



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

(incorporated in the Cayman Islands with limited liability)  
(Stock Code: 3393)

INTERIM REPORT 2017

ENERGY  
METERING  
&  
ENERGY  
SAVING EXPERT



## **CORPORATE VISION :**

Continual Innovation Contributing to  
Wasion's Centennial History

## **CORPORATE MISSION :**

Energy Metering & Energy Saving Expert

## **CORPORATE SPIRIT :**

Be Cohesive, Ambitious,  
Down-to-Earth and Creative

## **MOTTOS OF OPERATION :**

Perfect Work with Passion, and  
Success Achieved with Integrity

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Ji Wei (*Chairman*)  
Ms. Cao Zhao Hui  
Mr. Zeng Xin  
Ms. Zheng Xiao Ping  
Mr. Tian Zhongping

## NON-EXECUTIVE DIRECTOR

Mr. Kat Chit

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Wing Kuen  
Mr. Huang Jing  
Mr. Luan Wenpeng  
Mr. Cheng Shi Jie

## COMPANY SECRETARY

Mr. Choi Wai Lung Edward *FCCA, FCPA*

## AUTHORISED REPRESENTATIVES

Mr. Ji Wei  
Mr. Choi Wai Lung Edward *FCCA, FCPA*

## AUDIT COMMITTEE

Mr. Hui Wing Kuen (*Chairman*)  
Mr. Huang Jing  
Mr. Luan Wenpeng  
Mr. Cheng Shi Jie

## NOMINATION COMMITTEE

Mr. Ji Wei (*Chairman*)  
Mr. Hui Wing Kuen  
Mr. Huang Jing

## REMUNERATION COMMITTEE

Mr. Hui Wing Kuen (*Chairman*)  
Mr. Ji Wei  
Mr. Huang Jing

## INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

Mr. Hui Wing Kuen (*Chairman*)  
Mr. Huang Jing  
Mr. Luan Wenpeng  
Mr. Cheng Shi Jie  
Mr. Zeng Xin  
Mr. Kat Chit

## PRINCIPAL BANKERS

In Hong Kong:

Standard Chartered Bank  
Hang Seng Bank  
Hongkong and Shanghai Banking Corporation Limited  
Bank of Communications Hong Kong Branch

In the People's Republic of China (the "PRC"):

China Construction Bank  
Bank of Communications

## LEGAL ADVISER

Sidley Austin  
Level 39, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

## AUDITOR

Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

## REGISTERED OFFICE

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Hutchins Drive  
P.O. Box 2681GT  
George Town  
Grand Cayman  
British West Indies

## CORPORATE INFORMATION (Continued)

### PRINCIPAL PLACE OF BUSINESS

Unit 2605, 26/F, West Tower, Shun Tak Centre  
168–200 Connaught Road Central  
Sheung Wan  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited  
Royal Bank House — 3rd Floor  
24 Shedden Road  
P.O. Box 1586  
Grand Cayman  
KY1-1110  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited  
31/F, 148 Electric Road  
North Point  
Hong Kong

### COMPANY WEBSITE

[www.wasion.com](http://www.wasion.com)

### STOCK CODE

3393



# CORPORATE PROFILE

## LEADING TOTAL SOLUTION PROVIDER OF ADVANCED METERING, ADVANCED DISTRIBUTION AND ENERGY EFFICIENCY MANAGEMENT

Wasion Group Holdings Limited (“Wasion Group” or the “Group”) is the leading total solution provider of advanced metering, advanced distribution and energy efficiency management in China, and is committed to becoming an “Energy Metering and Energy Saving Expert” in China and across the world. The Group was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in December 2005, which was the first professional syndicate engaged in energy metering and energy efficiency management in China listed overseas, as well as the first company in Hunan Province listed on the Main Board overseas.

Wasion Group has long been focusing on the research and development, production and sales of total solutions relating to energy metering and energy efficiency management, the products and services of which have been extensively applied in energy supply industries for electricity, water, gas and heat, and large energy-consuming units of large-scale public infrastructure, petroleum and chemical, transportation, machine manufacturing, metallurgical and chemical fields and residents.

The advanced smart metering business of the Group mainly comprises of comprehensive smart meters, smart water meters, smart gas meters and ultrasonic calorimeters; various meters and power quality monitoring devices; comprehensive energy data collection terminals, load management terminals and user management devices; measurement automation systems and various application systems, services and energy data mining. The Group, with more than 20% of the domestic market share of high-end metering products, has built up its leading position in China and is the only professional manufacturer in China which provides various advanced energy metering products, systems and services for electricity, water, gas and heat, as well as satisfies the demand of the whole process from energy production, transmission and distribution to consumers.

The advanced distribution and energy efficiency management business of the Group comprises mainly of 40.5kV/12kV comprehensive high voltage switchgear; 12kV smart switchgear; 35kV/10kV comprehensive circuit breakers; 10kV power distribution automation terminals; electrical and electronic devices for power quality control and smooth connection with new energy; smart distribution systems, engineering and services; energy-saving services, etc. The Group is devoted to becoming the leading total solution provider for advanced distribution system in China.

Amidst the substantial changes in energy production and energy consumption mode in China and the world, the material social responsibility and development opportunities arisen from energy saving and carbon reduction as well as the new demand of smart power grids, Wasion Group will adhere to its corporate motto “Energy Metering and Energy Saving Expert” while upholding its core value “Perfect Work with Passion, and Success Achieved with Integrity” by continuous innovation and improvement in order to become the pioneer in smart power grids and smart metering in China, one of the major international smart power grids and smart metering provider and a well-known international brand.

In the future, every city, every enterprise and every family will be benefited from the use of the technology, products and services of Wasion.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Financial Highlights

|  | Six months ended 30 June |                 |
|--|--------------------------|-----------------|
|  | 2017<br>RMB'000          | 2016<br>RMB'000 |
| Turnover   | 1,427,583                | 1,516,325       |
| Gross profit   | 418,027                  | 455,713         |
| Profit from operations                                     | 254,062                  | 256,743         |
| Net profit attributable to owners of the Company           | 170,688                  | 206,317         |
| Total assets   | 8,172,816                | 7,489,808       |
| Shareholders' equity attributable to owners of the Company | 4,031,372                | 4,043,571       |
| Basic earnings per share (RMB cents)                       | 17.0                     | 20.2            |
| Diluted earnings per share (RMB cents)                     | 17.0                     | 20.2            |

### Key Financial Figures

|  | Six months ended 30 June |       |
|--|--------------------------|-------|
|  | 2017                     | 2016  |
| Gross profit margin  | 29%                      | 30%   |
| Operating profit margin  | 18%                      | 17%   |
| Net profit margin  | 12%                      | 14%   |
| Trade receivable turnover period (Days)  | 378                      | 337   |
| Inventory turnover period (Days)   | 70                       | 56    |
| Trade payable turnover period (Days)   | 372                      | 337   |
| Gearing ratio (Total borrowings divided by total assets)                         | 15%                      | 15%   |
| Interest coverage (Profit before finance costs and tax divided by finance costs) | 11.06                    | 10.86 |

### Revenue

During the period under review, revenue decreased by 6% to RMB1,427.58 million (six months ended 30 June 2016 ("Period 2016"): RMB1,516.33 million).

### Gross Profit

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

### Other Income

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Other gains and losses

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

### Operating Expenses

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

### Finance Costs

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

### Operating Profit

Earnings before finance costs and tax for the six months ended 30 June 2017 amounted to RMB257.37 million (Period 2016: RMB259.26 million), representing a decrease of 1% as compared with the same period of last year.

### Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2017 decreased by 17% to RMB170.69 million (Period 2016: RMB206.32 million) as compared with the corresponding period of last year.

### Liquidity and Financial Resources

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

As at 30 June 2017, the Group's current assets amounted to approximately RMB5,685.86 million (31 December 2016: RMB4,941.07 million), with cash and cash equivalents totaling approximately RMB888.62 million (31 December 2016: RMB940.02 million).

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

The gearing ratio (total borrowings divided by total assets) on 30 June 2017 is 15% which is the same as that on 31 December 2016.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Exchange Rate Risk

Most of the businesses of the Group are settled in Renminbi while businesses in foreign currencies are mainly settled in USD. The fluctuation of exchange rate of both currencies will have certain impact on the Group's business which are settled in foreign currencies. During the period, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

### Acquisitions and Disposals

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

On 24 May 2017, the Group completed its acquisition of 31.413% equity interest in Zhuhai Zhonghui Microelectronics Co., Ltd. and its subsidiaries ("Zhuhai Zhonghui"), a former 18.64% held available-for-sale investment of the Group, from certain independent third parties and connected persons at an aggregate consideration of RMB32.70 million. Upon completion of the acquisition, the Group owns a total equity interest of 50.053% in Zhuhai Zhonghui and Zhuhai Zhonghui becomes a non wholly-owned subsidiary of the Group. Zhuhai Zhonghui is a company established in the PRC which principally engaged in the design and development, manufacture and sale of integrated circuits, intelligent instrument communication and measurement solutions mainly used in the electric energy metering and information automation area. The acquisition enables the Group to secure a stable source of chip and module supplies, reduce operation costs, enhance profitability and provide a technical base for the Group to further develop the chip and module business.

On 28 June 2017, the Group completed the disposal of 85% equity interest in Hunan Jiale Property Development Co., Ltd. ("Hunan Jiale") to an independent third party for a deferred cash consideration of RMB187 million, and Hunan Jiale will repay a shareholder's loan of RMB138.87 million owing to the Group. As Hunan Jiale is a property development company which business is different from the principal business of the Group, the disposal enables the Group to streamline its business and consolidate its resources to focus on the development of the principal business of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Employees and Remuneration Policies

As at 30 June 2017, the Group had 4,029 (31 December 2016: 3,787) staff. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB134.95 million in the first half of 2017 (Period 2016: RMB126.98 million). Employee remuneration is determined on performance, experience and prevailing market conditions, with compensation policies being reviewed on a regular basis. The aggregate amount of the emoluments of the Company's directors was RMB2.49 million for the six months ended 30 June 2017 (Period 2016: RMB2.36 million).

The Group's employees in the People's Republic of China (the "PRC") have enrolled in the mandatory central pension scheme operated by the State. The Group also provides housing allowances and benefits for medicine, employment injury and retirement for its staff in the PRC in accordance with the relevant PRC rules and regulations. The directors of the Company (the "Directors") confirm that the Group has fulfilled its obligations under the relevant PRC employment laws. The Group also set up the mandatory provident fund scheme for the employees in Hong Kong.

### Share Option Scheme

The Company has adopted a new share option scheme (the "Share Option Scheme") on 16 May 2016 whereby the Directors are authorised, at their discretion, to invite eligible participants, including directors of any company in the Group, to take up options to subscribe for ordinary shares in the Company. The share option scheme adopted by the Company on 26 November 2005 has been expired on 25 November 2015.

The exercise price of options granted, as specified in the rules governing the Share Option Scheme, is to be not less than the highest of the official closing price of the ordinary shares of the Company on the Stock Exchange on the date of the offer of grant of the options, the average of the official closing price of the ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the options and the nominal value of an ordinary share of the company. For acceptance of options granted by the Company, an eligible participant is required to duly sign the duplicate offer document constituting acceptance of the options and remit HK\$1 to the company within 30 days from the date of receiving the offer of the options.

The movements in the Company's share options during the period are as follows:

| Name and category of participants | Number of share options |                           |                             |                                    | As at 30 June 2017 | Date of grant of share options | Vesting period of share options     | Exercise period of share options    | Exercise price of share options* HK\$ | Share price of the Company as at the date of the grant of share options** HK\$ |
|-----------------------------------|-------------------------|---------------------------|-----------------------------|------------------------------------|--------------------|--------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|--|
|                                   | As at 1 January 2017    | Granted during the period | Exercised during the period | Cancelled/lapsed during the period |                    |                                |                                     |                                     |                                       |  |
| Other employees                   | 9,000,000               | —                         | —                           | —                                  | 9,000,000          | 10 February 2014               | 10 February 2014 to 9 February 2016 | 10 February 2016 to 9 February 2024 | 4.680                                 | 4.680  |
| Other employees                   | 9,000,000               | —                         | —                           | —                                  | 9,000,000          | 10 February 2014               | 10 February 2014 to 9 February 2017 | 10 February 2017 to 9 February 2024 | 4.680                                 | 4.680  |
| <b>Total</b>                      | <b>18,000,000</b>       | <b>—</b>                  | <b>—</b>                    | <b>—</b>                           | <b>18,000,000</b>  |                                |                                     |                                     |                                       |  |

\* The exercise price of share options is subject to adjustment made in respect of the alteration in capital structure of the Company.

\*\* The share price of the Company as at the date of the grant of share options was the closing price as quoted on the Stock Exchange of the trading day on the date of the grant of share options.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The valuation was conducted based on the binomial model with the following data and assumptions:

| <b>Grant date</b>           | <b>10 February<br/>2014</b> | <b>10 February<br/>2014</b> |
|-----------------------------|-----------------------------|-----------------------------|
| Fair value per share option | HK\$1.846                   | HK\$1.927                   |
| Expected volatility         | 52% per annum               | 52% per annum               |
| Expected life               | 6.14 years                  | 6.93 years                  |
| Expected dividend           | 3.3% per annum              | 3.3% per annum              |
| Risk-free rate of interest  | 2.23% per annum             | 2.23% per annum             |
| Rate of leaving service     | 8% per annum                | 8% per annum                |

The binomial model was developed to value option plans which contain vesting and performance conditions. Such option pricing model requires input of highly subjective assumptions, including the expected volatility of the Company's share price which was determined with reference to the historical movements of the share prices of the Company and its comparators. Changes in subjective input assumptions could materially affect the fair value estimate. The binomial model does not necessarily provide a reliable measure of the fair value of share options.

### Share Award Scheme

The Company has adopted a share award scheme on 3 May 2016 in which the eligible employees will be entitled to participate. The purposes of the share award scheme are to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and also to attract suitable personnel for further development of the Group.

### Charge on Assets

As at 30 June 2017, the pledge deposits are denominated in Renminbi and are pledged to banks as security for bills facilities granted to the Group. In addition, the Group's land and buildings are pledged to banks as security for bank loans to the Group.

### Capital Commitments

As at 30 June 2017, the capital commitments in respect of the acquisition of property, plant and equipment and additions of construction in progress contracted for but not provided in the condensed consolidated financial information amounted to RMB20.75 million (31 December 2016: RMB22.78 million).

### Contingent Liabilities

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### MARKET REVIEW

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

Since the issuance of “Opinions on Deepening the Reform of Electricity System” (《關於進一步深化電力體制改革的若干意見》) [Zhongfa (2015) No. 9] by the State Council in March 2015, the issuance of “Distribution Network Construction Action (2015–2020)” by the National Energy Administration in July 2015, and the issuance of “Opinions on promoting “Internet +” Intelligent Energy Development” by National Development and Reform Commission, National Energy Administration and Ministry of Industry and Information Technology in February 2016, power reform, energy internet and distribution grid network construction have been the development priority in the energy sector. The two biggest power grids have further promoted the revolution process, of which State Grid Corporation of China (hereinafter referred to as “State Grid”) accomplished an investment of RMB226 billion on power grids in the first half of 2017, representing an increase of 7.6% as compared with the corresponding period of last year. China Southern Power Grid Co., Ltd. (hereinafter referred to as “Southern Grid”) announced it has accomplished a total fixed assets investments of RMB44.8 billion in the first half of 2017, representing an increase of 18.7% as compared with the corresponding period. This shows that the preparatory work for new power reform has been carried out under the concerted efforts of the government, power grid companies and private sectors and is gradually rewriting the traditional Chinese power market order.

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### BUSINESS REVIEW

#### Power Advanced Metering Infrastructure (“Power AMI”)

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

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

#### Communication and Fluid Advanced Metering Infrastructure Business (“Communication and Fluid AMI Business”)

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

During the period under review, the Group has leveraged on its brand and network in the international power AMI market, and successfully introduced its Communication and Fluid AMI services to overseas with satisfactory turnover recorded. The overall turnover of Communication and Fluid AMI business was RMB372.81 million (first half of 2016: RMB370.09 million), representing an increase of 1% and accounting for 26% (first half of 2016: 24%) of the Group's total turnover.

### Advanced Distribution Operations (“ADO”)

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

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

In terms of new products, the Group launched several well-recognized new technology systems, including new type power distribution fault detection system, fault isolation system, primary and secondary power equipment integration, platforms for user side smart power distribution and operation management and energy efficiency managements. Based on the continuous cooperation with Siemens, the Group extended the cooperation with ABB and Schneider. A newly authorized product, BlockSet, is obtained from Schneider to meet with the demands from different users. Currently, the Group has obtained power engineering main contractor qualification, power industry (new energy power generation) professional design qualification, electric power installation qualification, mechanical and electrical installation qualification, and operation and maintenance service qualification, etc. These equipped the Group with designing and contracting qualifications in both power distribution and new energy generation and laid a solid foundation for the Group to further explore ADO business.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### International Market

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

### Research and Development

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

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

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

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

### PROSPECTS

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



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

Guided by the landing policies of "Action Plan for the Construction of Reform of Distribution Power Grid (2015-2020)" (《配電網建設改造行動計劃(2015-2020年)》) and "Guiding Opinions about Accelerating the Construction and Reform of Power Distribution Grid" (《關於加快配電網建設改造的指導意見》), the construction of distribution power grid has become one of the future development focuses in the China's power industry. The Group has been closely following the development trend of the global smart grid through intensive development of ADO business, aiming at seizing the market demand for power distribution upgrade by integration, intellectualization and systemization. In the future, the Group will take advantage on the market network being built and marketing efforts being done in the past in the ADO industry to increase the contribution of ADO business. Strategically, the Group will accelerate market expansion by serving its power grid clients, as well as further developing the power end-user market especially for railway and transportation, distributed energy, oil and petrochemicals, data centers, high-end commercials and large scale industrial enterprises. Meanwhile, the Group will leverage the Engineering, Procurement, Construction ("EPC") qualification to develop ADO business, from integrated equipment, systems and solutions to EPC and services, by providing diversified products and services to the customers. Furthermore, by its leading market sense, the Group will promote ADO system solution and project servicing through grasping the opportunities on incremental power distribution reformation pilot projects, as well as to explore new business like integrated energy service so as to speed up the development pace of ADO business.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

For international markets, the Group will work on the R&D of demand from emerging markets on smart distribution system, power transmission/distribution engineering construction, and distributed energy generation, as well as providing specialized systematic solutions based on its advantages in technology and branding overseas. The Group will focus on Asia, Africa, and Latin America, to accelerate new markets expansion and increase market penetration through current customer base. At the same time, the Group will leverage on its strategic cooperation with international industry leaders such as Siemens and Huawei, to actively participate in the AMI transformation projects of different countries and to promote its comprehensive smart metering business development in developed areas.

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

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



## OTHER INFORMATION

### INTERIM DIVIDEND

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

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2017, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

#### Long positions

##### Ordinary shares of HK\$0.01 each of the Company

| Name of director | Capacity                                    | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|------------------|---|---------------------------------------|---|
| Ji Wei           | Interest of controlled corporation (Note 1) | 526,686,888                           | 52.42%  |
| Cao Zhao Hui     | Beneficial owner                            | 2,000,000                             | 0.20%   |
| Zeng Xin         | Beneficial owner                            | 2,000,000                             | 0.20%   |
| Zheng Xiao Ping  | Beneficial owner (Note 2)                   | 3,682,000                             | 0.37%   |
| Hui Wing Kuen    | Beneficial owner                            | 440,000                               | 0.04%   |

Notes:

(1) The shares are held by Star Treasure Investments Holdings Limited ("Star Treasure"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Ji Wei.

(2) 1,990,000 shares and 1,692,000 shares are held by Ms. Zheng Xiao Ping and Mr. Wang Xue Xin respectively. Mr. Wang Xue Xin is the spouse of Ms. Zheng Xiao Ping.

Other than as disclosed above, none of the directors, chief executives nor their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 30 June 2017.

## OTHER INFORMATION (Continued)

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in shares and underlying shares" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

#### Long positions — Ordinary shares of HK\$0.01 each of the Company

| Name of shareholder               | Capacity                           | Number of issued ordinary shares held | Percentage of the issued capital of the Company |
|-----------------------------------|------------------------------------|---------------------------------------|---|
| Ji Wei                            | Interest in controlled corporation | 526,686,888                           | 52.42%  |
| Star Treasure                     | Beneficial owner                   | 526,686,888                           | 52.42%  |
| Edgbaston Asian Equity Trust      | Beneficial owner                   | 50,884,000                            | 5.01%   |
| Edgbaston Investment Partners LLP | Investment manager                 | 63,808,000                            | 6.29%   |

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2017.

### AUDIT COMMITTEE

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

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

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

## OTHER INFORMATION (Continued)

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “LISTING RULES”)

During the six months ended 30 June 2017, save for Code Provision A.6.7, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules.

Code Provision A.6.7 provides that independent non-executive directors and non-executive directors of the Company should attend general meetings of the Company. Mr. Huang Jing, Mr. Luan Wenpeng and Mr. Cheng Shi Jie, who are independent non-executive directors of the Company, failed to attend the annual general meeting of the Company held on 18 May 2017 due to conflicts with their schedules.

Save as disclosed, there has been no deviation from the code provisions of the Corporate Governance Code as set forth in the Appendix 14 of the Listing Rules for the six months ended 30 June 2017.

### MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made with all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2017.

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



## OTHER INFORMATION (Continued)

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, the Company has repurchased its listed shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the details are as below:

| Month of repurchase | Number of shares repurchased | Highest price per share<br>HK\$ | Lowest price per share<br>HK\$ | Total Consideration Paid<br>HK\$ |
|---------------------|------------------------------|---------------------------------|--------------------------------|----------------------------------|
| March 2017          | 4,160,000                    | 4.20                            | 4.01                           | 16,945,500                       |
| April 2017          | 6,000,000                    | 4.08                            | 3.81                           | 23,453,240                       |
|                     | 10,160,000                   |                                 |                                | 40,398,740                       |

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

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

### CHANGE IN INFORMATION OF DIRECTOR

Mr. Huang Jing, an independent non-executive director of the Company, has resigned as a director of Keppel Land Limited (SGX: K17), a company listed on the Singapore Stock Exchange with effect from 4 August 2017.

### APPRECIATION

The Board would like to take this opportunity to express gratitude to our shareholders, customers, banks, professional parties and employees for their continuous patronage and support.

By order of the Board

**Ji Wei**  
Chairman

Hong Kong, 23 August 2017

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

**TO THE BOARD OF DIRECTORS OF WASION GROUP HOLDINGS LIMITED**

威勝集團控股有限公司

*(incorporated in Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Wasion Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

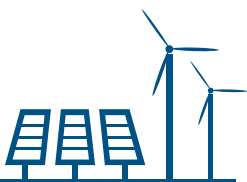
Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

23 August 2017



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

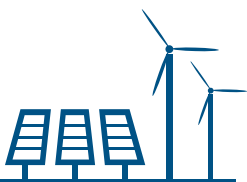
|  | Notes | Six months ended 30 June       |                                |
|--|-------|--------------------------------|--------------------------------|
|  |       | 2017<br>RMB'000<br>(unaudited) | 2016<br>RMB'000<br>(unaudited) |
| Revenue  | 3     | 1,427,583                      | 1,516,325                      |
| Cost of sales  |       | (1,009,556)                    | (1,060,612)                    |
| Gross profit   |       | 418,027                        | 455,713                        |
| Other income   |       | 62,949                         | 57,148                         |
| Other gains and losses   |       | (17,856)                       | 9,797                          |
| Gain on bargain purchase of interests in subsidiaries                | 17A   | 6,805                          | —                              |
| Gain on disposal of a subsidiary                                     | 17B   | 103,294                        | —                              |
| Administrative expenses  |       | (90,332)                       | (73,966)                       |
| Selling expenses   |       | (138,741)                      | (126,996)                      |
| Research and development expenses                                    |       | (90,084)                       | (64,953)                       |
| Finance costs  | 4     | (23,271)                       | (23,880)                       |
| Share of results of associates                                       |       | 3,306                          | 2,517                          |
| Profit before taxation   |       | 234,097                        | 235,380                        |
| Income tax expense   | 5     | (39,713)                       | (29,731)                       |
| <b>Profit for the period</b>   | 6     | <b>194,384</b>                 | 205,649                        |
| Profit (loss) for the period attributable to                         |       |                                |                                |
| — Owners of the Company  |       | 170,688                        | 206,317                        |
| — Non-controlling interests  |       | 23,696                         | (668)                          |
|  |       | <b>194,384</b>                 | 205,649                        |
| <b>Other comprehensive (expense) income</b>                          |       |                                |                                |
| <i>Items that may be subsequently reclassified to profit or loss</i> |       |                                |                                |
| Exchange differences arising on translation of foreign operations    |       | (11,582)                       | 1,753                          |
| Fair value changes on available-for-sale investments                 |       | (2,176)                        | 2                              |
| <b>Other comprehensive (expense) income for the period</b>           |       | <b>(13,758)</b>                | 1,755                          |
| <b>Total comprehensive income for the period</b>                     |       | <b>180,626</b>                 | 207,404                        |
| Total comprehensive income (expense) for the period attributable to  |       |                                |                                |
| — Owners of the Company  |       | 156,930                        | 208,072                        |
| — Non-controlling interests  |       | 23,696                         | (668)                          |
|  |       | <b>180,626</b>                 | 207,404                        |
| <b>Earnings per share</b>  | 8     |                                |                                |
| Basic  |       | RMB17.0 cents                  | RMB20.2 cents                  |
| Diluted  |       | RMB17.0 cents                  | RMB20.2 cents                  |



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

|  | Notes | At<br>30 June<br>2017<br>RMB'000<br>(unaudited) | At<br>31 December<br>2016<br>RMB'000<br>(audited) |
|--|-------|---|---|
| <b>NON-CURRENT ASSETS</b>                    |       |   |   |
| Property, plant and equipment                | 9     | 1,298,516                                       | 1,267,972   |
| Prepaid lease payments                       |       | 144,335   | 392,604   |
| Investment properties                        |       | 15,752  | 19,752  |
| Goodwill                                     |       | 297,919   | 297,919   |
| Other intangible assets                      | 9     | 377,619   | 361,695   |
| Investment in associates                     |       | 13,119  | 1,063   |
| Available-for-sale investments               | 10    | 224,628   | 150,878   |
| Other non-current assets                     | 11    | 115,065   | 60,138  |
|  |       | <b>2,486,953</b>                                | 2,552,021   |
| <b>CURRENT ASSETS</b>                        |       |   |   |
| Inventories                                  |       | 441,057   | 344,075   |
| Trade and other receivables                  | 12    | 3,801,048                                       | 3,260,764   |
| Prepaid lease payments                       |       | 3,343   | 7,918   |
| Loan receivables                             | 13    | 205,000   | 205,000   |
| Pledged bank deposits                        |       | 346,795   | 183,297   |
| Bank balances and cash                       |       | 888,620   | 940,016   |
|  |       | <b>5,685,863</b>                                | 4,941,070   |
| <b>CURRENT LIABILITIES</b>                   |       |   |   |
| Trade and other payables                     | 14    | 2,328,761                                       | 2,166,141   |
| Tax liabilities                              |       | 49,483  | 36,816  |
| Borrowings — due within one year             | 15    | 1,049,772                                       | 532,967   |
|  |       | <b>3,428,016</b>                                | 2,735,924   |
| <b>NET CURRENT ASSETS</b>                    |       | <b>2,257,847</b>                                | 2,205,146   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       | <b>4,744,800</b>                                | 4,757,167   |



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

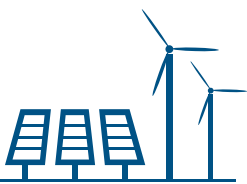
At 30 June 2017

|  | Notes | At<br>30 June<br>2017<br>RMB'000<br>(unaudited) | At<br>31 December<br>2016<br>RMB'000<br>(audited) |
|--|-------|---|---|
| <b>CAPITAL AND RESERVES</b>                  |       |   |   |
| Share capital                                | 16    | 9,988   | 10,078  |
| Reserves                                     |       | 4,021,384                                       | 4,138,541   |
| Equity attributable to owners of the Company |       | 4,031,372                                       | 4,148,619   |
| Non-controlling interests                    |       | 537,130   | 29,095  |
|  |       | 4,568,502                                       | 4,177,714   |
| <b>NON-CURRENT LIABILITIES</b>               |       |   |   |
| Borrowings — due after one year              | 15    | 157,803   | 562,307   |
| Deferred tax liability                       |       | 18,495  | 17,146  |
|  |       | 176,298   | 579,453   |
|  |       | 4,744,800                                       | 4,757,167   |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

|  | Attributable to owners of the Company |                  |                |                  |                        |                      |                                |                                    |                 |                  |                  |                | Non-controlling interest | Total   |
|--|---------------------------------------|------------------|----------------|------------------|------------------------|----------------------|--------------------------------|------------------------------------|-----------------|------------------|------------------|----------------|--------------------------|---------|
|  | Share capital                         | Share premium    | Merger reserve | Exchange reserve | PRC statutory reserves | Share option reserve | Investment revaluation reserve | Shares held for share award scheme | Other reserve   | Retained profits | Total            | Total          |                          |         |
|  | RMB'000                               | RMB'000          | RMB'000        | RMB'000          | RMB'000                | RMB'000              | RMB'000                        | RMB'000                            | RMB'000         | RMB'000          | RMB'000          | RMB'000        | RMB'000                  | RMB'000 |
|  |                                       |                  | (Note i)       |                  | (Note ii)              |                      |                                | (Note iii)                         | (Note iv and v) |                  |                  |                |                          |         |
| At 1 January 2016 (audited)  | 10,180                                | 1,922,917        | 49,990         | (78,902)         | 262,400                | 21,342               | 4                              | —                                  | 27,582          | 1,885,647        | 4,101,160        | 38,412         | 4,139,572                |         |
| Profit (loss) for the period   | —                                     | —                | —              | —                | —                      | —                    | —                              | —                                  | —               | 206,317          | 206,317          | (668)          | 205,649                  |         |
| Other comprehensive income for the period                                      | —                                     | —                | —              | 1,753            | —                      | —                    | 2                              | —                                  | —               | —                | 1,755            | —              | 1,755                    |         |
| Total comprehensive income (expense) for the period                            | —                                     | —                | —              | 1,753            | —                      | —                    | 2                              | —                                  | —               | 206,317          | 208,072          | (668)          | 207,404                  |         |
| Recognition of equity-settled share-based payments                             | —                                     | —                | —              | —                | —                      | 3,236                | —                              | —                                  | —               | —                | 3,236            | —              | 3,236                    |         |
| Shares repurchased and cancelled (Note 16)                                     | (102)                                 | (37,381)         | —              | —                | —                      | —                    | —                              | —                                  | —               | —                | (37,483)         | —              | (37,483)                 |         |
| Transaction costs attributable to shares repurchased                           | —                                     | (160)            | —              | —                | —                      | —                    | —                              | —                                  | —               | —                | (160)            | —              | (160)                    |         |
| Purchase of shares under share award scheme (Note 18)                          | —                                     | —                | —              | —                | —                      | —                    | —                              | (25,119)                           | —               | —                | (25,119)         | —              | (25,119)                 |         |
| Dividend recognised as distribution (Note 7)                                   | —                                     | —                | —              | —                | —                      | —                    | —                              | —                                  | —               | (206,135)        | (206,135)        | —              | (206,135)                |         |
| At 30 June 2016 (unaudited)  | 10,078                                | 1,885,376        | 49,990         | (77,149)         | 262,400                | 24,578               | 6                              | (25,119)                           | 27,582          | 1,885,829        | 4,043,571        | 37,744         | 4,081,315                |         |
| At 1 January 2017 (audited)  | <b>10,078</b>                         | <b>1,885,376</b> | <b>49,990</b>  | <b>(57,320)</b>  | <b>296,940</b>         | <b>27,158</b>        | <b>(1,200)</b>                 | <b>(25,119)</b>                    | <b>12,042</b>   | <b>1,950,674</b> | <b>4,148,619</b> | <b>29,095</b>  | <b>4,177,714</b>         |         |
| Profit for the period  | —                                     | —                | —              | —                | —                      | —                    | —                              | —                                  | —               | 170,688          | 170,688          | 23,696         | 194,384                  |         |
| Other comprehensive expense for the period                                     | —                                     | —                | —              | (11,582)         | —                      | —                    | (2,176)                        | —                                  | —               | —                | (13,758)         | —              | (13,758)                 |         |
| Total comprehensive income (expense) for the period                            | —                                     | —                | —              | (11,582)         | —                      | —                    | (2,176)                        | —                                  | —               | 170,688          | 156,930          | 23,696         | 180,626                  |         |
| Recognition of equity-settled share-based payments                             | —                                     | —                | —              | —                | —                      | 572                  | —                              | —                                  | —               | —                | 572              | —              | 572                      |         |
| Shares repurchased and cancelled (Note 16)                                     | (90)                                  | (35,509)         | —              | —                | —                      | —                    | —                              | —                                  | —               | —                | (35,599)         | —              | (35,599)                 |         |
| Transaction costs attributable to shares repurchased                           | —                                     | (225)            | —              | —                | —                      | —                    | —                              | —                                  | —               | —                | (225)            | —              | (225)                    |         |
| Acquisition of subsidiaries (Note 17A)   | —                                     | —                | —              | —                | —                      | —                    | —                              | —                                  | —               | —                | —                | 58,785         | 58,785                   |         |
| Disposal of a subsidiary (Note vi)   | —                                     | —                | —              | —                | —                      | —                    | —                              | —                                  | 3,246           | (3,246)          | —                | —              | —                        |         |
| Subscription of shares of a subsidiary by non-controlling interests (Note vii) | —                                     | —                | —              | —                | —                      | —                    | —                              | —                                  | (34,854)        | —                | (34,854)         | 425,554        | 390,700                  |         |
| Dividend recognised as distribution (Note 7)                                   | —                                     | —                | —              | —                | —                      | —                    | —                              | —                                  | —               | (204,071)        | (204,071)        | —              | (204,071)                |         |
| At 30 June 2017 (unaudited)  | <b>9,988</b>                          | <b>1,849,642</b> | <b>49,990</b>  | <b>(68,902)</b>  | <b>296,940</b>         | <b>27,730</b>        | <b>(3,376)</b>                 | <b>(25,119)</b>                    | <b>(19,566)</b> | <b>1,914,045</b> | <b>4,031,372</b> | <b>537,130</b> | <b>4,568,502</b>         |         |



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2017

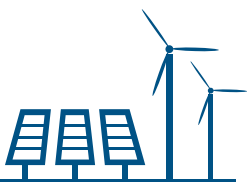
Notes:

- (i) Merger reserve represents the difference between the nominal value of shares of the subsidiary acquired over the nominal value of the shares used by the Company in exchange thereafter.
- (ii) PRC statutory reserves are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to the Group's PRC subsidiaries.
- (iii) Shares held for share award scheme represents the own shares of the Company repurchased by a trustee for an employees' share award scheme.
- (iv) Other reserve of RMB19,566,000 includes an amount of RMB33,164,000 representing the excess of the balance of plan asset over the carrying amount of shares held under share award plan of the Company, which was recognised upon termination of the plan in prior years.
- (v) The Group accounts for changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and recognises any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received in other reserve.
- (vi) During the current interim period, the Group has completed the disposal of 85% equity interest in Hunan Jiale Property Development Co., Ltd. ("Hunan Jiale") to an independent third party and other reserve amount to RMB3,246,000 recognized between the amounts of consideration and the carrying values of the interests acquired in prior years has been realized.
- (vii) During the current interim period, Willfar Information Technology Company Limited ("Willfar Information Technology") (formerly known as Hunan Wasion Information Technology Company Limited), a subsidiary of the Company has completed share subscriptions by two connected persons and five independent investors for an aggregate of 35% equity interest of Willfar Information Technology. After the share subscriptions, 65% equity interest of Willfar Information Technology are held by the Group and Willfar Information Technology remains as a subsidiary of the Group. The difference between the amounts of contribution from the two connected persons and the five independent investors and the amount by which non-controlling interests is adjusted amounting to RMB34,854,000 is recorded in other reserve. Further details of the subscriptions with the two connected persons are set out in the Company's announcement dated 12 January 2017.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

|  | Notes | Six months ended 30 June       |                                |
|--|-------|--------------------------------|--------------------------------|
|  |       | 2017<br>RMB'000<br>(unaudited) | 2016<br>RMB'000<br>(unaudited) |
| Net cash from (used in) operating activities                           |       | <b>56,037</b>                  | (313,897)                      |
| Net cash used in investing activities                                  |       |                                |                                |
| Placement of pledged bank deposits                                     |       | <b>(400,619)</b>               | (239,498)                      |
| Purchase of available-for-sale investments                             |       | <b>(70,000)</b>                | —                              |
| Expenditure on intangible assets                                       |       | <b>(66,419)</b>                | (65,651)                       |
| Purchase of property, plant and equipment                              |       | <b>(34,259)</b>                | (75,010)                       |
| Acquisition of subsidiaries, net of cash and cash equivalents acquired | 17A   | <b>(14,488)</b>                | —                              |
| Capital injection upon establishment of an associate                   |       | <b>(8,750)</b>                 | —                              |
| Expenditure on prepaid lease payments                                  |       | <b>(5,639)</b>                 | —                              |
| Disposal of a subsidiary, net of cash and cash equivalents disposed of | 17B   | <b>(767)</b>                   | —                              |
| Withdrawal of pledged bank deposits                                    |       | <b>237,121</b>                 | 238,518                        |
| Disposal of an available-for-sale investment                           |       | <b>10,000</b>                  | —                              |
| Interest income received from available-for-sale investments           |       | <b>2,648</b>                   | —                              |
| Deposit paid for purchase of a piece of land and certain properties    |       | <b>—</b>                       | 13,600                         |
| Other investing cash flows   |       | <b>10,081</b>                  | 7,861                          |
|  |       | <b>(341,091)</b>               | (120,180)                      |
| Net cash from (used in) financing activities                           |       |                                |                                |
| New borrowings raised  |       | <b>719,928</b>                 | 508,750                        |
| Subscription of shares of a subsidiary by non-controlling interests    |       | <b>390,700</b>                 | —                              |
| Repayment of borrowings  |       | <b>(600,667)</b>               | (293,010)                      |
| Dividend paid  |       | <b>(204,071)</b>               | (206,135)                      |
| Shares repurchased and cancelled                                       | 16    | <b>(35,599)</b>                | (37,483)                       |
| Transaction costs attributable to shares repurchased and cancelled     | 16    | <b>(225)</b>                   | (160)                          |
| Shares repurchased for share award scheme                              |       | <b>—</b>                       | (25,119)                       |
| Other financing cash flows   |       | <b>(25,299)</b>                | (23,880)                       |
|  |       | <b>244,767</b>                 | (77,037)                       |
| Net decrease in cash and cash equivalents                              |       | <b>(40,287)</b>                | (511,114)                      |
| Cash and cash equivalents at beginning of the period                   |       | <b>790,016</b>                 | 1,021,836                      |
| Effect of foreign exchange rate changes                                |       | <b>(11,109)</b>                | 7,950                          |
| Cash and cash equivalents at end of the period                         |       | <b>738,620</b>                 | 518,672                        |
| Represented by:  |       |                                |                                |
| Bank balances and cash   |       | <b>888,620</b>                 | 668,672                        |
| Less: Short-term bank deposit  |       | <b>(150,000)</b>               | (150,000)                      |
|  |       | <b>738,620</b>                 | 518,672                        |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 1. BASIS OF PREPARATION

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

### 1A. SIGNIFICANT EVENT AND TRANSACTION IN THE CURRENT INTERIM PERIOD

During the current interim period, the Group completed an acquisition of subsidiaries and a disposal of a subsidiary which had significant impacts to the Group’s current interim financial performance. Details of these acquisition and disposal are set out in notes 17A and 17B, respectively.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the presentation of the Group’s condensed consolidated financial statements.

Amendments to HKAS 7

Amendments to HKAS 12

Amendments to HKFRS 12

Disclosure Initiative

Recognition of Deferred Tax Assets for Unrealised Losses

As part of annual Improvements to HKFRSs 2014–2016 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

## 3. REVENUE AND SEGMENT INFORMATION

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

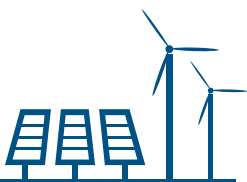
In the previous periods, the Group's reportable and operating segments under HKFRS 8 were as follows:

- (a) Smart meter segment, which engages in the development, manufacture and sale of standardised smart meter products to power grids in China;
- (b) Advanced metering infrastructure segment, which engages in the development, manufacture and sale of non-standardised smart meter products and providing system solution and communication terminals solution services; and
- (c) Advanced distribution operations segment, which engages in the manufacture and sale of smart power distribution devices and providing smart power distribution solution and energy efficiency solution services.

During the year ended 31 December 2016, management of the Group has restructured its segment reporting in accordance with the future development strategy of the Group. CODM has used the new segment information for the decision making, resources allocation and segment performance assessment and the Group's reportable and operating segments under HKFRS 8 are changed to below:

- (a) Power advanced metering infrastructure segment, which engages in the development, manufacture and sale of smart power meters and provision of respective system solution;
- (b) Communication and fluid advanced metering infrastructure segment, which engages in the development, manufacture and sale of communication terminals and water, gas and heat metering products and provision of respective system solution; and
- (c) Advanced distribution operations segment, which engages in the manufacture and sale of smart power distribution devices and providing smart power distribution solution and energy efficiency solution services.

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

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

**For the six months ended 30 June 2017**

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

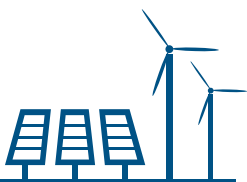
For the six months ended 30 June 2017

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### For the six months ended 30 June 2016 (restated)

|                                     | Power<br>advanced<br>metering<br>infrastructure<br>RMB'000 | Communication<br>and<br>fluid advanced<br>metering<br>infrastructure<br>RMB'000 | Advanced<br>distribution<br>operations<br>RMB'000 | Consolidated<br>RMB'000 |
|-------------------------------------|--|---|---|-------------------------|
| Segment revenue                     | 881,082  | 370,083   | 265,160   | 1,516,325               |
| Segment profit                      | 160,340  | 60,574  | 18,294  | 239,208                 |
| Unallocated income and gains/losses |  |   |   | 39,833                  |
| Share of results of an associate    |  |   |   | 2,517                   |
| Central administration costs        |  |   |   | (22,298)                |
| Finance costs                       |  |   |   | (23,880)                |
| Profit before taxation              |  |   |   | 235,380                 |

Segment profit represents the profit earned by each segment without allocation of certain items of other income and central administration costs, share of results of associates, gain on bargain purchase of interests in subsidiaries, gain on disposal of a subsidiary, directors' salaries, finance costs and taxation. This is the measure reported to the CODM, for the purposes of resources allocation and performance assessment.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

### 4. FINANCE COSTS

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2017<br>RMB'000<br>(unaudited) | 2016<br>RMB'000<br>(unaudited) |
| Interest on borrowings                                     | 25,299                         | 24,918                         |
| Interest on factoring of trade receivables                 | —                              | 7,560                          |
| Less: amounts capitalised in the cost of qualifying assets | (2,028)                        | (8,598)                        |
|  | <b>23,271</b>                  | 23,880                         |

For the six months ended 30 June 2017, the borrowing costs capitalised of RMB2,028,000 (six months ended 30 June 2016: RMB8,598,000) arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.19% (six months ended 30 June 2016: 3.72%) per annum to expenditures on qualifying assets.

### 5. INCOME TAX EXPENSE

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

## 5. INCOME TAX EXPENSE (Continued)

Notes:

(i) Hong Kong

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income that was subject to Hong Kong Profits Tax during each of the six months ended 30 June 2016 and 2017.

(ii) PRC

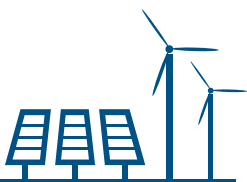
PRC EIT was calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC, except that certain PRC subsidiaries which are approved as enterprises that satisfied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

According to the notice of "Preferential Policies on Enterprise Income Tax" (Cai Shui [2008] No. 1) issued by the State Administration of Taxation, the preferential treatment set out above continues under the implementation of the EIT Law.

(iii) Other jurisdictions

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

No deferred taxation has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries arising on or after 1 January 2008 as the directors consider that such earnings will not be distributed in the foreseeable future.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

### 6. PROFIT FOR THE PERIOD

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

### 7. DIVIDENDS

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

## 8. EARNINGS PER SHARE

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

|   | Six months ended 30 June       |                                |
|---|--------------------------------|--------------------------------|
|   | 2017<br>RMB'000<br>(unaudited) | 2016<br>RMB'000<br>(unaudited) |
| <b>Earnings</b>   |                                |                                |
| Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company) | <b>170,688</b>                 | 206,317                        |
| <b>Number of shares</b>   |                                |                                |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share                              | <b>1,002,541,123</b>           | 1,020,064,565                  |

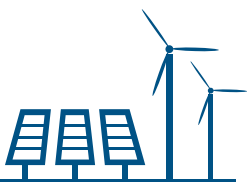
The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company as set out in Note 18.

The computation of dilutive earnings per share for both periods does not assume the exercise of share options because the exercise prices of those options were higher than the average market price for the period.

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

During current interim period, the Group incurred costs of RMB16,250,000 (six months ended 30 June 2016: RMB69,438,000) on the construction of new factory and office premises and acquired property, plant and equipment of RMB20,037,000 (six months ended 30 June 2016: RMB5,572,000) in order to upgrade its manufacturing capabilities. Development costs of RMB56,353,000 (six months ended 30 June 2016: RMB65,651,000) are capitalised.

In addition, during the six months ended 30 June 2017, property, plant and equipment of RMB22,344,000 (six months ended 30 June 2016: nil) and other intangible assets of RMB3,581,000 (six months ended 30 June 2016: nil) were acquired through the acquisition of subsidiaries (see Note 17A).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

### 10. AVAILABLE-FOR-SALE INVESTMENTS

|  | At<br>30 June<br>2017<br>RMB'000<br>(unaudited) | At<br>31 December<br>2016<br>RMB'000<br>(audited) |
|--|---|---|
| Available-for-sale investments comprise:                     |   |   |
| Equity securities listed in Hong Kong measured at fair value | 64,884  | 67,060  |
| Unlisted equity securities, at cost less impairment (Note i) | 39,738  | 33,812  |
| Investments in trust funds, at fair value (Note ii)          | 120,006   | 50,006  |
|  | <b>224,628</b>                                  | 150,878   |

Notes:

- (i) Amount represents unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.
- (ii) Amount represents investments in trust funds made by the Group through security houses. The trust funds invested in ranges of debt instrument products which were generally government bonds and corporate loans.

### 11. OTHER NON-CURRENT ASSETS

|   | At<br>30 June<br>2017<br>RMB'000<br>(unaudited) | At<br>31 December<br>2016<br>RMB'000<br>(audited) |
|---|---|---|
| Consideration receivables for disposal of subsidiaries (Note) | 77,000  | 21,000  |
| Deposit paid for purchase of certain properties               | 3,042   | 3,042   |
| Life insurance products                                       | 35,023  | 36,096  |
|   | <b>115,065</b>                                  | 60,138  |

Note: The balance of RMB77,000,000 carries fixed interest at 4.75% per annum, and is repayable in 2022.

The balance of RMB21,000,000 as at 31 December 2016 carries fixed interest at 6.40% per annum, and is repayable in June 2018. A piece of land has been pledged to the Group until the full settlement of this balance, and the Group is not permitted to sell the asset in absence of default of the acquirer. This balance is reclassified under current assets as at 30 June 2017.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

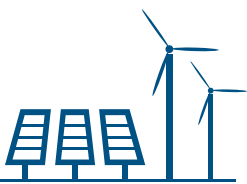
For the six months ended 30 June 2017

## 12. TRADE AND OTHER RECEIVABLES

Due to the nature of business, the settlement terms of trade receivables are based on the achievement of certain milestones of each 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 may beyond 365 days.

The following is an analysis of the Group's trade and bills receivables, net of allowance for doubtful debts, presented based on the revenue recognition dates at the end of the reporting period:

|  | At<br>30 June<br>2017<br>RMB'000<br>(unaudited) | At<br>31 December<br>2016<br>RMB'000<br>(audited) |
|--|---|---|
| Trade and bills receivables                            |   |   |
| 0-90 days  | 1,210,354                                       | 1,430,510   |
| 91-180 days  | 325,895   | 277,667   |
| 181-365 days   | 749,390   | 345,692   |
| Over 1 year  | 581,929   | 489,418   |
| Retentions held by trade customers                     | 2,867,568                                       | 2,543,287   |
| Deposits, prepayments and other receivables            | 267,917   | 284,397   |
| Consideration receivables for disposal of subsidiaries | 534,563   | 433,080   |
|  | 131,000   | —   |
|  | <b>3,801,048</b>                                | 3,260,764   |



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

### 13. LOAN RECEIVABLES

|                             | At<br>30 June<br>2017<br>RMB'000<br>(unaudited) | At<br>31 December<br>2016<br>RMB'000<br>(audited) |
|-----------------------------|---|---|
| Fixed-rate loan receivables | <b>205,000</b>                                  | 205,000   |

The amounts represent short-term loans advanced by the Group to certain independent third parties under entrusted loan contracts. During the year ended 31 December 2016, the maturity date of the amounts of RMB100,000,000 and RMB105,000,000 have been extended to September 2017 and October 2017, respectively. These entrusted loans carry fixed interests at 12% per annum and are repayable within twelve months from the end of the reporting period.

Certain land and buildings of the borrowers have been pledged to the Group, and the Group is not permitted to sell these assets in the absence of default of the borrowers. As at 30 June 2017, the fair value of the pledged assets which has been assessed by the management with reference to recent market prices for similar land and buildings in similar locations and conditions is greater than the respective loan balances. The pledge will be released upon settlement of the relevant loans.

### 14. TRADE AND OTHER PAYABLES

The following is an analysis of the Group's trade and bills payables by age, presented based on the invoice date at the end of the reporting period:

|                          | At<br>30 June<br>2017<br>RMB'000<br>(unaudited) | At<br>31 December<br>2016<br>RMB'000<br>(audited) |
|--------------------------|---|---|
| Trade and bills payables |   |   |
| 0-90 days                | <b>1,422,858</b>                                | 1,413,624   |
| 91-180 days              | <b>481,791</b>                                  | 460,745   |
| 181-365 days             | <b>222,543</b>                                  | 87,320  |
| Over 1 year              | <b>20,715</b>                                   | 38,834  |
|                          | <b>2,147,907</b>                                | 2,000,523   |
| Other payables           | <b>180,854</b>                                  | 165,618   |
|                          | <b>2,328,761</b>                                | 2,166,141   |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

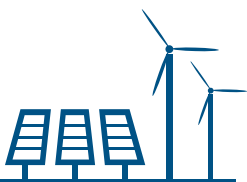
For the six months ended 30 June 2017

## 15. BORROWINGS

During the period, the Group obtained bank loans of RMB719,928,000 (six months ended 30 June 2016: RMB508,750,000) and repaid bank loans of RMB600,667,000 (six months ended 30 June 2016: RMB293,010,000). The loans carry interest at market rates ranging from 2.01% to 4.44% (six months ended 30 June 2016: 1.72% to 4.20%) per annum and are repayable in instalments over a period of 3 years. The proceeds were used for general working capital purposes and to finance the acquisition of property, plant and equipment.

## 16. SHARE CAPITAL

|  | Number<br>of shares | Nominal<br>value<br>HK\$'000 |
|--|---------------------|------------------------------|
| Ordinary shares of HK\$0.01 each                                   |                     |                              |
| Authorised:  |                     |                              |
| At 1 January 2016, 30 June 2016, 31 December 2016 and 30 June 2017 | 100,000,000,000     | 1,000,000                    |
|  |                     | RMB'000                      |
| Issued and fully paid:   |                     |                              |
| At 1 January 2016  | 1,026,881,675       | 10,180                       |
| Shares repurchased and cancelled (Note)                            | (12,000,000)        | (102)                        |
| At 30 June 2016 and 31 December 2016                               | 1,014,881,675       | 10,078                       |
| Shares repurchased and cancelled (Note)                            | (10,160,000)        | (90)                         |
| At 30 June 2017  | 1,004,721,675       | 9,988                        |



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

### 16. SHARE CAPITAL (Continued)

Note: The Company repurchased its own shares through the Stock Exchange as follows:

#### Six months ended 30 June 2017

| Month of repurchase | Number of ordinary shares of HK\$0.01 each of the Company | Price per share |             | Aggregate consideration paid RMB'000 |
|---------------------|---|-----------------|-------------|--------------------------------------|
|                     |   | Highest HK\$    | Lowest HK\$ |                                      |
| March 2017          | 4,160,000   | 4.20            | 4.01        | 14,932                               |
| April 2017          | 6,000,000   | 4.08            | 3.81        | 20,667                               |
|                     | <b>10,160,000</b>   |                 |             | <b>35,599</b>                        |

#### Six months ended 30 June 2016

| Month of repurchase | Number of ordinary shares of HK\$0.01 each of the Company | Price per share |             | Aggregate consideration paid RMB'000 |
|---------------------|---|-----------------|-------------|--------------------------------------|
|                     |   | Highest HK\$    | Lowest HK\$ |                                      |
| February 2016       | 6,000,000   | 4.09            | 3.13        | 17,244                               |
| April 2016          | 4,000,000   | 4.08            | 3.91        | 13,603                               |
| May 2016            | 2,000,000   | 3.95            | 3.89        | 6,636                                |
|                     | <b>12,000,000</b>   |                 |             | <b>37,483</b>                        |

The above ordinary shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

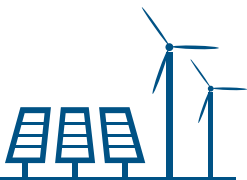
For the six months ended 30 June 2017

## 17A. ACQUISITION OF SUBSIDIARIES

In May 2017, the Group completed its acquisition of 31.413% equity interest in Zhuhai Zhonghui Microelectronics Co. Ltd. and its subsidiaries ("Zhuhai Zhonghui"), a former 18.64% held available-for-sale investment of the Group, from certain independent third parties and connected persons at an aggregate consideration of RMB32,701,000. Upon completion of the acquisition, the Group owns a total equity interest of 50.053% in Zhuhai Zhonghui and Zhuhai Zhonghui becomes a non wholly-owned subsidiary of the Group. Further details of the transaction are set out in the Company's announcement dated 13 February 2017.

Zhuhai Zhonghui is a company established in the PRC which principally engaged in the design and development, manufacture and sale of integrated circuits, intelligent instrument communication and measurement solutions.

|   | RMB'000   |
|---|-----------|
| <b>Consideration transferred:</b>   |           |
| Cash  | 32,701    |
| Available-for-sale investment (Note i)  | 19,404    |
|   | 52,105    |
| <b>Fair value of assets acquired and liabilities recognised at the date of acquisition<br/>(determined on a provisional basis (Note ii)):</b> |           |
| Property, plant and equipment   | 22,344    |
| Prepaid lease payment   | 3,198     |
| Other intangible assets   | 3,581     |
| Deferred tax assets   | 433       |
| Trade and other receivables   | 96,409    |
| Inventories   | 53,331    |
| Bank balances and cash  | 18,213    |
| Trade and other payables  | (79,814)  |
|   | 117,695   |
| <b>Bargain purchase gain arising on the acquisition (Note iii):</b>   |           |
| Consideration transferred   | 52,105    |
| Plus : non-controlling interests (Note iv)  | 58,785    |
| Less : net assets acquired  | (117,695) |
|   | (6,805)   |
| <b>Net cash outflow arising from the acquisition:</b>   |           |
| Cash consideration paid   | (32,701)  |
| Bank balances and cash acquired   | 18,213    |
|   | (14,488)  |



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

### 17A. ACQUISITION OF SUBSIDIARIES (Continued)

Notes:

- (i) The previously held interest in Zhuhai Zhonghui was remeasured at fair value at the date of acquisition and the resulting loss of RMB3,670,000 was recognised in profit or loss (see Note 6).
- (ii) The initial accounting of this acquisition is not yet completed and the assets acquired and liabilities recognised and the amounts recognised in these condensed consolidated financial statements for this acquisition have been determined provisionally. The professional valuation conducted by an independent valuer has not yet been finalised on the date when these condensed consolidated financial statements are authorised for issued.
- (iii) The introduction of the Company as the new controlling shareholder of Zhuhai Zhonghui was expected to strengthen its capital base, meet its working capital requirements and facilitate its future business development and expansion. In the opinion of the directors of the Company, the above are the key factors leading to the recognition of the above gain of RMB6,805,000 during the current interim period.
- (iv) The non-controlling interest recognised at the acquisition date were measured with reference to the non-controlling interest's proportionate share of fair values of the net assets at that date.
- (v) The aggregate acquisition-related costs amounting to RMB106,000 have been excluded from the consideration transferred and have been recognised as an expense during the six months ended 30 June 2017, within the administrative expenses line item in the condensed consolidated statement of profit or loss and other comprehensive income.

### 17B. DISPOSAL OF A SUBSIDIARY

On 28 June 2017, the Group completed the disposal of 85% equity interest in Hunan Jiale to an independent third party (the "Buyer") for a deferred cash consideration of RMB187,000,000, and Hunan Jiale will repay a shareholder's loan of RMB138,869,000 owing to the Group by June 2018. Following the completion of the disposal, the Group retains 15% equity interest in Hunan Jiale as an available-for-sale investment.

Out of the total amount of deferred cash consideration of RMB187,000,000, an amount of RMB110,000,000 is repayable within one year, and the remaining amount of RMB77,000,000 carries fixed interest at 4.75% per annum and is repayable in 2022.

The management has assessed the ultimate realisation of these consideration receivables by considering the financial conditions and the current creditworthiness of the Buyer and Hunan Jiale, and the subsequent settlement of the deferred cash consideration. Up to the date of approving these condensed consolidated financial statements, an amount of RMB60,000,000 is settled from the Buyer and two pieces of land from the Buyer is under the pledge registration to the Group. The directors of the Company are in the opinion that there is no recoverability problem for the consideration receivables and the shareholder's loan.

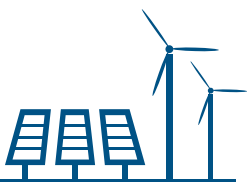
# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

## 17B. DISPOSAL OF A SUBSIDIARY (Continued)

The net assets of Hunan Jiale at the date on which control was lost were as follows:

|  | RMB'000        |
|--|----------------|
| <b>Consideration:</b>  |                |
| Deferred cash consideration  |                |
| — non-current (Note 11)  | 77,000         |
| — current (included in other receivables)                              | 110,000        |
| Available-for-sale investment  | 33,000         |
|  | <b>220,000</b> |
| <b>Analysis of assets and liabilities over which control was lost:</b> |                |
| Property, plant and equipment  | 4              |
| Prepaid lease payment  | 257,519        |
| Bank balances and cash   | 767            |
| Other payables   | (141,584)      |
|  | <b>116,706</b> |
| Net assets disposed of   | <b>116,706</b> |
| <b>Gain on disposal:</b>   |                |
| Consideration  | 220,000        |
| Net assets disposed of   | (116,706)      |
|  | <b>103,294</b> |
| <b>Cash outflow arising from the disposal:</b>                         |                |
| Bank balances and cash disposed of                                     | 767            |



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

### 18. SHARE-BASED PAYMENT TRANSACTION

The Company's share award scheme (the "Scheme") was adopted pursuant to a resolution passed on 3 May 2016. Pursuant to the Scheme under which eligible employees are entitled to participate. The purpose of the Scheme is to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and also to attract suitable personnel for further development of the Group. The Scheme became effective on 3 May 2016 and, unless otherwise terminated or amended, will remain in force for 10 years.

The Scheme is operated through a trustee which is independent of the Group and has the right to, among other conditions, in its sole discretion, determine whether the shares are to be purchased on or off the Stock Exchange from time to time, unless during the year at which the directors of the Company are prohibited by the Listing Rules or any corresponding codes or securities dealing restrictions adopted by the Company. In any given financial year of the Company, the maximum number of shares to be purchased by the trustee for the purpose of the Scheme shall not exceed 10% of the total number of issued shares as at the beginning of that financial year.

The directors would notify the trustee of the Scheme in writing upon the making of any award to any participants. Upon the receipt of such notice, the trustee would set aside the appropriate number of awarded shares in the pool of shares. No new shares would be allotted and issued to satisfy the awards made under the Scheme.

During the six months ended 30 June 2016, 7,500,000 ordinary shares (six months ended 30 June 2017: nil) of the Company have been acquired at an aggregate cost of HK\$29,681,000 (equivalent to RMB25,119,000) (six months ended 30 June 2017: nil). As at 30 June 2017, no participant has been awarded any share under the Scheme.

### 19. CAPITAL COMMITMENTS

|  | At<br>30 June<br>2017<br>RMB'000<br>(unaudited) | At<br>31 December<br>2016<br>RMB'000<br>(audited) |
|--|---|---|
| Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of |   |   |
| — acquisition of property, plant and equipment   | 20,222  | 22,251  |
| — additions of construction in progress  | 530   | 530   |
|  | <b>20,752</b>                                   | 22,781  |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

## 20. RELATED PARTY DISCLOSURES

### (a) Transactions

| Relationship | Transactions                        | Six months ended 30 June       |                                |
|--------------|-------------------------------------|--------------------------------|--------------------------------|
|              |                                     | 2017<br>RMB'000<br>(unaudited) | 2016<br>RMB'000<br>(unaudited) |
| An associate | Sales of goods by the Group         | 94,731                         | 7,591                          |
|              | Rental income received by the Group | 226                            | 237                            |

### (b) Balances

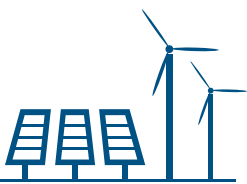
Details of balances between the Group and an associate are as below:

|  | At<br>30 June<br>2017<br>RMB'000<br>(unaudited) | At<br>31 December<br>2016<br>RMB'000<br>(audited) |
|--|---|---|
| Trade receivable due from an associate | 76,218  | 27,532  |
| Trade payables due to an associate     | (3,311)   | —   |
| Other payable due to an associate      | (16,323)  | (1,035)   |

(c) The remuneration of directors and other members of key management of the Group during the period were as follows:

|   | Six months ended 30 June       |                                |
|---|--------------------------------|--------------------------------|
|   | 2017<br>RMB'000<br>(unaudited) | 2016<br>RMB'000<br>(unaudited) |
| Short-term benefits                     | 3,528                          | 3,370                          |
| Retirement benefit scheme contributions | 76                             | 72                             |
|   | 3,604                          | 3,442                          |

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2017

### 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

#### (a) Fair value of financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. In the level 2 fair value measurements, the Group derived the inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly with reference to the market information.

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

|   | Fair value as at                       |  | Fair value hierarchy |
|---|--|--|----------------------|
|   | 30 June 2017<br>RMB'000<br>(unaudited) | 31 December 2016<br>RMB'000<br>(audited) |                      |
| <b>Financial asset</b>                            |  |  |                      |
| Available-for-sale investments:                   |  |  |                      |
| Equity securities listed in Hong Kong (Note 10)   | 64,884                                 | 67,060                                   | Level 1              |
| Investment in trust fund, at fair value (Note 10) | 120,006                                | 50,006                                   | Level 2              |

The fair value of the equity securities listed in Hong Kong was based on quoted bid prices in an active market.

The fair value of the trust fund is based on the redemption price provided by the fund manager, which is based on net assets value of the fund.

(b) There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets or any reclassification of financial assets in the period.

#### (c) Fair value of financial instruments that are recorded at amortised cost

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values at the end of the reporting period, except for the available-for-sale investments measured at cost less impairment, of which the directors of the Company are of the opinion that the fair value cannot be measured reliably because the range of reasonable fair value estimates is so significant.