that will not be subsequently reclassified to profit or loss		
Fair value changes on equity instruments at fair value through other comprehensive income, net of related deferred taxation	**15,690**	(51,147)
Item that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(9,676)**	16,531
Other comprehensive income (expense) for the year	**6,014**	(34,616)
Total comprehensive income for the year	**363,392**	296,155
Total comprehensive income for the year attributable to		
— Owners of the Company	**286,581**	236,201
— Non-controlling interests	**76,811**	59,954
	363,392	296,155

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,288,959**	1,282,072
Prepaid lease payments		**—**	148,460
Right-of-use assets		**153,110**	—
Investment properties		**28,407**	28,160
Goodwill		**313,272**	297,919
Other intangible assets		**520,437**	472,948
Investment in associates		**—**	9,150
Investment in a joint venture		**—**	—
Equity instruments at fair value through other comprehensive income		**97,327**	125,889
Financial assets at fair value through profit or loss		**200,000**	200,000
Deferred tax assets		**21,230**	17,111
Other non-current assets		**135,870**	142,057
Loan receivable		**—**	105,000
		2,758,612	2,828,766
CURRENT ASSETS			
Inventories		**541,345**	495,522
Trade and other receivables and prepayments	*10A*	**4,175,927**	3,303,877
Contract assets	*10B*	**466,129**	263,358
Prepaid lease payments		**—**	3,541
Financial assets at fair value through profit or loss		**—**	30,888
Loan receivable		**105,000**	—
Pledged bank deposits		**271,673**	280,981
Bank balances and cash		**1,778,088**	1,401,362
		7,338,162	5,779,529
CURRENT LIABILITIES			
Trade and other payables	*11*	**3,001,897**	2,271,847
Contract liabilities		**100,562**	102,259
Tax liabilities		**50,583**	55,026
Borrowings — due within one year		**1,618,639**	1,069,864
Lease liabilities		**3,048**	—
		4,774,729	3,498,996
NET CURRENT ASSETS		**2,563,433**	2,280,533
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,322,045**	5,109,299

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 31 DECEMBER 2019

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
CAPITAL AND RESERVES		
Share capital	**9,947**	9,969
Reserves	**4,206,370**	4,176,691
Equity attributable to owners of the Company	**4,216,317**	4,186,660
Non-controlling interests	**630,083**	555,624
	4,846,400	4,742,284
NON-CURRENT LIABILITIES		
Borrowings — due after one year	**455,230**	348,303
Deferred tax liabilities	**18,615**	18,712
Lease liabilities	**1,800**	—
	475,645	367,015
	5,322,045	5,109,299

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 unaudited 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 unaudited 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 unaudited 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 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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 on the disclosures as described below.

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rates for certain leases of office buildings in Hong Kong were determined on a portfolio basis.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.43%.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	3,361
Lease liabilities discounted at relevant incremental borrowing rates and as at 1 January 2019	3,252
Analysed as	
Current portion	3,011
Non-current portion	241
	3,252

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	3,252
Reclassified from prepaid lease payments *(Note)*	152,001
	155,253
By class:	
Leasehold land	152,001
Land and buildings	3,252
	155,253

Note: Upfront payments for leasehold land in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$3,541,000 and HK$148,460,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective on 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. However, the discounting effect has had no material impact on the consolidated financial statements of the Group at 1 January 2019.

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Prepaid lease payments	148,460	(148,460)	—
Right-of-use assets	—	155,253	155,253
Current asset			
Prepaid lease payments	3,541	(3,541)	—
Current liability			
Lease liabilities	—	(3,011)	(3,011)
Non-current liability			
Lease liabilities	—	(241)	(241)

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 2019

	Power advanced metering infrastructure *RMB'000* **(unaudited)**	**Communication and fluid advanced metering infrastructure** *RMB'000* **(unaudited)**	**Advanced distribution operations** *RMB'000* **(unaudited)**	**Consolidated** *RMB'000* **(unaudited)**
Segment revenue	**1,713,888**	**1,167,550**	**774,208**	**3,655,646**
Segment profit	**168,991**	**205,970**	**100,662**	**475,623**
Unallocated income and gains/losses				**56,912**
Share of results of associates and a joint venture				**(3,832)**
Central administration costs				**(27,551)**
Finance costs				**(86,518)**
Profit before taxation				**414,634**

For the year ended 31 December 2018

	Power advanced metering infrastructure *RMB'000* (audited)	Communication and fluid advanced metering infrastructure *RMB'000* (audited)	Advanced distribution operations *RMB'000* (audited)	Consolidated *RMB'000* (audited)
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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit attributable to each segment without allocation of certain other income, other gains and losses, share of results of associates, share of results of a joint venture, 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)***	
	2019 ***RMB'000*** **(unaudited)**	2018 *RMB'000* (audited)	**2019** ***RMB'000*** **(unaudited)**	2018 *RMB'000* (audited)
PRC	**3,445,035**	2,945,553	**2,316,137**	2,256,139
Asian countries, except for PRC	**148,162**	202,050	**—**	—
African countries	**47,065**	142,670	**1,779**	306
Other overseas countries	**15,384**	50,048	**7,499**	—
	3,655,646	3,340,321	**2,325,415**	2,256,445

Note: Non-current assets exclude financial instruments.

4. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Other income comprises:		
Bank interest income	**26,081**	23,950
Dividend income from financial assets at FVTPL	**—**	631
Dividend received from equity instruments at FVTOCI	**650**	1,159
Government grants	**31,451**	26,533
Interest income from consideration receivable for disposal of a subsidiary	**4,486**	4,486
Interest income from loan receivables	**11,919**	11,919
Interest income on financial assets at FVTPL	**18,304**	15,331
Refund of value-added tax ("VAT")	**29,794**	34,712
Rental income from investment properties	**2,405**	2,561
Others	**5,455**	1,613
	130,545	122,895

5. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Other gains (losses) comprises:		
Net foreign exchange gain (loss)	**5,762**	(3,715)
Net (loss) gain on disposal of property, plant and equipment	**(40)**	211
Fair value gain on financial assets at FVTPL	**839**	2,106
	6,561	(1,398)

6. PROFIT BEFORE TAXATION

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Profit before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and benefits	**320,615**	323,396
Retirement benefit scheme contributions	**14,767**	13,713
Share-based payment expenses	**—**	3,107
	335,382	340,216
Capitalised in development costs	**(104,884)**	(79,666)
Capitalised in inventories	**(27,716)**	(30,981)
	202,782	229,569
Auditor's remuneration	**3,469**	3,425
Depreciation of property, plant and equipment	**60,403**	59,428
Depreciation of investment properties	**968**	483
Release of prepaid lease payments	**—**	2,832
Amortisation of intangible assets (included in selling expenses, administrative expenses and research and development expenses)	**124,890**	92,176
Depreciation of right-of-use assets	**12,516**	—
Total depreciation and amortisation	**198,777**	154,919
Capitalised in inventories	**(194,424)**	(149,271)
	4,353	5,648
Cost of inventories recognised as expense	**2,508,013**	2,349,035

7. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
— Current year	**75,238**	58,572
— Overprovision in prior years	**(10,362)**	(26,667)
	64,876	31,905
Deferred taxation		
— Current year	**(7,620)**	(3,130)
	57,256	28,775

Notes:

(i) Hong Kong

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

(ii) PRC

PRC EIT was calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC, except that certain PRC subsidiaries which are approved as enterprises that satisfied the condition as high technology development enterprises and obtained the Certificate of High New Technology Enterprise continue to enjoy the preferential tax rate of 15% for a consecutive three years from year 2016 to 2018, year 2017 to 2019 or year 2018 to 2020, 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. The qualified PRC subsidiaries can enjoy the additional deduction of 75% of qualified research and development expenses for a consecutive three years from year 2018 to 2020.

(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

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Dividends recognised as distribution during the year:		
2019 interim dividend — HK$0.06, equivalent to RMB0.053 per share (2018: Nil)	**53,158**	—
2018 final dividend — HK$0.20, equivalent to RMB0.171, per share	**168,536**	202,548
	221,694	202,548

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HK$0.20, equivalent to RMB0.183, per share (2018: final dividend in respect of the year ended 31 December 2018 of HK$0.20, equivalent to RMB0.171, per share), in an aggregate amount of HK$199,176,000, equivalent to RMB181,846,000 (2018: HK$199,992,000, equivalent to RMB170,993,000), 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:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**280,567**	270,817

	2019	2018
	(unaudited)	(audited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**988,842,364**	996,781,538
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	**988,842,364**	996,787,107

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 2018 and 2019 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

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade and bills receivables, gross	**3,306,182**	2,762,303
Less: Allowance for credit loss	**(67,737)**	(45,830)
Trade and bills receivables, net *(Note)*	**3,238,445**	2,716,473
Retentions held by trade customers	**117,368**	174,280
Other receivables, deposits and prepayments	**726,096**	293,558
Loan receivables	**—**	51,000
Loan receivable from a joint venture/an associate	**18,000**	18,000
VAT receivables	**76,018**	50,566
	4,175,927	3,303,877

Note:

Included in the Group's trade receivable is trade balance with an associate of RMB46,839,000 (2018: RMB39,925,000). 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:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0–90 days	**1,231,287**	1,219,657
91–180 days	**483,195**	382,137
181–365 days	**834,862**	508,310
Over 1 year	**689,101**	606,369
	3,238,445	2,716,473

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. 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, which is under the Group's normal operating cycle and therefore are presented as current asset.

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:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade and bills payables		
0–90 days	**1,506,420**	1,761,118
91–180 days	**728,603**	224,373
181–365 days	**565,036**	115,260
Over 1 year	**80,587**	72,642
	2,880,646	2,173,393
Other payables	**121,251**	98,454
	3,001,897	2,271,847

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In the year 2019 ("year under review"), the world economy experienced unprecedented challenges. Uncertainties caused by trade friction and geopolitical tension were on the rise, growth rates of major developed economies continued to decline, and emerging economies witnessed increased downward pressure. At the same time, insufficient global demand seriously inhibited economic growth. In the face of these complex and grim economic realities at home and abroad, China's economy still managed a growth rate of 6.1% in 2019, with the overall economy running reasonably smoothly and development quality improving steadily.

The Report of the 19th National Congress of the Communist Party of China called for a revolution in energy production and consumption in order to build an energy sector that is clean, low-carbon, safe and efficient. To reach the commanding heights of energy revolution, it is important that we persevere in building and operating a strong and smart power grid, and constantly improve the grid's ability to optimize resource allocation, guarantee power supply and interact intelligently.

Grid companies have actively responded to the government's call to promote construction of a smart grid. In the year under review, the State Grid Corporation of China ("State Grid") is estimated to have invested around RMB450 billion in the power grid and begun the construction of 52,000 km of 110 kV and above power transmission lines. Since the 13th five-year plan, a total of RMB644.4 billion has been invested in upgrading the rural power grid, completing a new round of upgrades a year ahead of schedule. China Southern Power Grid Company Limited ("Southern Grid") contributed a record high of 2,265 KWh in the West-to-East Power Transmission Project. Generated wind power and photovoltaic power generation were absorbed in full, while nuclear power has been generated under a strict policy of ensuring safety. After two years of active study, the 20 smart grid demonstration zones of Southern Grid have formed an initial smart grid construction model covering comprehensive demonstration at provincial level, overall demonstration at municipal level, key-point demonstration at park level and regional demonstration at county level. With the transformation and upgrading of the two largest grid companies in China, systems and equipment related to smart grid will be modernized step by step, bringing new opportunities for the Group's various business interests.

People's livelihood is key to national prosperity, and adequate access to safe power and water supply is fundamental to ensuring people's security and comfort and for optimizing the business environment. With the acceleration of urbanization, the Chinese government has vigorously promoted the renovation of old residential districts in cities and towns, improving the supply of safe drinking water and ensuring the basic needs of the people. The intelligent water industry has become a primary focus for intelligent urban management, and the construction of intelligent water systems have become a common goal for the entire industry. Steady progress has been made in market-based reforms of the power grid, with power transmission and distribution price improvements, incremental power distribution networks, the transformation of power trading centers into stock companies and the opening of power sales markets all being expedited. The construction of smart power grids and smart water supplies has greatly accelerated the replacement and upgrading of smart metering systems and equipment, bringing major new industry opportunities.

As an energy metering and energy saving expert, the Group maintains pace with all industry development trends and has achieved satisfactory results in its three main business segments. In the year under review, turnover of the Group was RMB3,655.6 million (2018: RMB3,340.3 million), an increase of 9% year-on-year; the net profit was RMB280.57 million (2018: RMB270.82 million), an increase of 3.6% year-on-year.

Business Review

Power Advanced Metering Infrastructure ("Power AMI")

Grid investment has entered a stage of "pursuit of quality", putting more emphasis on structural optimization. The Group, however, has bucked the downward trend with its high-quality products and services. In the year under review, the Group led the industry in securing RMB498 million worth of contracts in two centralized tenders organized by the State Grid. The Group also performed well in Southern Grid's centralized purchasing, winning a total contract amount of RMB249 million. In response to the demand by State Grid and Southern Grid for upgrading of metering equipment in their development of the smart grid, the Group launched a new generation of smart meters, while also leading a pilot programme in Guangdong, Jiangsu and other places in January 2020. Meanwhile, the Group also achieved solid growth in the non-grid business, in addition to advances of "smart power product line" products for the Internet of Things ("IoT") business sector.

In the year under review, the Group's Power AMI business recorded a turnover of RMB1,713.9 million (2018: RMB1,734.9 million), representing a decrease of 1% year-on-year, and accounting for 47% of the Group's total turnover (2018: 52%).

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

In the year under review, the Group's Communication and Fluid AMI business achieved impressive results, with a turnover of RMB1,167.5 million (2018: RMB929.9 million), representing an increase of 26% year-on-year and accounting for 32% of the Group's total turnover (2018: 28%).

In 2019, State Grid proposed the extensive construction of "Ubiquitous Power IoT", of which the laying of advanced metering equipment with new functions is an important component. The Group achieved rewarding results in the construction of "Power IoT" and "Smart City IoT", with sales reaching a record high. During the year under review, the Group ranked as the leading supplier of data collection terminals and concentrators in two unified tenders issued by State Grid, winning a total of RMB144 million worth of contracts.

The Group employed technological innovation and edge computing to steadily build its multi-level system solution capabilities and promote the common development of grid and non-grid businesses, relying heavily on continuously upgraded energy information management systems and iterated communication gateways and sensing equipment. In the year under review, the Group successfully set an industry-leading benchmark in implementing a number of informatization projects such as the "Early Warning System for Fire Safety Key Units in Changsha High-tech Zone". Based on the cloud platform of IoT industry leaders, the Group developed a comprehensive management system for smart parks, which includes subsystems of smart energy efficiency, smart water supply, smart fire protection, smart park, smart parking, smart check on work attendance, smart office, smart power distribution room, smart energy storage, etc. The project has been successfully implemented in Changsha, and will be gradually expanded to other regions. The Group took full advantage of a variety of technologies in the development of IoT and has achieved steady improvement in its wide-ranging capabilities in this sector.

In June 2019, NDRC pointed out the need to speed up the renovation of old residential areas in cities and towns, with a focus on improving delivery of safe water, power and gas and for supporting deployment of optical fiber and other related technologies. Thanks to the government's support for old city revitalization, after shortlisting as a supplier to some water companies in Shiyan, Hejian, Huangshi, Liaoyang, the Group has been successfully contracted in Taiyuan, Lanzhou, Urumchi, Luzhou, Hengyang, Linfen and Chenzhou, covering up to 14 prefecture-level and county-level cities, with shipments setting a new high for the Group.

The Group has quickly seized opportunities brought on by the rapid development of IoT technology. In the year under review, the Group's NB-IoT water meters and gas meters have secured network access licenses issued by the Ministry of Industry and Information Technology of China, while the Group has also been named one of the few national partners of China Telecom and China Mobile for IoT water meters. At the same time, the Group's new modular smart water meters have begun to fully enter the market, greatly enhancing the Group's competitiveness in the smart water meter sector. Smart water system is a growing business for the Group. The Group's intelligent monitoring terminals, based on 4G/5G/NB-IoT communication network, can be used in energy consumption monitoring for water works, water quality monitoring, unattended water supply pump house, leakage monitoring of water supply pipe network, sewage treatment monitoring, river and reservoir water level monitoring and other scenarios, laying a solid foundation for greater market demand of smart water system.

On 6 January 2020, Willfar Information Technology Company Limited, a 65% shareholding subsidiary of the Group, was successfully registered with the China Securities Regulatory Commission (CSRC) for an initial public offering on the Shanghai Stock Exchange Science and Technology Innovation Board ("STAR Market"). Willfar went public on 21 January, becoming the first company in Hunan Province to list on the STAR Market.

Advanced Distribution Operations ("ADO")

In the face of a new generation of power systems requiring intelligence, controllability and flexibility, the Group attached great importance to the personalized demands of different customers, and introduced intelligent power distribution primary, secondary and primary together with secondary integration products for the power system, intelligent power distribution package solutions for industry end customers, and "New energy +" intelligent energy services for new energy and intelligent operation and maintenance. In the year under review, the Group secured orders from State Grid's centralized procurement of smart power distribution solutions in Shanghai, Beijing, Hunan, Chongqing, Henan, Jiangsu, etc. In the non-power grid business sector, the Group successfully penetrated new markets in Anhui, Hubei, Sichuan and other provinces, significantly expanding its domestic footprint.

With the accelerated implementation of incremental power distribution reform, the organic combination of incremental power distribution with distributed energy resources and comprehensive energy services has facilitated the trend toward diversified integration. The Group has actively participated in the integration of smart energy and achieved positive results in rail transit and data centers while tapping into the rising demand for electronic chips, healthcare and medical. In the year under review, the Group won a bid for the 400V switch cabinet system and equipment for Zhengzhou Subway, making a significant breakthrough into the electrical rail transit industry. "New energy +" solutions can be widely used in household systems, water lifting irrigation systems, forest fire control systems, smart hospitals, smart campuses, smart industrial parks and other fields, bringing new growth opportunities to the Group. Making the best of market opportunities of traditional photovoltaic business and endeavouring to develop "New energy +" business, the Group has performed well in Beijing, Hunan, Hubei, Shanxi, Yunnan, Sichuan and other markets through cooperation with large state-owned enterprises, listed companies and government investment platforms.

High standards of product quality are the cornerstone of market expansion and brand building. In the year under review, the Group obtained the licenses to produce Siemens medium-voltage NXAirS cabinet, ABB low-voltage Mdmax and distribution box MNS-E products, thus enhancing the Group's application coverage in the high-end market and its brand awareness.

In the year under review, the Group's ADO business achieved satisfactory results, with a turnover of RMB774.2 million (2018: RMB675.5 million), representing an increase of 15% year-on-year, and accounting for 21% of the Group's total turnover (2018: 20%).

International Markets

Data prepared by the international market research firm, Markets and Markets, indicate that the global investment in the smart power grid will scale up from USD23.8 billion in 2018 to USD61.3 billion in 2023 with a compound annual growth rate of 20.9%. As the key terminal units for smart grid construction, the global smart metering market will increase from USD9.27 billion in 2018 to USD11.33 billion in 2023 with a compound annual growth rate of 4.11%. With the expedited deployment of smart meters, data collection and AMI system in overseas markets, the Group achieved remarkable results while successfully entering Latin America, Switzerland and South Africa. It is also pushing forward with the construction of key projects, including, but not limited to, a smart city in Egypt, BREB in Bangladesh and AMI in Indonesia. With superior product quality and technological strengths, the Group won initial success in several countries and made positive progress in the power AMI business, communication scheme, smart city, energy storage and micro-grid products and smart water management. In response to the national Belt and Road Initiative, the Group has been active in many overseas markets including Asia Pacific, Africa, South America and Europe. In respect to the Asian market, since the rapid industrialization of Southeast Asia has catalyzed the fast development of smart power grids, the Group succeeded in marketing energy storage and micro-grid products in Bangladesh and Indonesia during the year. The new generation of smart meter equipment has been accredited by the South Korean power company KEPCO, and the data acquisition terminal designed for power AMI business has been applied in batches in Malaysia. Regarding the African market, a new series of smart meters produced by the Group have been accredited by SABS in South Africa, laying a solid foundation for entering South

Africa in a more proactive, all-round manner. In addition, both the smart prepayment programme in Egypt and the smart municipal renovation project in South Africa have been well received, propelling continuous expansion of Group's market share. With respect to the South American market, the Group completed the acquisition of a plant in Brazil in October 2019 and was subsequently accredited by INMETRO in Brazil, further accelerating the strategic progress for business localization, and laying a solid foundation for the Group's market expansion in South America. In the European market, the Group passed the certification process of both European MID and IDIS.

Research and Development ("R&D")

The Group stalwartly pursues R&D-driven and technological innovation and closely follows market orientation and customer needs. It takes advantage of the prospective development of smart energy, intelligent manufacturing and Internet of energy, and actively promotes its technological innovation. During the year under review, the Group was granted 115 patents and authored 75 software copyrights, boosting the number of patents and software copyrights for effective new products and energy efficiency services to 1,303 and 1,096 respectively.

In the power AMI business, the Group has deepened its research into dual core interaction, high-speed telecommunication, modularization and IoT in addition to several other technological sectors. Furthermore, the Group is actively engaged in the development of a new generation of smart power meters for State Grid and Southern Grid, taking the lead in small-scale trial production of such meters. At the same time, the Group made a breakthrough in the research of non-intrusive load identification and was awarded the contract for a non-intrusive load sensing advanced meter project by State Grid Jiangsu Electric Power Co., Ltd. The Group also launched smart perception shared power socket and Wasion smart power cloud platform, which promotes safe power usage in public places.

In the Communication and Fluid AMI business, the Group adheres to the spirit of scientific and technological innovation and has been extensively involved with several public utilities, including power, water, gas and fire protection. During the year under review, the Group received qualification from the State Grid Metrology Center for its line loss model and passed the pre-qualification process of State Grid in bidding for fault indicators for distribution terminal unit (DTU), feeder terminal unit (FTU) and transformer terminal unit (TTU). The Group also passed inspection for its Zhonghui brand module from the Southern Power Grid Research Institute. Meanwhile, the Group formally passed the micro application test of intelligent TTU undertaken by China Electric Power Research Institute. In the non-power grid area, the Group was committed to the research of communication technology and overall IoT solutions. It has successfully launched modular intelligent water meters and commenced their deployment in batches.

In the ADO business, "IoT for Power Distribution" is the key to realize the interconnection of power facilities. In the power distribution field, the Group has integrated traditional industrial technology and IoT technology. It has also completed R&D and testing for application systems of the energy services cloud platform and the new generation of IoT intelligent energy saving gateways. Added to this is the R&D of another two series of new products — integrated power monitoring products for smart power distribution stations and intelligent low-voltage switches — which lays a solid technological foundation for the Group's business expansion into intelligent power distribution and smart energy market.

In international markets, the Group has focused on platform upgrades and product cost reductions and worked to create a new series of smart prepayment products based on new FM33A0 platform. It has successfully marketed such products across South Africa, Côte d'Ivoire, Bangladesh, Uganda and many other countries. In terms of technology, the Group unified new overseas software platforms, substantially shortening the R&D cycle and improving R&D efficiency. The Group has conducted in-depth research and system construction in respect of IEC62056 standard, COSEM/DLMS Blue Book and IDIS specifications based on market orientation, so as to gain more market certifications and expand international market share.

Financial Review

Revenue

During the year under review, revenue increased by 9% to RMB3,655.6 million (2018: RMB3,340.3 million).

Gross Profit

The Group's gross profit increased by 16% to RMB1,147.63 million for the year ended 31 December 2019 (2018: RMB991.29 million). The overall gross profit margin is 31% in 2019 (2018: 30%).

Other Income

The other income of the Group amounted to RMB130.55 million (2018: RMB122.90 million) which was mainly comprised of interest income, government grant and refund of value-added tax.

Other gains and losses

Other gains for the year ended 31 December 2019 amounted to RMB6.56 million (2018: other losses of RMB1.40 million) which comprised mainly net foreign exchange gain.

Operating Expenses

In 2019, the Group's operating expenses amounted to RMB754.64 million (2018: RMB685.04 million). Operating expenses accounted for 21% of the Group's revenue in 2019, staying flat as compared with 2018.

Finance Costs

For the year ended 31 December 2019, the Group's finance costs amounted to RMB86.52 million (2018: RMB59.59 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 for the year ended 31 December 2019 amounted to RMB501.15 million (2018: RMB419.14 million), representing an increase of 20% 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 2019 increased by 3.6% to RMB280.57 million (2018: RMB270.82 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 2019, the Group's current assets amounted to approximately RMB7,338.16 million (2018: RMB5,779.53 million), with cash and cash equivalents totaling approximately RMB1,778.09 million (2018: RMB1,401.36 million).

As at 31 December 2019, the Group's total bank loans amounted to approximately RMB2,073.87 million (2018: RMB1,418.17 million), of which RMB1,618.64 million (2018: RMB1,069.87 million) will be due to repay within one year and the remaining RMB455.23 million (2018: RMB348.30 million) will be due after one year. In 2019, the interest rate for the Group's bank borrowings ranged from 3.06% to 6.64% per annum (2018: 3.50% to 6.64% per annum).

The gearing ratio (total borrowings divided by total assets) increased from 16% in 2018 to 21% in 2019.

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.

Acquisitions

On 27 November 2019, Wasion Power Company Limited, a wholly owned subsidiary of the Company, has completed the acquisition of 100% of share capital of Dowertech Da Amazonia Industria De Instrumentos Eletronicos S.A. ("Dowertech") at an aggregate consideration of BRL 4.00. Dowertech is a company established in Brazil which engaged in the manufacturing and sale of smart meters. The acquisition enables the Group to enter and develop the smart meter market in South America.

Charge on Assets

As at 31 December 2019, 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 2019, 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 RMB19.18 million (2018: RMB23.65 million).

Contingent Liabilities

As at 31 December 2019, the Group had no material contingent liabilities.

Prospects

In March 2020, the Standing Committee of the Political Bureau of the CPC Central Committee proposed the acceleration of "New Infrastructure Construction" under 3 frameworks, namely the information network represented by 5G, the transportation network represented by high-speed railway and urban rail transit, and the energy network represented by power grid, with 7 fields at the core, including 5G base station construction, ultra-high voltage network, intercity high-speed railway and urban rail transit, charging station for electric vehicles, big data centre, artificial intelligence, and industrial Internet. Different provinces and cities have launched their lists of key construction projects, which is expected to generate a potential market of over RMB30 trillion, providing a broad space for the Group's development.

China's National Development and Reform Commission has made clear that it is necessary to intensify the reform of the power system, promote independent and standardized operation of trading institutions, accelerate market-oriented trading of electric power, steadily promote pilot construction of the spot market for electric power, and expand the pilot reform of incremental power distribution. *The Institutional Reform of State Grid (2020) No. 8* issued by State Grid also proposes to accelerate the construction of the national unified power market and the reform of power transmission and distribution.

A report prepared by the consulting firm Wood Mackenzie revealed that, by the end of 2024, the global stock of smart meters will rise to more than 1.2 billion units, while the market size of smart power meters will rise to USD145.8 billion. In the year 2020, the Group will speed up its penetration of international markets and provide precise and customized services for markets in the regions in which it operates. In developed countries, the Group will cooperate with well-known international enterprises to provide solutions for smart metering equipment and systems; while in developing regions, the Group will establish more localized marketing teams through joint ventures and other methods to gain more market share. To further support market development, the Group will actively work to secure pilot projects in seeking strategic breakthroughs.

The rapid development of the IoT industry will mean increased and continuous demand for key technologies and equipment. On one hand, the Group will enhance market competitiveness by adopting a market-oriented strategy, continue to strengthen independent research and development, and improve public utility IoT technologies, including data collection technology, communication technology, data transmission technology, signal processing technology, modular software design and embedded software operating systems. On the other hand, the Group will continue to closely focus on the IoT framework for business in order to exploit dynamic changes in the IoT industry in both the grid and non-grid sectors. In smart grid, based on the existing perception layer products and centred on edge computing, the Group will integrate the AI capabilities of Alibaba Cloud and expand to cloud applications in order to provide professional technologies, products and services for the accelerated development of power IoT. In the field of smart cities, the Group will build its vertical application capabilities in areas such as smart municipal administration, smart parks, smart security and smart water, and integrate these with the platform capabilities of Alibaba Cloud IoT to jointly build smart brains for cities.

Smart water management and smart gas management are fundamental elements of smart city construction. Remote meter reading is developing rapidly with the advance of NB IoT and other IoT technologies. The *White Paper NB IoT Smart Water Meter Solution* released by China Mobile indicates that the penetration rate of smart water meters has only reached 20–30%. The Group will consistently strengthen R&D on NB-IoT water meters and NB-IoT gas meters to expand its market size. Moreover, the Group is committed to building its capabilities in multi-level systemic solutions and cooperating with leading enterprises in the internet industry to establish an IoT ecosystem and enhance core competitiveness.

Smart grid construction will bring huge opportunities for technological change and iterative requirements for hardware in relation to power transmission, distribution and consumption. The advancement of intelligent power grids will place higher demands on communication, while the distribution terminal is the basic link to realizing intelligent distribution. On one hand, the Group will continue to tap into the needs of customers and commit to the optimization of intelligent power distribution solutions to advance the level of digitalization, intelligence and informatization of power grids and reinforce the overall operating efficiency of the power grid. On the other hand, the Group will focus on grid and non-grid customers and consistently promote the application of smart energy services "New energy +" in smart factories, smart campuses, smart hospitals, smart cities and other places.

Smart grid construction will continue to travel in the fast lane with the rapid development of IoT and 5G technology. As strategic R&D investment is the cornerstone of sustainable progress and development for an enterprise, the Group will continuously advance technological R&D, steadily increase the quality and technological level of its products in order to quickly adapt to the development pace of the rapidly shifting industry.

Looking forward, the Group will consistently adhere to the principle of "Aggressive with Keen Determination and Achieving Growth through Innovation" and hold technological innovation as the core value to broaden the application of its three main business segments under increasingly diverse scenarios. Meanwhile, the Group will pay close attention to market opportunities at home and abroad, serve domestic and international customers with high-standard and high-tech products, further access new markets to expand the Group's overall market share and commit to becoming a world-class energy metering and energy saving expert throughout the world.

OTHER INFORMATION

Response to the Epidemic

At the beginning of 2020, the sudden outbreak of COVID-19 coronavirus has affected the progress of China's social and economic development and increased the level of uncertainty. In the face of the grim situation caused by the epidemic, the Group deploys epidemic prevention and control work in a timely manner, purchases epidemic prevention materials, conducts nucleic acid test for each employee before he/she returns to work, and uses the thermal imaging temperature measurement technology independently developed by the Group to conduct distant temperature measurement quickly and accurately. The Group also uses smart parks technology of facial recognition at the entrances to protect the health of all employees, and organizes employees to return to work and production in a scientific and orderly way with the support of government departments at all levels.

The Group's united, scientific and effective work of epidemic prevention and control guaranteed the smooth resumption of work and production. As of 29 February 2020, the overall work resumption rate of Wasion Science and Technology Park (Changsha) reached 91.5%, and that of Wasion Electric Industrial Park reached 92%, gradually resuming normal production and minimizing the uncertainty caused by the coronavirus. The Group will continue to pay close attention to epidemic development, make every effort to ensure the health of employees, an orderly resumption of work and production, and focus on changes in the industry to prepare for business development after the coronavirus has run its course.

Spin-off and Separate Listing of Willfar Information Technology on the STAR Market

Pursuant to the announcement of the Company dated 6 January 2020, China Securities Regulatory Commission has agreed the registration of Willfar Information Technology Company Limited ("Willfar Information Tehnology"), a 65% owned subsidiary of the Company, for initial public offering of shares on the STAR Market of Shanghai Stock Exchange ("Star Market"). The listing of Willfar Information Tehnology on the STAR Market was subsequently taken place on 21 January 2020 while the interest of the Company in Willfar Information Tehnology was reduced to approximately 58.5% after completion of the listing.

Employees and Remuneration Policies

As at 31 December 2019, the Group had 3,460 (2018: 3,640) staff. The staff costs (including other benefits and contributions to defined contribution plan) amounted to RMB335.38 million in 2019 (2018: RMB340.22 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 (2018: HK$0.20) per share to shareholders of the Company (the "Shareholders") and a resolution to this effect will be proposed and subject to the shareholders' approval in the forthcoming annual general meeting ("AGM").

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2019, 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	Lowest price per share	Total Consideration Paid
		HK$	*HK$*	*HK$*
January 2019	1,000,000	3.80	3.70	3,765,980
April 2019	1,400,000	4.10	3.95	5,621,000
May 2019	2,682,000	3.91	3.32	10,102,480
	5,082,000			19,489,460

Amongst 5,082,000 shares repurchased during the year, 1,000,000 shares were cancelled with the issued share capital of the Company reduced by the nominal value of these shares accordingly while the remaining 4,082,000 shares were not yet cancelled until 18 February 2020.

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 ended 31 December 2019.

Compliance with the Corporate Governance Code of the Listing Rules

During the year ended 31 December 2019, 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 22 May 2019 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 2019.

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 2019.

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 unaudited annual results of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed by the Company's auditors due to the COVID-19 coronavirus outbreak in the PRC, in particular the postponement of the auditor's field works due to difficulties to travel to Changsha, Hunan Province where the Group's operations located. The unaudited results contained herein have not been agreed by the Company's auditors as required under Rule 13.49(2) of the Listing Rules.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the payment date of the proposed final dividend for the year ended 31 December 2019, (iii) the proposed date on which the forthcoming AGM will be held, (iv) the period during which the register of members of the Company will be closed in order to ascertain the eligibility of the Shareholders to attend and vote at the AGM, and (v) the period during which the register of members of the Company will be closed to determine the entitlement of the Shareholders to the final dividend. In addition, the Company will make further announcement as and when necessary if there are any material development in the completion of the auditing process, The Company expects the auditing process will be completed on or about 21 April 2020.

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 2019 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.

The auditing process of the financial information of the Group for the year ended December 2019 contained herein have not been fully completed. Therefore, the unaudited results contained herein have yet to be agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

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, 30 March 2020