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Wasion Holdings Limited
威勝控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3393)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB2,065.63 million (Period 2020: RMB1,687.70 million), representing an increase of 22%.
- Revenue from Power AMI increased by 3% to RMB731.33 million as compared with Period 2020.
- Revenue from Communication and Fluid AMI increased by 28% to RMB814.54 million as compared with Period 2020.
- Revenue from ADO increased by 53% to RMB519.76 million as compared with Period 2020.
- Net profit for the period attributable to owners of the Company amounted to RMB123.14 million (Period 2020: RMB116.26 million).
- Basic earnings per share for the period amounted to RMB12.5 cents (Period 2020: RMB11.8 cents).
- The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (Period 2020: Nil).

The board of directors (the “**Board**”) of Wasion Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the “**Group**”) for the six months ended 30 June 2021, together with the unaudited comparative figures for the corresponding period in 2020 (“**Period 2020**”), as follows:

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
	<i>Notes</i>	2021	2020
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	2,065,632	1,687,701
Cost of sales		(1,387,425)	(1,145,015)
Gross profit		678,207	542,686
Other income, gains and losses, net		86,849	91,286
Administrative expenses		(85,707)	(85,337)
Selling expenses		(186,649)	(148,812)
Research and development expenses		(183,523)	(126,967)
Impairment losses on financial assets and contract assets		(27,927)	(13,867)
Finance costs		(48,591)	(49,433)
Profit before tax	4	232,659	209,556
Income tax expense	5	(31,743)	(35,664)
PROFIT FOR THE PERIOD		200,916	173,892
Profit for the period attributable to			
— Owners of the parent		123,141	116,264
— Non-controlling interests		77,775	57,628
		200,916	173,892
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	RMB12.5 cents	RMB11.8 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	200,916	173,892
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Change in fair value	(10,648)	(11,026)
Tax effect	102	2,549
	(10,546)	(8,477)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	11,806	(14,376)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	1,260	(22,853)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	202,176	151,039
Attributable to:		
Owners of the parent	124,401	93,411
Non-controlling interests	77,775	57,628
	202,176	151,039

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

	<i>Notes</i>	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,381,043	1,322,117
Investment properties		23,099	23,346
Right-of-use assets		193,755	188,114
Goodwill		313,272	313,272
Other intangible assets		517,763	511,201
Equity investments designated at fair value through other comprehensive income		64,655	78,775
Financial assets at fair value through profit or loss		200,000	—
Loan receivables		109,240	109,384
Prepayments, other receivables and other assets		54,099	132,308
Deferred tax assets		40,502	33,726
		2,897,428	2,712,243
CURRENT ASSETS			
Inventories		740,754	497,838
Trade and bills receivables	8	4,293,492	3,850,096
Contract assets	9	666,214	651,206
Prepayments, other receivables and other assets		774,073	720,998
Financial assets at fair value through profit or loss		258	200,000
Structured deposits		365,000	80,000
Pledged deposits		322,558	302,229
Cash and bank balances		1,939,981	2,255,473
		9,102,330	8,557,840
CURRENT LIABILITIES			
Trade and bills payables	10	3,040,634	2,963,135
Other payables and accruals		243,630	258,600
Interest-bearing bank borrowings		1,802,259	1,787,997
Lease liabilities		8,485	5,306
Tax payable		64,126	52,680
		5,159,134	5,067,718
NET CURRENT ASSETS		3,943,196	3,490,122
TOTAL ASSETS LESS CURRENT LIABILITIES		6,840,624	6,202,365

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

AT 30 JUNE 2021

	30 June 2021 <i>RMB'000</i> (unaudited)	31 December 2020 <i>RMB'000</i> (audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	1,069,630	502,126
Lease liabilities	9,225	4,337
Deferred tax liabilities	19,674	19,444
	<hr/>	<hr/>
Total non-current liabilities	1,098,529	525,907
	<hr/>	<hr/>
Net assets	5,742,095	5,676,458
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	9,906	9,906
Reserves	4,492,795	4,513,395
	<hr/>	<hr/>
	4,502,701	4,523,301
Non-controlling interests	1,239,394	1,153,157
	<hr/>	<hr/>
Total equity	5,742,095	5,676,458
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The directors consider the immediate and ultimate holding company to be Star Treasure Investments Holdings Limited, a limited liability company incorporated in the British Virgin Islands (the “BVI”). The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies, and the Company’s principal place of business is located at Unit 2605, 26/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong.

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. The interim financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness.

The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any lease payments being reduced or waived during the period ended 30 June 2021.

3. REVENUE AND OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- Power advanced metering infrastructure segment, which engages in the development, manufacture and sale of smart power meters and provision of respective system solution;
- 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
- Advanced distribution operations segment, which engages in the manufacture and sale of smart power distribution devices and provision of smart power distribution solution and energy efficiency solution.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income as well as unallocated corporate income, expenses, gains and losses are excluded from this measurement.

Six months ended 30 June 2021 (unaudited)

	Power advanced metering infrastructure RMB'000	Communication and fluid advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	731,334	814,536	519,762	2,065,632
Intersegment sales	11,804	31,904	—	43,708
	<u>743,138</u>	<u>846,440</u>	<u>519,762</u>	<u>2,109,340</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(43,708)
				<u>2,065,632</u>
Segment results	17,119	179,474	65,644	262,237
<i>Reconciliation:</i>				
Bank interest income				19,396
Finance costs				(48,591)
Unallocated corporate gains and expenses, net				(383)
				<u>232,659</u>
Profit before tax				<u>232,659</u>

Six months ended 30 June 2020 (unaudited)

	Power advanced metering infrastructure <i>RMB'000</i>	Communication and fluid advanced metering infrastructure <i>RMB'000</i>	Advanced distribution operations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Sales to external customers	711,187	636,494	340,020	1,687,701
Intersegment sales	<u>6,551</u>	<u>32,190</u>	<u>63</u>	<u>38,804</u>
	717,738	668,684	340,083	1,726,505
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(38,804)</u>
				<u><u>1,687,701</u></u>
Segment results	73,062	128,547	46,103	247,712
<i>Reconciliation:</i>				
Bank interest income				12,836
Finance costs				(49,433)
Unallocated corporate gains and expenses, net				<u>(1,559)</u>
Profit before tax				<u><u>209,556</u></u>

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<i>Revenue from contracts with customers</i>	<u><u>2,065,632</u></u>	<u><u>1,687,701</u></u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2021 (unaudited)

Segments	Power advanced metering infrastructure RMB'000	Communication and fluid advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Total RMB'000
Types of goods or services				
Smart power meters	731,334	—	—	731,334
Communication terminals, water, gas and heat metering products	—	814,536	—	814,536
Smart power distribution devices	—	—	517,964	517,964
System solution services	—	—	1,798	1,798
	<u>731,334</u>	<u>814,536</u>	<u>519,762</u>	<u>2,065,632</u>
Geographic markets				
PRC	550,192	747,572	519,762	1,817,526
South America	47,757	—	—	47,757
Africa	88,321	50,547	—	138,868
Asia, except for PRC	16,337	16,392	—	32,729
Europe	28,570	25	—	28,595
Others	157	—	—	157
	<u>731,334</u>	<u>814,536</u>	<u>519,762</u>	<u>2,065,632</u>
Total revenue from contracts with customers	<u>731,334</u>	<u>814,536</u>	<u>519,762</u>	<u>2,065,632</u>
Timing of revenue recognition				
Goods transferred at a point in time	731,334	814,536	517,964	2,063,834
Services rendered over time	—	—	1,798	1,798
	<u>731,334</u>	<u>814,536</u>	<u>519,762</u>	<u>2,065,632</u>

For the six months ended 30 June 2020 (unaudited)

Segments	Power advanced metering infrastructure <i>RMB'000</i>	Communication and fluid advanced metering infrastructure <i>RMB'000</i>	Advanced distribution operations <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services				
Smart power meters	711,187	—	—	711,187
Communication terminals, water, gas and heat metering products	—	636,494	—	636,494
Smart power distribution devices	—	—	340,020	340,020
	<u>711,187</u>	<u>636,494</u>	<u>340,020</u>	<u>1,687,701</u>
Geographic markets				
PRC	642,748	611,795	340,020	1,594,563
South America	43,786	—	—	43,786
Africa	16,278	16,076	—	32,354
Asia, except for PRC	1,326	7,051	—	8,377
Europe	5,023	—	—	5,023
Others	2,026	1,572	—	3,598
	<u>711,187</u>	<u>636,494</u>	<u>340,020</u>	<u>1,687,701</u>
Total revenue from contracts with customers	<u>711,187</u>	<u>636,494</u>	<u>340,020</u>	<u>1,687,701</u>
Timing of revenue recognition				
Goods transferred at a point in time	<u>711,187</u>	<u>636,494</u>	<u>340,020</u>	<u>1,687,701</u>

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories sold	1,383,822	1,141,889
Cost of services rendered	1,177	—
Depreciation of property, plant and equipment	35,039	31,233
Depreciation of right-of-use assets	7,387	4,797
Depreciation of investment properties	247	299
Amortisation of other intangible assets*	3,283	3,393
Research and development costs:		
Research and development expenses	192,763	146,904
Less: capitalised development costs	(70,328)	(84,924)
	122,435	61,980
Amortisation of capitalised development costs	61,088	64,987
	183,523	126,967
Provision/(reversal) of impairment losses on financial assets and contract assets, net:		
Trade receivables	27,788	14,407
Contract assets	139	(540)
	27,927	13,867
Write-down of inventories to net realisable value**	2,426	3,126
Foreign exchange losses, net	2,710	2,162

* Amortisation of other intangible assets (excluding capitalised development costs) for the period is included in “Selling expenses” and “Administrative expenses” in profit or loss.

** Included in “Cost of inventories sold”.

5. INCOME TAX

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 the periods ended 30 June 2021 and 2020.

Tax on profits assessable in the People's Republic of China ("PRC") has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% (30 June 2020: 25%), 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 can continue to enjoy the preferential tax rate of 15% for a consecutive three years from year 2018 to 2020 or year 2021 to 2023.

In addition, according to relevant laws and regulations promulgated by the State Administration of Tax of the PRC, certain subsidiaries established in the PRC engaging in research and development activities are entitled to claim an additional 75% of their qualified research and development expenses as tax deductible expenses when determining their assessable profits since 2018.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current		
Charge for the period	40,507	42,706
Overprovision in prior periods	(2,320)	(2,709)
	38,187	39,997
Deferred tax	(6,444)	(4,333)
Total tax charge for the period	31,743	35,664

No deferred tax has been recognised for withholding taxes that would be payable on the undistributed earnings of the Group's PRC subsidiaries arising on or after 1 January 2008 as the directors consider it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

6. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final dividends declared and paid — HK20 cents (31 December 2020: HK20 cents) per ordinary share	164,867	180,175

The directors of the Company did not recommend the payment of a dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)

Earnings

Profit attributable to owners of the parent,
used in the basic earnings per share calculation

<u>123,141</u>	<u>116,264</u>
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Six months ended 30 June	
2021	2020
<i>Number of</i>	<i>Number of</i>
<i>shares</i>	<i>shares</i>
(unaudited)	(unaudited)

Shares

Weighted average number of ordinary shares in issue during the
period used in the basic and diluted earnings per share calculation

<u>984,985,675</u>	<u>982,593,675</u>
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Note: The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2021 and 2020 because the exercise price of those share options was higher than the average market price of the Company's shares during the periods.

8. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade receivables	4,236,726	3,693,395
Bills receivables	208,178	280,325
	4,444,904	3,973,720
Less: impairment loss on trade receivables	(151,412)	(123,624)
	4,293,492	3,850,096

Due to the nature of business, the settlement terms of trade receivables are based on the achievement of certain milestones of each sales transaction. There were no uniform credit terms granted to customers, but the Group allows credit periods ranging from 90 days to 365 days to its customers, except for certain customers, where the credit periods may be beyond 365 days.

Included in the Group's trade receivables are amounts due from the Group's joint venture of RMB27,397,000 (31 December 2020: RMB52,446,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the revenue recognition date and net of loss allowance, is as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0–90 days	1,410,137	1,258,938
91–180 days	642,890	595,989
181–365 days	1,044,047	869,661
1–2 years	713,744	811,161
Over 2 years	482,674	314,347
	4,293,492	3,850,096

9. CONTRACT ASSETS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Contract assets	672,197	657,050
Less: impairment loss on contract assets	(5,983)	(5,844)
	<u>666,214</u>	<u>651,206</u>

The contract assets primarily relate to the Group's right to consideration for goods delivered and not billed for the sales contracts because the rights are conditional on the completion of the retention period. The contract assets are transferred to trade receivables when the rights become unconditional. The balance will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

Included in the Group's contract assets are amounts due from the Group's joint venture of RMB7,550,000 (31 December 2020: RMB5,275,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

10. TRADE AND BILLS PAYABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade and bills payables	<u>3,040,634</u>	<u>2,963,135</u>

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0–90 days	1,814,218	1,706,865
91–180 days	885,680	704,585
181–365 days	247,561	455,537
Over 1 year	<u>93,175</u>	<u>96,148</u>
	<u>3,040,634</u>	<u>2,963,135</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Macro Environment

Throughout the first half of 2021 (“period under review”), the global economy experienced steady recovery in the post-pandemic era. Global economies, especially in Europe, the United States and China, recorded better than expected growth as various parts of the world launched mass COVID-19 vaccination programs. According to the National Bureau of Statistics, China’s GDP was RMB53.2 trillion in the first half of the year, an increase of 12.7% year-on-year (“YoY”), with the economy has steadily strengthening and improving. Supported by government policies, China’s energy supply, high-end manufacturing and infrastructure industries all recorded satisfactory growth, gradually returning to pre-pandemic levels. In terms of the energy market, the electricity, heat, gas and water production and supply industries grew by 13.4% in the first half of 2021. With China committed to achieving “Peak Emissions” by 2030 and “Carbon Neutrality” by 2060, energy transformation and intelligent development have become essential to achieving a sustainable, low-carbon economy. The power generation, power transmission & distribution, power storage and energy-efficiency management sectors have all become a focus for future development. Although the pace of recovery in China and the global economy is picking up, the COVID-19 pandemic and outbreaks of the Delta variant in many regions continue to present a threat, causing fluctuations in economic recovery both at home and abroad — as well as posing enormous challenges to emerging markets and developing countries.

Review of the Power Grid Industry

During the period under review, China’s overall electricity consumption was 3.93 trillion KWh, representing an increase of 16.2% YoY. The State Grid Corporation of China (“State Grid”) started constructing 18,900 km of infrastructure projects (of 110 kV and above), totaling 133 million kVA. In terms of smart power meter tenders, State Grid invited tenders worth approximately RMB8.69 billion for power meters in the first half of this year, while China Southern Power Grid Company Limited (“Southern Grid”) invited tenders for electricity meters worth approximately RMB673 million. In the first half of the year, new energy power generation within State Grid’s area of operations increased by 38.4% YoY, with the utilisation rate for new energy reaching 97.1%, and new energy cloud platforms connecting to more than 2 million new energy terminals. Moreover, consumption of electricity by Southern Grid, during the period under review, increased by 20.4% YoY to 690 billion kWh across five provinces, an all-time record for this period.

Review of Major Policies for the Power Grid Industry

Guided by China's 14th Five-Year Plan, State Grid formulated its "Action Plan on New Type Power System Construction with New Energy as the Main Body (2021–2030)" which clearly presents a "One Body, Four Wings" development plan with the initial goal of forming an energy Internet industry ecosystem by 2025. In line with developing a low-carbon, green economy, State Grid also promoted and implemented China's first "Peak Emission, Carbon Neutrality" action plan by investing in construction of the world's largest new energy cloud platform, commissioning a new generation of intelligent power grid dispatching automation systems, accelerating the construction of a new power system and a new digital infrastructure with new energy at the core — in order to fully implement intelligent transformation. In addition, State Grid continued to proactively explore overseas markets, creating new overseas business opportunities for domestic power-equipment companies.

Review of the Group's Overall Performance

As an expert in energy metering and energy-efficiency management, the Group recorded a total turnover of RMB2,065.63 million in its three main business segments in the first half of 2021 (first half of 2020: RMB1,687.70 million), representing an increase of 22% YoY; gross profit was RMB678.21 million (first half of 2020: RMB542.69 million), representing an increase of 25% YoY. The Group's overall gross profit margin was 33% (first half of 2020: 32%), representing an increase of 1% percentage point YoY. These increases were due to optimizing its product structure and increasing the proportion of high-margin products. Net profit attributable to the owners of the Company was RMB123.14 million (first half of 2020: RMB116.26 million), representing an increase of 6% YoY.

Business Review

Power Advanced Metering Infrastructure ("Power AMI")

Business Overview

Power AMI business focuses on research and development ("R&D"), production and the sale of smart power meters, as well as providing total energy-efficiency management solutions with a product range that mainly comprises single-phase and three-phase power meters, and other smart metering devices. Major customers for Power AMI are primarily power grid and non-power grid customers, both domestic and overseas. They include State Grid, Southern Grid and more than 60 local power companies, while non-power grid customers range from large-scale public infrastructures with high levels of energy-consumption to petroleum & petrochemicals, transportation, machine manufacturing, metallurgical and chemical industries, and residential users.

Review of Business

During the period under review, the Group's Power AMI business recorded a turnover of RMB731.33 million (first half of 2020: RMB711.19 million), representing an increase of 3% YoY, accounting for 35% of the Group's total turnover (first half of 2020: 42%). Gross profit margin was 31% (first half of 2020: 30%). The Group's power grid customers and non-power grid customers accounted for 56% and 44% of turnover, respectively (first half of 2020: 61% and 39%).

Order Data in the Period under Review

During the period under review, the Group's Power AMI business secured orders totalling RMB627.41 million. Of this, bids from power-grid customers amounted to approximately RMB466.08 million. The increase is mainly due to the YoY increase in demand for power meters from State Grid, and the positive impact from increasing the unit price of products resulting from changes in the technical standards for purchased products. Bids from non-power grid customers were worth approximately RMB161.33 million. During the period under review, the Group won a contract worth RMB322 million in a centralized tender organized by State Grid, ranking highest among its peers in terms of total contracts. The Group also won a contract worth RMB80.84 million in a centralized tender from Southern Grid, ranking lead position in terms of total contracts.

Review of Development of Power AMI Business and Relevant Policies

During the period under review, the power grid business remained the main source of business revenue. Growth in sales was due to the revisions in technical standards and repricing of products for State Grid and Southern Grid. In terms of non-power grid business and development of the new infrastructure market, the Group continued to improve its NB-IoT metering/power consumption solutions, successfully winning tenders from telecommunication operators in Hunan and Hainan provinces. Furthermore, influenced by "Peak Emissions" and "Carbon Neutrality" policies, technologies such as energy storage for microgrids, demand-side response, and virtual power plants have all progressed rapidly, while precise metering as the foundation of green-energy saving technology has developed rapidly. According to the "2021 China Electric Vehicle Charging Pile Industry Panorama Map", new investment in charging stations in China is estimated to reach RMB 1.815 billion by 2060, and this will indirectly stimulate growth for domestically-produced energy-metering products.

Prospects for Power AMI Business

For the power grid market: Benefiting from implementation of the GB/T17215 series of national standards that align with IEC international recommendations, the demand for products from the power grid industry is expected to steadily increase. The procurement needs of State Grid and Southern Grid for products that meet the new standard will be a major source of future growth for the Group's power grid business. At the same time, the country is vigorously reforming spot electricity trading and renewable electricity generation which will further boost demand for high-end products. As more power companies transform into integrated energy service providers, providing general contracting, operational and maintenance services for them will become a future source of business for the Group.

For the non-power grid market: Benefiting from the fruits of its R&D program into new products, and the revision of sales targets for the non-power grid market, the Group is currently shifting from pure sales of power-meter products to providing one-stop power metering and charging solutions. In the second half of 2021, the Group will aggressively expand its customer base, from providing overall solutions for industrial and commercial parks, apartments and commercial complexes; government investment such as street lamp metering for airports and high-speed railway stations; energy-saving solutions for university dormitories, classrooms and hospitals; to constructing 5G base stations and renovating traditional base stations for the three major telecommunication operators and China Tower. In June 2021, the National Development and Reform Commission and the National Energy Administration jointly issued their Notice on the Implementation Plan for 5G Applications in the Energy Sector, proposing to further expand 5G application scenarios in the energy sector. In the future, the Group's NB-IoT, CAT1 and communication site solutions will keep pace with market trends and grow steadily as the new infrastructure market rapidly develops.

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

Business Overview

Our Communication and Fluid AMI business mainly focuses on reshaping energy management for power, water, gas and heat with technologies ranging from chip substrate design, to data perception and acquisition, and routing networks. It also includes communication technologies that ensure high-speed data transmission and stable connections for communication networking technologies, providing a full-chain energy Internet solution, and providing users with digital solutions such as data management. In terms of power Internet of Things (“IoT”), the Group is striving to improve the utilization efficiencies within existing power-system infrastructure, and provide key technological support for power grid generation, transmission, transformation, distribution, and power consumption. This will gradually extend to smart water services, smart fire protection, smart street lamps, smart charging and other smart-city applications. The Group's Communication and Fluid AMI business, Willfar Information Technology Company Limited (a 58.5% shareholding subsidiary of the Group), is the first company in Hunan Province to list on the STAR Market of the Shanghai Stock Exchange and was also shortlisted for the constituent of “STAR Market 50 Index”.

Review of Business

During the period under review, the Group's Communication and Fluid AMI business recorded turnover of RMB814.54 million (first half of 2020: RMB636.49 million), representing an increase of 28% YoY, and accounting for 40% of the Group's total turnover (first half of 2020: 38%). The gross profit margin was 37% (first half of 2020: 35%).

Order Data in the Period under Review

During the period under review, the value of newly-signed contracts for the Communication and Fluid AMI business totalled RMB1,161 million. As of June 30, 2021, the value of signed contracts on hand reached RMB1,841 million, laying a strong foundation for future development.

Review of Development of Communication and Fluid AMI Business and Relevant Policies

During the period under review, driven by the dual-carbon economy, the optimization of industry and energy structures, and the scaling up of new energy development will become important measures to achieving the goal of dual-carbon. In March 2021, the State Council issued its "Opinions on Implementing the Division of Key Work in the Report on the Work of the Government", allowing all manufacturing companies to participate in marketizing power trading and increasing the installation of facilities such as charging piles and power-swap stations. According to the "Zero Carbon China • Green Investment Bluebook" published by the China Investment Association, it is estimated that carbon neutrality will bring about RMB70 trillion of investment in green infrastructure development between 2020 and 2025. The digital economy and dual-carbon policy will therefore become strong drivers of economic growth.

In view of this, the Group has continuously optimised its product line to keep pace with the market trend of fully integrating the IoT into all walks of life and constructing a new energy ecosystem. (I) Power IoT R&D: "Domestic microchips" as a major national development focus, the Group will continue adhering to the development foundation of "technological innovation" and spare no effort in conducting proprietary research into microchips to provide efficient and reliable sensing and communication solutions for IoT networking. (II) Smart City IoT: The Group provided a comprehensive solution for the energy Internet at every level, integrating hardware and software products into an overall solution for smart energy such as electricity, water, gas and heat, smart fire protection and other application fields, which was well recognized by the market. (III) Partnering with technology giants: During the period under review, the Group cooperated with Tencent to launch a joint solution for smart cities, becoming Tencent's strategic partner in the IoT field. With the common development goal of building industrial Internet and smart cities, the Group has made significant leaps forward in this emerging industry.

Prospects for Communication and Fluid AMI Business

Digital grids are a new energy ecosystem that rely on digital innovations such as cloud technology as their core driving force. Data is the key resource being produced, and the new IoT and information network are the foundation that will enable the energy internet to integrate with industrial parks, buildings and enterprise and realize the digitalization and development of low-carbon urban infrastructure such as electricity, water, gas, heating, electricity and rechargeable lamps. All these fully comply with the Group's current strategic cooperation with technology giants and its focus on developing smart cities and actively providing basic support for the interaction of the digital grid's source-network-load-storage.

With the rapid development of the global IoT, the market value of China's IoT has surpassed RMB2 trillion. According to IDC data, global IoT expenditure reached US\$690.47 billion in 2020, with the China market accounting for 23.6%. By 2025, the global IoT market will grow at a CAGR of 11.4% to US\$1.1 trillion, with China's market share rising to 25.9%, ranking first in the world.

Given the trend toward green and low-carbon development, new low-carbon technologies especially deep decarbonization and zero-carbon, efficient power consumption and renewable electricity generation technologies, will become new competitive elements of future technologies. Guided by the 14th Five-Year Plan and dual-carbon policy, the digital grid will connect with smart cities. Power data will inform urban governance, the advantages of digital technology are emphasized, the access and application of new energy are given priority, and various energy consumption IoT systems will be established and consolidated. Currently, the Group has built a smart cloud platform for IoT, consolidating the vertical application capabilities for smart parks, smart water, smart gas, smart fire protection, smart power distribution safety monitoring and management, and energy utilization information collection and management. It is also accumulating customer bases such as new infrastructure operating companies, water groups, Siemens and Tencent. These core technologies will be positively laid out in the application scenarios of the new digital-intelligent city to adapt to the large-scale development in the future.

Advanced Distribution Operations (“ADO”)

Business Overview

ADO business focuses on advanced distribution products and solutions. As power distribution networks are key to grid connection and services for end users, the ADO business primarily provides different users with individualised terminal distribution solutions (including technical requirements/hardware replacement for power transmission, distribution and consumption in constructing smart power grids). The business focuses on four areas: clean energy, smart grids, electric transportation and energy storage industrialization. These all form an integrated solution for energy sourcing, networking, loading and storage in different scenarios and areas. Customers primarily fall into three categories: power grid customers (including State Grid and Southern Grid); key industrial customers (including metros, rail transport, hospitals, and data centres); and renewable energy customers and users.

Review of Business

During the period under review, the Group's ADO business recorded a turnover of RMB519.76 million (first half of 2020: RMB340.02 million), representing an increase of 53% YoY, and accounting for 25% of the Group's total turnover (first half of 2020: 20%). The gross profit margin was 29% (first half of 2020: 33%). The Group's power grid and non-power grid customers accounted for 34% and 66% of turnover, respectively (first half of 2020: 42% and 58%).

Order Data in the Period Under Review

The Group's ADO business secured RMB807.8 million worth of orders during the reporting period. Of these, contracts won from the power-grid market with a combined value of more than RMB406.5 million were primarily achieved from obtaining satisfactory outcomes in bidding for State Grid projects. However, it was also influenced by the bidding cycles of customers. Bidding for major projects from Southern Grid in 2021, which corresponds to the main products, will commence in the third quarter. Contracts won from the non-power grid market were worth over RMB401.3 million. The increase was mainly due to the excellent performance in key industry markets such as data centres and rail transportation. However, adjustments in the new energy business and the development cycle of new business led to a decrease in orders from the new energy market.

Review of development of ADO Business and Relevant Policies

Distribution networks are the vital infrastructures that support the population's energy use, empowering people to enjoy a better life. The "State Grid Corporation of China Energy Internet Planning" issued by State Grid and the "White Paper on Digital Power Grid Promoting the Construction of the New Power System with New Energy as the Main Body" issued by Southern Grid both propose building a new power system to help realize the goal of dual-carbon. State Grid has also proposed building a world-leading Energy Internet with Chinese characteristics by 2035. During the period under review, the Group responded to power distribution demands from the new power system by continuing to launch intelligent power distribution, and primary and secondary integrated products for power systems, as well as comprehensive solutions for intelligent power distribution. The Group's power-grid business achieved all-round growth in terms of scope, frequency and volume by winning bids for State Grid projects. It also expanded its business through cooperation under the premise of changes in the customer bidding cycle of Southern Grid, thereby ensuring the stable development of power grid performance. In terms of non-power grid business, the data centres and rail transport business for key industry customers achieved major breakthroughs with significant growth in overall performance.

In terms of the new energy market, the development goals of “Peak Emissions” and “Carbon Neutrality” were among the eight major objectives determined by the Central Economic Work Conference in 2021. The National Energy Administration has continuously prioritised a clean energy industrial policy, issuing a series of policy documents to promote the integration of source-network-load-storage of power, the complementary development of multiple energy sources, and using renewable energy for heating which all will help better utilization of clean energy and improve the operational efficiency of power systems. Responding to large-scale developments in clean energy, the Group focused on overall smart energy solutions, with the integration of source-network-load-storage in smart parks, power storage system, and green travel as the core businesses and main tracks. During the reporting period, the first green and low-carbon pilot project of integration of source-network-load-storage, located in an industrial park in Hunan Province led by the Group was officially approved and entered the construction stage. Moreover, the Group established a professional energy-storage technology team to work around the grid energy storage market and the user side energy storage market.

Prospects for ADO Business

Benefiting from an increase in the number of tenders from State Grid and its steadily expanding coverage, as well as Southern Grid’s ongoing consolidation, the Group’s share of the power grid market is expected to continue rising throughout the second half of 2021. In terms of key industry customers, the Group will pursue closer cooperation, build on long-term relationships and stable market sources in order to expand within the overall key industry market. Regarding the new energy industry, the Group will closely adhere to national policies and focus on the construction and operation of its source-grid-load-storage integration project in Xiangtan Economic and Technological Development Zone which has been recognised as a pilot project. It will also promote development of a distributed photovoltaic cabinet mode for the whole county and bid for large-scale energy storage power stations. In terms of transportation electrification, the Group will focus on the low-speed electric vehicle market and provide services to key customers such as leading Internet companies, State Grid Electric Company and Tower Energy through mass producing energy-efficient, intelligent power-exchange cabinets and developing its own power-exchange system solutions (platforms, power exchange cabinets, batteries and electric vehicles).

International Markets

Global Smart Power Meter Market

According to the Bloomberg New Energy Financial Report, global investment in power grids will grow to at least USD14 trillion by 2025 to help transform power systems. Data released by Markets and Markets indicates that the global smart metering market will increase to USD28.6 billion in 2025 with compound annual growth of 6.7%. According to research by Berg Insight, an industry analyst firm that focuses on IoT, 572.3 million smart power meters will be deployed in the Asia region including China, India, Japan and South Korea between 2021 and 2025. Currently, demand for smart power meters is rising in different parts of the world. However, the development stages for power meters differ widely, and there is still a need for prepaid power meter and smart power meter equipment.

Review of Business

During the period under review, overseas business turnover was RMB248.10 million (first half of 2020: RMB93.14 million), representing an increase of 166% YoY which attributed to the Group's breakthroughs in Nigeria, Côte d'Ivoire, Morocco, Ecuador, Sweden, Russia and other markets.

Order Data in the Period under Review

During the period under review, the Group secured approximately RMB621 million worth of overseas orders.

Market Developments in Each Country

In Asian markets, the Group was added to Indonesia's supplier list for the residential renovation market. As the main technical promoter of AMI renovation projects for the country, the Group has successfully completed intelligent renovation pilot projects. In Malaysia, the Group, which is one of the country's main suppliers, again secured the annual renovation procurement contract from Tenaga Nasional Berhad (TNB), rising to second place in terms of overall market share. In Bangladesh, the Group has worked on system access, technology promotion and pilot work on intelligent transformation for four major power distribution companies, becoming one of the country's three major local suppliers. In Russia, the Group won new customers and seamlessly delivered a major order for smart power meter packages. In Saudi Arabia, the Group successfully renewed numerous communications module contracts and expanded its core business.

In Africa, the Group continues to be a major supplier in Egypt's electricity metering market and has been recognized by users in a pilot project for intelligent transformation. In West Africa, the Group continues to be one of the three major suppliers in Côte d'Ivoire, expanding its share of supply and being invited to participate in a smart water renovation project. At the same time, the Group obtained bulk orders in Guinea. It has also actively explored the Ugandan and Kenyan markets, receiving bulk orders from Uganda.

In South America, the Group's Brazilian subsidiary further strengthened its operational and delivery capabilities, and completed the customization and optimization of various products. During the period under review, the Group won bids for power meter projects from five power companies totalling more than RMB100 million. Furthermore, the Group won a major order for power meter projects from five power authorities in Ecuador during the period under review, further expanding its market share.

In Europe, the Group continued partnering with Siemens and Itron. During the period under review, the Group maintained its cooperation with Siemens in Austria, successfully completing the delivery of smart power meters and winning new orders for next-generation smart power meters.

Future Development of International Markets

The Group's business in international markets will embrace the core market as the centre, adopt the expansion strategy of strengthening the ability of the local language system and accessing surrounding markets. It will continue cultivating existing markets, maintain stable development, and actively explore new markets.

In Asia, the Group has chosen Indonesia as its base. From here it can steadily develop new markets in Malaysia, Thailand, Singapore, Vietnam and other countries. The Group has selected Bangladesh as another base, and begun accessing Pakistan and Indian markets. In Russian-speaking regions, the Group has chosen Russia as its operational base from where it can expand into Tajikistan, Uzbekistan, Kyrgyzstan and neighbouring countries. In the Middle East, the Group will use Saudi Arabia as a base and gradually expand into the United Arab Emirates, Qatar and neighbouring countries. In Africa, Tanzania will be its base for eastern Africa and the Group is accessing Uganda, Kenya and other countries from here. From its base in Egypt, the Group has gradually expanded its business into neighbouring North African countries. Relying on Western African nations such as Côte d'Ivoire, Guinea and Nigeria, the Group has gradually expanded into neighbouring countries such as Benin, Niger, Mali, Mauritania and Sierra Leone. In the South American market, the Group's Brazilian subsidiary has commenced operations and will access Ecuador, Chile, Peru, Dominica, Guatemala and other markets. In Europe, Group will continue expanding from its Austrian base into other countries.

Research and Development ("R&D")

To drive innovation, the Group invests substantially in R&D, closely complying with national policies and industry transformation trends, developing in step with the energy Internet, building new power systems and smart cities, satisfying customer needs, and actively promoting its own technological innovations. During the period under review, the Group was granted 75 patents and authored 38 software copyrights, boosting the total number of valid patents and software copyrights to 1,405 and 1,252, respectively.

Power AMI Business

During the period under review, the Group's IoT smart meters for State Grid and Southern Grid, which comply with IR46 and the new national standards, passed a rigorous inspection by China Electric Power Research Institute in the first half of the year, and developed a non-intrusive load identification module and power quality module for IoT meters. The Group has actively researched operating systems for IoT smart meters and key power meter APP technologies for State Grid with some being successfully applied to State Grid's IoT meters. Moreover, to maintain its technological lead in gateway products, the Group conducted R&D for a new generation of high-precision gateway power meter platforms, as well as intensive research on operational reliability, satellite timing technology and precise metering of diversified load scenarios, so as to improve the operational reliability, and clock and meter accuracy of its gateway power meters.

Communication and Fluid AMI Business

In view of the trend toward building new energy ecosystems, digital power grids and intelligent digital cities, the Group has launched HPLC/HPLC + RF dual-mode, micro-power and Wi-SUN chips and modules for the final step of networking communication needs of the IoT, and low-power consumption MCU and sensing chips for the end perception and master control needs of the IoT, so as to provide diverse solutions for power IoT and wire-free communication in the IoT of intelligent digital cities. As the macro environment was affected by a shortage of chips in the first half of the year, the Group will continue pursuing independent R&D into chips to ensure the smooth delivery of orders from various business segments and enhance its core competitiveness.

ADO Business

Responding to growing demand for power distribution equipment from development of the IoT and digitalization of power grids, the Group developed primary and secondary integrated pole-mounted circuit breakers, decentralized controllers for intelligent distribution and permanent magnet normal-pressure sealed ring network cabinets based on new standards that meet State Grid's more demanding requirements. To meet the demand for "digitalization, modularization, miniaturization and integration" in key industries, the Group has developed its power shelter series and 550 miniaturized high-voltage switchgear which has entered the prototype design stage. It has also developed high and low voltage intelligent switchgear based on a comprehensive solution for intelligent power distribution and utilization industry and this has become the physical foundation for digital platforms and a carrier of primary and secondary integration. Furthermore, the Group collaborated with universities to conduct basic technology research into BMS + PCS, and prepare for the field of energy storage. These new technologies and products have created a foundation from which the Group can grow its smart power distribution and new energy business.

International Markets

Regarding opportunities in international markets, the Group has strived to build an AMI overall-system solution based on CBB shelf and bottom decoupling technology. This was successfully extended to smart electricity, water, gas and other areas of the smart city with the Group winning orders in Brazil, Ecuador, Nigeria, Bangladesh and other countries. The stable operation of BPLC, G3-PLC and Wi-SUN overall-system solutions, the integration of LoRaWAN into Acklio SCHC in France, and the successful integration of IPv6 network protocol and DLMS/COSEM energy communication protocol have greatly enhanced the global competitiveness of the Group in AMI business. Meanwhile, the Group has acquired IDIS certification for its full product range on the new FM33A0 platform, and received HCWW certification. This will inject new vitality into the high-end market and further improve the Group's global configuration.

Financial Review

Revenue

During the period under review, revenue increased by 22% to RMB2,065.63 million (Period 2020: RMB1,687.70 million).

Gross Profit

The Group's gross profit increased by 25% to RMB678.21 million for the six months ended 30 June 2021 (Period 2020: RMB542.69 million). The overall gross profit margin is 33% in the first half of 2021 (Period 2020: 32%).

Other Income

The other income of the Group amounted to RMB89.03 million (Period 2020: RMB93.53 million) which was mainly comprised of interest income, government grants and refund of value-added tax.

Other gains and losses

Other losses for the six months ended 30 June 2021 amounted to RMB2.18 million (Period 2020: RMB2.24 million) which comprised mainly of net foreign exchange loss.

Operating Expenses

In the first half of 2021, the Group's operating expenses amounted to RMB455.88 million (Period 2020: RMB361.12 million). Operating expenses accounted for 22% of the Group's revenue in the first half of 2021, representing an increase of 1% as compared with 21% in the first half of 2020.

Finance Costs

For the six months ended 30 June 2021, the Group's finance costs amounted to RMB48.59 million (Period 2020: RMB49.43 million), representing a decrease of 2% as compared with the same period of last year.

Operating Profit

Earnings before finance costs and tax for the six months ended 30 June 2021 amounted to RMB281.25 million (Period 2020: RMB258.99 million), representing an increase of 9% 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 2021 increased by 6% to RMB123.14 million (Period 2020: RMB116.26 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 2021, the Group's current assets amounted to approximately RMB9,102.33 million (31 December 2020: RMB8,557.84 million), with cash and cash equivalents totaling approximately RMB1,939.98 million (31 December 2020: RMB2,255.47 million).

As at 30 June 2021, the Group's total bank and other borrowings amounted to approximately RMB2,871.89 million (31 December 2020: RMB2,290.12 million), of which RMB1,802.26 million (31 December 2020: RMB1,787.99 million) will be due to repay within one year and the remaining RMB1,069.63 million (31 December 2020: RMB502.13 million) will be due after one year. In the first half of 2021, the interest rate for the Group's bank borrowings ranged from 1.18% to 5.22% per annum (31 December 2020: 2.44% to 5.55% per annum).

The gearing ratio (total borrowings divided by total assets) on 30 June 2021 increased from 20% on 31 December 2020 to 24% on 30 June 2021.

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. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. Where a natural hedge is not possible, the Group will mitigate foreign exchange risks via appropriate foreign exchange contracts. During the period under review, the Group has entered into foreign exchange forward contracts with notional amount of USD45 million with a commercial bank to minimise the exposure to fluctuations in foreign currency exchange rates of USD revenue received from overseas customers.

Charge on Assets

As at 30 June 2021, 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 2021, the capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial information amounted to RMB42.22 million (31 December 2020: RMB38.80 million).

Contingent Liabilities

As at 30 June 2021, the Group had no material contingent liabilities.

OTHER INFORMATION

Utilisation of Net Proceeds from the IPO of Willfar Information Technology on the STAR Market

The net proceeds from the initial public offering (“**IPO**”) of shares of Willfar Information Technology Company Limited (“**Willfar Information Technology**”) on the STAR Market of Shanghai Stock Exchange (“**STAR Market**”) on 21 January 2020 amounted to approximately RMB610.83 million and the below table sets out the use of the net proceeds from the listing date up to 30 June 2021:

		Amount utilised from date of listing to	Amount utilised during the six months ended		
Intended use of net proceeds		Net 31 December proceeds RMB'000	30 June 2021 RMB'000	Unused proceeds RMB'000	
(1)	Expansion of production capacity and technological upgrade of monitoring equipment applied in the perception layer of IoT	60,292	8,869	2,472	48,951
(2)	Expansion of production capacity and technological upgrade of fluid sensing equipment applied in the perception layer of IoT	62,940	5,266	981	56,693
(3)	Expansion of production capacity and technological upgrade of products applied in the network layer of IoT	204,873	39,581	14,518	150,774
(4)	Construction of comprehensive research and development centre for IoT	146,951	11,942	9,907	125,102
(5)	Replenishment of working capital	135,778	127,469	—	8,309
		610,834	193,127	27,878	389,829

The net proceeds were used in accordance with the intentions previously disclosed by Willfar Information Technology.

Employees and Remuneration Policies

As at 30 June 2021, the Group had 3,289 (31 December 2020: 3,222) staff. Employee remuneration is determined on performance, experience and prevailing market conditions, with compensation policies being reviewed on a regular basis. The Company has adopted a share option scheme to recognise and acknowledge the contributions made or will be made to the Group by the eligible participants. The Company has also adopted a share award plan in which the eligible employees will be entitled to participate. The purposes of the share award plan are to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and also to attract suitable personnel for further development of the Group.

Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (Period 2020: Nil).

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2021, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

Compliance with the Corporate Governance Code of the Listing Rules

During the six months ended 30 June 2021, 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. Luan Wenpeng, Mr. Cheng Shi Jie and Mr. Wang Yaonan, who are independent non-executive directors of the Company, failed to attend the annual general meeting of the Company held on 3 June 2021 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 2021.

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 2021.

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

AUDIT COMMITTEE

The Audit Committee 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 2021 have been reviewed by the auditors of the Company, Ernst & Young, and the Audit Committee.

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

The electronic version of this announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.wasion.com. An interim report of the Company for the six months ended 30 June 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Executive Directors

Ji Wei
Cao Zhao Hui
Li Hong
Zheng Xiao Ping
Tian Zhongping

Independent non-executive Directors

Chan Cheong Tat
Luan Wenpeng
Cheng Shi Jie
Wang Yaonan

Non-executive Director

Kat Chit

By order of the Board
Wasion Holdings Limited
Ji Wei
Chairman

Hong Kong, 30 August 2021