Wasion Holdings Limited
威勝控股有限公司

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

INTERIM REPORT 2022

CORPORATE MISSION :

Energy Metering &
Energy Saving Expert

CORPORATE VISION :

Continual Innovation Contributing to
Wasion’s Centennial History

MOTTOS OF OPERATION :

Perfect Work with Passion, and
Success Achieved with Integrity

CORPORATE SPIRIT :

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Ji Wei *(Chairman)*
Mr. Kat Chit (redesignated on 1 June 2022)
Ms. Li Hong
Ms. Zheng Xiao Ping
Mr. Tian Zhongping

NON-EXECUTIVE DIRECTOR

Ms. Cao Zhao Hui (redesignated on 1 June 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Cheong Tat
Mr. Luan Wenpeng
Mr. Cheng Shi Jie (retired on 1 June 2022)
Mr. Wang Yaonan

COMPANY SECRETARY

Mr. Choi Wai Lung Edward *FCCA, FCPA*

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

Mr. Chan Cheong Tat *(Chairman)*
Mr. Luan Wenpeng
Mr. Cheng Shi Jie (retired on 1 June 2022)
Mr. Wang Yaonan

NOMINATION COMMITTEE

Mr. Ji Wei *(Chairman)*
Mr. Chan Cheong Tat
Mr. Luan Wenpeng

REMUNERATION COMMITTEE

Mr. Chan Cheong Tat *(Chairman)*
Mr. Ji Wei
Mr. Luan Wenpeng

INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

Mr. Chan Cheong Tat *(Chairman)*
Mr. Luan Wenpeng
Mr. Cheng Shi Jie (retired on 1 June 2022)
Mr. Wang Yaonan
Ms. Li Hong
Mr. Kat Chit

PRINCIPAL BANKERS

In Hong Kong:

Hang Seng Bank
China Construction Bank (Asia) Corporation Limited
Fubon Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Bank of Communications Hong Kong Branch

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

China Construction Bank
Bank of Communications

LEGAL ADVISER

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8 Finance Street
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Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
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REGISTERED OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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COMPANY WEBSITE

www.wasion.com

STOCK CODE

3393

CORPORATE PROFILE

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

Wasion Holdings Limited ("Wasion Holdings" 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 Holdings 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, 5G communication, 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.

In January 2020, the Group's "Communication and Fluid AMI" business — Willfar Information Technology Company Limited (Stock Code: 688100), a 59.48% owned subsidiary of the Group — received approval from the China Securities Regulatory Commission to become the first company in Hunan Province to list on the STAR Market, and was included in the "STAR 50 Index" in August 2020. The Communication and Fluid AMI business mainly focuses on reshaping the energy management methods of electricity, water, gas and heat with the IoT technology, and provides a full-level integrated solution for the IoT of energy from data perception, network transmission to application management, with communication technology from basic chip design, data perception and data acquisition to high-speed data transmission and stable connection, as well as the capability to provide users with such digital solutions as software management.

For research and development, the Group has developed State Grid multicore IoT smart power meters and Southern Grid multi-modular smart power meters that meet both the R46 standard and new national standard, and achieved the separation of legal metrology and non-legal metrology, providing smart power meters that are safe, reliable, upgradable and have wide range and long life to accommodate to the power market reform. In addition, the development of "domestic microchips" is a major national strategy and the Group will continue to pursue independent research and development of microchip to enhance its core competitiveness. The fifth generation of high-speed power-line carrier chip WTZ13 developed by the Group has passed the inspection of the State Grid Metrology Center, which means that the Group can meet the technical requirements of the State Grid and Southern Grid for the new generation of smart power meters, power distribution automation and power operation maintenance. Meanwhile, as for the prospects for prepayment devices in international markets, the overseas research and development team has worked to create a new series of smart prepayment products based on the new FM33A0 platform, achieving a unified upgrade of the platform and decreased product cost. These products have been successfully marketed in Asian, African and Latin American markets such as South Africa, Côte d'Ivoire, Madagascar, Uganda, Egypt, Nigeria, Uruguay and Russia, and have become a new generation of key products in the international prepayment market. At the same time, based on its in-depth research and system construction of the IEC62056 standard, COSEM/DLMS Blue Book and IDIS specifications, the Group has successively established enterprise function specifications based on the IEC62056 standard, laying a good foundation for a breakthrough in the future power meter market of the Group's new generation of anti-tampering technology.

The goals of "Carbon Neutrality" and "CO^2 Emission Peak" are driving substantial changes in energy production and energy consumption mode in China and even the world. Amidst the material social responsibility and development opportunities arisen from energy saving and carbon reduction as well as the substantial demand arisen from the transformation and upgrading of smart power grids to the internet of energy, Wasion Holdings 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.

FINANCIAL REVIEW

Financial Highlights

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Turnover	2,552,743	2,065,632
Gross profit	867,934	678,207
Profit from operations	330,951	281,250
Net profit attributable to owners of the Company	143,315	123,141
Total assets	12,665,854	11,999,758
Shareholders' equity attributable to owners of the Company	4,504,367	4,502,701
Basic earnings per share (RMB cents)	14.6	12.5
Diluted earnings per share (RMB cents)	14.6	12.5

Key Financial Figures

	Six months ended 30 June	
	2022	2021
Gross profit margin	34%	33%
Operating profit margin	13%	14%
Net profit margin	9%	10%
Trade receivable turnover period (Days)	299	357
Inventory turnover period (Days)	109	81
Trade payable turnover period (Days)	350	392
Gearing ratio (Total borrowings divided by total assets)	24%	24%
Interest coverage (Profit before finance costs and tax divided by finance costs)	6.38	5.79

Revenue

During the period under review, revenue increased by 24% to RMB2,552.74 million (Period 2021: RMB2,065.63 million).

Gross Profit

The Group's gross profit increased by 28% to RMB867.93 million for the six months ended 30 June 2022 (Period 2021: RMB678.21 million). The overall gross profit margin is 34% in the first half of 2022 (Period 2021: 33%).

Other Income

The other income of the Group amounted to RMB93.40 million (Period 2021: RMB89.03 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 2022 amounted to RMB5.58 million (Period 2021: RMB2.18 million) which comprised mainly of net foreign exchange gains and fair value losses on financial assets at FVTPL.

Operating Expenses

In the first half of 2022, the Group's operating expenses amounted to RMB591.82 million (Period 2021: RMB455.88 million). Operating expenses accounted for 23% of the Group's revenue in the first half of 2022, representing an increase of 1% as compared with 22% in the first half of 2021.

Finance Costs

For the six months ended 30 June 2022, the Group's finance costs amounted to RMB51.84 million (Period 2021: RMB48.59 million). The increase was mainly attributable to the increase of bank borrowings and interest rate during the period.

Operating Profit

Earnings before finance costs and tax for the six months ended 30 June 2022 amounted to RMB330.95 million (Period 2021: RMB281.25 million), representing an increase of 18% 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 2022 increased by 16% to RMB143.32 million (Period 2021: RMB123.14 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 2022, the Group's current assets amounted to approximately RMB9,559.25 million (31 December 2021: RMB9,588.34 million), with cash and cash equivalents totaling approximately RMB2,016.11 million (31 December 2021: RMB2,578.95 million).

As at 30 June 2022, the Group's total bank and other borrowings amounted to approximately RMB3,048.46 million (31 December 2021: RMB2,836.90 million), of which RMB2,061.58 million (31 December 2021: RMB2,046.57 million) will be due to repay within one year and the remaining RMB986.88 million (31 December 2021: RMB790.33 million) will be due after one year. In the first half of 2022, the interest rate for the Group's bank borrowings ranged from 1.77% to 4.80% per annum (31 December 2021: 1.18% to 5.22% per annum).

The gearing ratio (total borrowings divided by total assets) on 30 June 2022 increased from 22% on 31 December 2021 to 24% on 30 June 2022.

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 USD79.20 million with a commercial bank to minimise the exposure to fluctuations in foreign currency exchange rates of USD revenue received from overseas customers.

Employees and Remuneration Policies

As at 30 June 2022, the Group had 4,192 (31 December 2021: 3,578) staff. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB296.79 million in the first half of 2022 (Period 2021: RMB211.28 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 RMB2.23 million for the six months ended 30 June 2022 (Period 2021: RMB2.16 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 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 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 1 January 2022	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 June 2022	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$
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
Total	18,000,000	–	–	–	18,000,000					

* 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.

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

Grant date	10 February 2014	10 February 2014
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 2022, the pledged deposits denominated in Renminbi 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 2022, the capital commitments in respect of the acquisition of property, plant and equipment and investment in equity investments designated at fair value through other comprehensive income contracted for but not provided in the condensed consolidated financial information amounted to RMB50.04 million (31 December 2021: RMB51.51 million).

Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liabilities.

MARKET REVIEW

Macro Environment

In the first half of 2022 ("**period under review**"), the global economy was negatively affected by the COVID-19 pandemic, geopolitical tensions, supply chain disruptions and rising stagflation risks, resulting in an increasingly complex and challenging financial environment. China's economic recovery was also impacted, with major economic indicators declining significantly in March and April. However, with epidemic prevention and control measures proving effective, businesses steadily returned to normal working hours and production output, and the major economic indicators first stabilized, then rebounded in June. According to preliminary accounting results released by the National Bureau of Statistics of China, GDP in the first half of the year was RMB56,264.2 billion, a 3% increase year-on-year ("**YoY**") at constant prices. As for transportation in China, the implementation of various policies meant that the total throughput of ports as monitored by the China Ports and Harbors Association rose by 116%, with the volume of air cargo and mail in major international airports growing by 104%, as compared with the same period in 2019. In the real economy, the recovering demand and more stable production led to exports strongly rebounding. Turning to the energy market, power generated from clean energy grew rapidly during the first half of the year with hydro, nuclear, wind and solar producing a total of 1,235.4 billion kWh of electricity, representing a 13% increase YoY. During the same period, investment in power supply and power grids both registered a YoY growth, with solar power generation reaching RMB63.1 billion, a 284% increase YoY. Overall, the macro policies adopted by China underpinned the economy, and various economic policies are expected to steadily bring about recovery and growth.

Review of the Power Grid Industry

During the period under review, China's overall electricity consumption was 4.0977 trillion kWh, representing a 3% increase YoY. The State Grid Corporation of China ("**State Grid**") installed 23,500 km of grid infrastructure (of 110kV and above), totaling 169 million kVA and completing 56% of its annual plan. It also started constructing another 19,900 km, totaling 130 million kVA, completing 45% of its annual plan. In terms of smart power meter tenders, State Grid invited tenders for 42.33 million units of smart power meters in the first half of 2022, representing a 17% increase YoY, with tender value for related metering products increasing by 37% YoY. According to a forecast from AskCI Consulting, China Southern Power Grid Company Limited ("**Southern Grid**") will issue tenders in 2022 for smart power meters worth approximately RMB3.2 billion. From January to April 2022, electricity consumption by Southern Grid grew to 434.3 billion kWh across five provinces, representing a 2% increase YoY. In the first half of the year, its West-to-East Power Transmission Project transmitted a total of 96.3 billion kWhs of electricity, representing a 10% increase YoY, with power transmission in the second quarter reaching an all-time record for this period.

Review of Major Policies for the Power Grid Industry

In January 2022, State Grid held its annual conference and announced plans to invest RMB501.2 billion in the power grid during 2022, a record level which should drive more than RMB1 trillion of social investment. According to market sources, State Grid will invest RMB90 billion this year to accelerate the construction of the urban power grid and make the domestic power supply more reliable. In addition, State Grid issued its "White Paper on Digital Technology Supporting System for New Power System" at the 5th Digital China Summit held in July. This white paper explains that the digital technology which supports new power systems comprise "three zones and four layers". "Three zones" refer to the production control, management information, and Internet zones; and "four layers" refers to the data collection, transmission, storage and usage that together make power grids more observable, measurable, adjustable and controllable. Southern Grid plans to invest RMB125 billion in fixed assets in 2022, including an additional RMB10 billion in grid fixed assets that focus on ensuring production safety, reliable power supply and new energy transmission and consumption. This will further guarantee a stable energy supply to the five southern provinces by ensuring that more than 51 million kW of new power generating units are connected to the grid during the year, supporting a minimum of 222 billion kWh annual power transmission in the West-to-East Power Transmission Project. In May, the Guangdong-Hong Kong-Macao Greater Bay Area DC back-to-back grid project officially commenced operations with the total installed capacity of pumped storage in the Greater Bay Area increasing to approximately 10 million kW. As part of the "14th Five-Year Plan of Southern Grid for Innovation-Driven Development", Southern Grid plans to invest around RMB55 billion in R&D during the five-year period with average annual income from scientific and technological transformation expected to grow by 20%.

Review of the Group's Overall Performance

As an expert in managing energy metering and energy efficiency, the Group recorded a total turnover of RMB2,522.74 million (Period 2021: RMB2,065.63 million) in its three main business segments during the period under review, representing a 24% increase YoY; and a gross profit of RMB867.93 million (Period 2021: RMB678.21 million), representing a 28% increase YoY. The Group's overall gross profit margin was 34% (Period 2021: 33%), representing an increase of 1 percentage point YoY. The increase was due to the Group's continual investment in research and development of new technologies, new products and new production process, increase investment in smart manufacturing through introduction of automated production facilities to achieve corporate digital transformation, improve production efficiency, reduce production cost and enhance gross profit margin. Net profit attributable to the Company's owners was RMB143.32 million (Period 2021: RMB123.14 million), representing an increase of 16% YoY.

BUSINESS REVIEW

Power Advanced Metering Infrastructure ("Power AMI")

Business Overview

Power AMI focuses on the research and development ("R&D"), production and sale of smart power meters. It also offers energy-efficient management solutions with a product range that mainly comprises single-phase, three-phase and other smart metering devices. Power AMI's main customers are primarily power grid and non-power grid, both domestic and overseas. Power grid customers include State Grid, Southern Grid, Three Gorges Power Grid and more than 60 local power companies. Non-power grid customers range from large-scale public infrastructures with high energy-consumption needs 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 RMB929.19 million (Period 2021: RMB731.33 million), representing an increase of 27% YoY, accounting for 36% of the Group's total turnover (Period 2021: 35%). Gross profit margin was 36% (Period 2021: 31%). The Group's power grid and non-power grid customers accounted for 30% and 70% of turnover, respectively (Period 2021: 56% and 44%).

Order Data in the Period under Review

During the period under review, the Group's Power AMI business secured orders totaling approximately RMB1,116.73 million, representing a 79% increase YoY. Of this, bids from power-grid customers were worth approximately RMB943.03 million (Period 2021: RMB466.08 million), representing a 102% increase YoY. This increase came mainly from the growing tender size for domestic power meters during the period and an increase in the total value won by the Group which ranked first in the industry in terms of contracts secured. Bids from non-power grid customers were worth approximately RMB173.71 million (Period 2021: RMB161.33 million), representing an 8% increase YoY. Reasons for this modest increase include the negative impact of the pandemic and weak demand from the domestic real estate sector. During the period under review, the Group won contracts worth RMB527.50 million in centralized tenders organized by State Grid, ranking first in the industry. The Group also won contracts worth RMB307.12 million in centralized tenders from Southern Grid, ranking second in the industry.

Review of Development of Power AMI Business and Relevant Policies

During the period under review, the Group's power grid business remained its prime source of revenue. Sales growth came mainly from the change of tender product requirements. Contracts won in centralized tenders from State Grid and Southern Grid led to rapid business growth, and the Group maintained its industry leadership position. The Group won a contract worth RMB432 million in the first centralized tender organized by State Grid in 2022, and a contract worth RMB134 million in the first centralized tender from Southern Grid in 2022, ranking first in the industry for both. In addition, business from regional power companies also grew significantly, with contracts worth more than RMB40 million that came mainly from partnership projects with companies such as Inner Mongolia Power Group and Chendian International. Benefitting from our strengths in comprehensive metering solutions, the Group also enjoyed modest growth in areas such as commercial complexes, industrial and commercial logistics parks and large panel builders. In terms of government policy changes, ten departments including the National Development and Reform Commission, the National Energy Administration and the Ministry of Industry and Information Technology jointly issued their "Guidelines on Further Promoting Electrical Energy Replacement". These require that a higher percentage of the energy consumed by end-users should be electrical and encourage the transition to low-carbon and renewable energy. Increasing demand for electrical energy will create a steady market for metering products. At the beginning of 2022, The State Council issued its "Metrology Development Plan (2021-2035)". This seeks to improve the current capacity and capabilities of autonomous and controllable metering, and independently develop a new range of standard metering devices, instruments and reference materials.

Prospects for Power AMI Business

For the power grid market: Benefiting from the construction of new power systems, demand for next-generation power meters will gradually be unleashed. At the same time, as new power products developed by the Group are marketed to customers and prove their worth, demand for them from the power grid industry will increase. Looking ahead, the procurement needs of State Grid and Southern Grid will be the Group's main source of revenue from the power grid industry. Moreover, EPC and operation & maintenance services for power companies will be another important revenue source for the Group. Thanks to the growing demand for high-end meters in the domestic market, the shift to renewable electricity, and reforms in spot electricity trading, the need for high-end products will further increase. As one of the first manufacturers to develop high-end meters, the Group has industry-leading expertise in these products.

For the non-power grid market: Benefiting from the rise in Internet of Things ("IoT") related products and sales trends in the non-power grid market, the Group is providing customers with one-stop power metering and integrated-management solutions. AMI solutions have become a prime sales niche for the Group in the non-power grid industry. The Group provides customized solutions to schools and hospitals, logistics parks, major SOEs, rail stations, telecommunication operators, and other industries and commercial sectors. At the same time, the Group will maintain its dominant market share in traditional complete set manufacturing by virtue of its advanced technology, stable product quality and high brand recognition acquired over years.

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

Business Overview

The Group's Communication and Fluid AMI business, which specializes in energy and information flows, mainly focuses on digital power grids and smart cities. The Company is committed to developing energy digitalization technology and applications, providing energy IoT integrated solutions, and serving cities, parks and enterprises. It delivers more efficient energy management to buildings, water services, water conservation, fire protection, and other applications, while systematically developing digital energy systems that can be sensed, observed, measured and controlled. Through smart energy and data interconnectivity, the Company works with customers to use energy more efficiently and pioneer low-carbon and zero-carbon urban developments. In the field of power IoT, the Company draws on its strengths in power IoT technologies and products to offer the technical support in data collection, security monitoring, data transmission, and equipment upgrades that mainstream energy enterprises increasingly require. Through its IoT products and services, the Company champions the development of a sustainable, low-carbon society where people live in harmony with the environment. In terms of digital smart cities, the Group's subsidiary, Hunan Weiming Technology Co., Ltd., officially became a strategic investor in Shenzhen Tencent Industry Venture Capital Co., Ltd. in 2021. Guided by the national goal of achieving "carbon neutrality", the Group is working to eliminate bottlenecks between energy production, transmission, and consumption. It is also exploring partnership opportunities with Tencent in smart energy, smart electricity distribution rooms, smart charging, smart fire protection, and smart water services. The Group's Communication and Fluid AMI business, Willfar Information Technology Company Limited (stock code: 688100, a 59.48% shareholding subsidiary of the Group), is Hunan Province's first company to list on the STAR Market of the Shanghai Stock Exchange. It was also a constituent stock of the STAR Market New Generation Information Technology Index.

Review of Business

During the period under review, the Group's Communication and Fluid AMI business recorded a turnover of RMB897.55 million (Period 2021: RMB814.54 million), representing a 10% increase YoY, and accounting for 35% of the Group's total turnover (Period 2021: 40%). Gross profit margin was 37% (Period 2021: 37%).

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 totaled RMB1,598 million. As of 30 June 2022, the value of signed contracts on hand reached RMB2,241 million, strongly underpinning the Group's future performance.

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

During the period under review, the State Council issued its "Plan to Facilitate the Development of the Digital Economy in the 14th Five-Year Plan Period" in January 2022. This proposes that the value of core industries in the digital economy should account for 10% of GDP by 2025. In June 2022, six ministries and commissions including the Ministry of Industry and Information Technology and the National Development and Reform Commission jointly issued the "Industrial Energy Efficiency Improvement Action Plan". This calls for more R&D in digital technologies such as 5G, cloud computing, edge computing, IoT, big data, and artificial intelligence ("AI") to improve energy saving and efficiency and thereby build a twin digital system to better manage energy efficiency.

In view of the above, the Group is therefore increasing its focus in strategic sectors, pursuing innovation through more intensive R&D, and continuously enhancing the business environment. (I) New-type power systems: Using technologies such as big data and management applications, and edge computing with communication chips at the core, the Group built a smart IoT cloud platform. It also created its own communication gateway to develop power consumption information collection and management business and the intelligent terminal power distribution and consumption comprehensive management business for new-generation power systems. Furthermore, the Group launched various modules based on fifth-generation HPLC chips, as well as micro-power and Wi-SUN modules, the former offering approximately ten times better noise and interference immunity performance than the previous generation. (II) Digital smart cities: The Group continued its strategic partnership with Tencent, working with Tencent Cloud's IoT platform and Tencent Lianlian (騰訊連連) to build a new ecosystem based on SaaS solutions for digital smart cities. The Group also provided partners with comprehensive solutions for different scenarios including next-generation infrastructure for operating companies in cities, provincial and municipal water authorities, and Siemens' industrial chains. (III) Overseas markets: The Group followed the development strategy of taking both the domestic and international businesses as the driving force. The Group has benefitted from increasing its market share in countries along the Belt and Road. In particular, the Group has successfully promoted the electricity, water and gas businesses to get involved in the construction, operations and services in countries along the Belt and Road. The Group's rapidly developing smart water business is consistently winning bulk orders from overseas customers.

Prospects for Communication and Fluid AMI Business

The global IoT industry is growing by leaps and bounds. Now worth over RMB1 trillion, the China IoT market size is expected to exceed RMB2.7 trillion by 2025. Considered a key field where independent breakthroughs in next-generation information technology will be made, IoT offers enormous innovation potential. The Group will take technological innovation as its driving force. Through the leading energy IoT application technology, chip design and communication technology, big data, and AI, the Group will provide customers with optimal solutions, maximize energy efficiency, and promote the construction of next-generation power systems and digital twin cities.

With "Zero Carbon" becoming a global priority, China is steadily transitioning to a green and low-carbon economy. The Group will use its energy management and control platform to comprehensively review energy consumption levels while conducting top-level design for green supply chain management which the Group will include in its development strategy. Together, these will assist industry and the country in meeting the "Dual Carbon" goals of "Peak Emissions" and "Carbon Neutrality". In the field of digital smart cities, the Group will continue working with Tencent to explore collaborations in smart energy, smart electricity distribution rooms, smart charging, smart fire protection, and smart water services. The Group is committed to continuously remove bottlenecks between energy production, transmission and consumption by providing more efficient and integrated solutions.

Advanced Distribution Operations ("ADO")

Business Overview

The Group's ADO business focuses on advanced distribution products and solutions, as well as new energy, energy storage, and green travel products and solutions. It is developing these in four areas: clean energy, smart grids, electric transportation and energy storage industrialization. Together, they form an integrated solution for energy sourcing, networking, loading and storage in different scenarios and sectors, providing advanced technology and product support for the national goals of "Peak Emissions" and "Carbon Neutrality". Customers primarily fall into three categories: power grid customers (including State Grid and Southern Grid); key industrial customers (including rail transport, hospitals, and data centers); and renewable energy customers (including China's five major power generation groups and other investors in new energy).

Review of Business

During the period under review, the Group's ADO business recorded a turnover of RMB726.00 million (Period 2021: RMB519.76 million), representing an increase of 40% YoY, and accounting for 29% of the Group's total turnover (Period 2021: 25%). Gross profit margin was 27% (Period 2021: 29%). The Group's power grid customers and non-power grid customers accounted for 34% and 66% of turnover, respectively (Period 2021: 34% and 66%).

Order Data in the Period under Review

During the period under review, the Group's ADO business secured orders worth RMB1,270 million, representing a 57% increase YoY. Of these, contracts won from the power grid market had a combined value of RMB621 million (Period 2021: RMB406.5 million), representing a 53% increase YoY. This increase in orders was mainly due to: (I) Contracts from State Grid that grew steadily in terms of volume, frequency and scale. The proportion of centralized procurement and retail contracts coming from the power grid primary market increased, and the business structure was further optimized. (II) Products that meet State Grid's new standards as well as integrated pole-mounted circuit breaker sets entered the first stage of State Grid's standardized product development. Ring network cabinets have improved in performance. The Group is steadily upgrading conventional products from 'available' to 'complete' with some products moving from 'available' to 'excellent', and its overall core competitiveness continues to improve. Contracts won in the non-power grid market were worth RMB649 million (Period 2021: RMB401.3 million), representing a 62% increase YoY, which was mainly due to: (I) The Group achieved a breakthrough in energy storage business orders, securing multiple energy storage projects in Hunan and Hainan provinces that cover various application scenarios including the power generation, grid and user sides. (II) In sustainable transport, the Group won battery swap contracts from China Tower, Chongqing Electric, Sichuan Electric, etc., supply battery swap contracts from State Grid Electric, Xiaoha under Hello Inc., etc. and customer battery swap contracts from Dudu Huandian, Shandong Electric, etc. The Group totally completed battery swap contracts worth approximately RMB100 million, representing a significant YoY increase.

Review of Development of ADO Business and Relevant Policies

During the period under review, State Grid's power IoT business and Southern Grid's digital power grid business both had clear strategies. To meet increasing distribution demands from new power systems, the Group continued launching intelligent power for primary, secondary and primary and secondary integrated distribution products and intelligent power distribution solutions. It consistently won contracts in existing markets and for the first time, secured orders for its bestselling products in other provinces. At the same time, through business partnerships and cooperation agreements, the Group's power grid business grew steadily from contracts secured in Southern Grid's various bidding cycles. Good results have also been achieved in developing and maintaining high-quality customers in key industries. In the lithium battery and new energy sector, the Group gained new customers such as China Aviation Lithium Battery with which it signed contracts worth over RMB50 million during the first half of the year. In the new infrastructure field, the Group won the Wanzhou Airport project valued at RMB16 million and became our largest airport construction order to date. Orders from Global Data Solutions and overall performance maintained stable. In the water conservancy field, the Group won projects from clients such as Chibi, Yanghu and Balinghe in the first half of the year, as well as a steady stream of orders from environmental customers including CITIC Environment, Shanghai Municipal Investment and Shanghai Environment. In terms of its new energy business, the Group secured a roof distributed photovoltaic project for Towngas Energy and Sunrise Group and a roof distributed photovoltaic project for Hubei Hangda. The Group also won multiple energy storage contracts including an energy-storage power station project for Hongdong in Xiangtan Economic and Technological Development Zone; an energy storage project for Guangdong No.2 Hydropower Engineering Company; and several photovoltaic-storage integration projects for customers such as Shenzhen Tailai and Tibet Ali that cover multiple energy storage application scenarios on the power generation, grid and user sides.

During the period under review, Southern Grid issued its "14th Five-Year Plan for Power Grid Development" with the investment scale significantly increased YoY. During the "14th Five-Year Plan" period, Southern Grid plans to invest approximately RMB670 billion in digital and modern power grids and to accelerate construction of new energy power systems. According to State Grid and Southern Grid's "14th Five-Year Plan", transforming power distribution will be an investment priority, and the investment proportion should increase to over 60% during the five-year period. Primary and secondary integrated standardized distribution devices are expected to change from selected to full use with key products such as intelligent pole-mounted circuit breakers and intelligent ring network cabinets benefitting significantly. The National Development and Reform Commission and the National Energy Administration issued an "Implementation Plan for Promoting the High-quality Development of New Energy in the New Era". This sets a target of over 1.2 billion kW of installed capacity of wind and solar power by 2030, and calls for accelerating the transition to a clean, low-carbon, safe and efficient energy system with the construction of large wind power and photovoltaic bases in the Gobi desert. By 2025, the photovoltaic coverage of rooftops on new public buildings should reach 50%, encouraging every level of society to consume various forms of new energy and incentivizing the launch of trial platforms for trading green electricity. In terms of energy storage, the National Development and Reform Commission and the National Energy Administration issued the "14th Five-Year Plan New Energy Storage Development Implementation Plan". This details how by 2025, new energy storage will move from the initial commercialization stage to large-scale development. By 2030, new energy storage will achieve market maturity with the development of an entire industrial chain of new energy storage actively promoted and support for "new energy + energy storage" greatly increased. State Grid has stated that it will vigorously develop and construct pumped-storage power stations, support the flexible transformation of thermal power and large-scale, new-energy storage applications, and promote load-side resources in regulating systems. Moreover, due to the frequency of accidents during electric vehicle charging, policies and standards have been successively introduced which create a rigorous framework for battery charging and swapping.

Prospects for ADO Business

Throughout 2022, the Group will seize opportunities to construct new power systems and layouts in areas such as new energy connections to grids and DC switchgear. The Group expects its share of the power grid market will steadily increase throughout the year. By winning more contracts from State Grid and steadily expanding its coverage, as well as continued consolidation of Southern Grid market, the Group's brand reputation will grow significantly. In the non-power grid market, the Group will provide more products and services to customers, upgrading from traditional distribution devices to digital power distribution and integrated energy-efficiency solutions. The Group will further expand into key markets, pursue closer collaborations with high-quality customers, maintain long-term relationships with stable suppliers, and optimize its customer base to ensure sustainable business growth.

Given the close correlation between power generation and storage in the new energy industry, the Group will simultaneously develop its new energy photovoltaic and energy storage businesses. On the power generation side, the Group will strengthen ties with new energy investors, consolidate its strategic partnerships with China Power and other enterprises, initiate collaborative projects where possible, and increase cooperation with central power generation SOEs, local power generation groups and other power generation investors. On the user side, the Group will help industries with high pollution and environmental risks such as steel and cement, water environmental management, and pharmaceuticals. Taking photovoltaic and energy storage as the starting point, it will provide integrated solutions for energy sourcing, networking, loading and storage, and expand its business in multiple directions. For the battery charging and battery swap sector, the Group will focus on key regions and cities to develop comprehensive ecosystems. For Tower Energy, the Group will concentrate on the area where it is headquartered and key provinces. For the business as operators, the Group will improve its own management and cost-control functions, and select dependable partners to minimize risks.

International Markets

Global Smart Power Meter Information

Telecom infrastructure is being developed around the world to facilitate faster communications among enterprises and increase productivity. Smart power meters can reduce meter reading costs and improve operational efficiency, thereby driving rapid market growth. According to data released by Markets and Markets, the global smart meter market will increase from USD19.6 billion in 2021 to USD30.2 billion in 2026 with compound annual growth of 9%, and market demand for smart meters is supporting robust growth. Regions across the world vary widely in terms of their power meter development stage, yet all need metering equipment such as prepaid power and smart power meters.

Review of Business

During the period under review, overseas business turnover was RMB514.98 million (Period 2021: RMB248.10 million), representing an increase of 108% YoY.

Order Data in the Period under Review

During the period under review, the Group secured approximately RMB881.33 million worth of overseas orders.

Market Developments in Each Country

In Asian markets, the Group, as one of Bangladesh's three main suppliers, continued to carry out intelligent system integration and pilot projects of intelligent transformation for the country's four major power distribution companies. During the period under review, the Group completed the first large-scale AMI deployment for Northern Power Systems Corp and commenced operational and maintenance services. In Indonesia, the Group maintain its position as the leading supplier of meters in the industrial and commercial markets. As the country's principal supplier of AMI technology, it has completed intelligent transformation pilot projects for residential meters. As one of Malaysia's main suppliers, the Group continued working with Tenaga Nasional Berhad (TNB) to deliver projects and expand its market share. The Group also secured a contract for new intelligent transformation pilot projects with ITRON, Malaysia. The Group has actively developed Southeast Asian markets such as Vietnam and the Philippines and secured a number of bulk orders. In Middle East countries such as Saudi Arabia, the Group focused on customer procurement needs, renewed contracts for power meters, and entered into its first collaboration in the country's water meter market. While getting into markets in surrounding countries, the Group has actively promoted its technology and acquired product certification.

In Africa, the Group's Tanzania factories maintained stable operations, securing procurement orders from power companies, and were added to the list of qualified suppliers for smart meters. The Group has worked hard to expand into East African markets. Major breakthrough has been achieved in which the Group has delivered its first bulk order to Uganda. As one of Egypt's main suppliers of power metering, the Group continued to deliver products while at the same time got customer recognition for its intelligent transformation pilot projects. Turning to West Africa, the Group maintained stable delivery of products in Côte d'Ivoire, where it is one of the three main suppliers, and has significantly increased its market share. In addition, the Group has steadily secured orders in major adjoining markets such as Morocco, Ghana and Cameroon where it has expanded into new product sectors such as water meters. The Group has worked tirelessly to break into the South African market, securing its first bulk order for smart meters and conducting product promotion.

In South America, the Group's Brazilian subsidiary continued strengthening its productive, operational and delivery capabilities. During the period under review, the Group won bids from multiple power companies for power meter projects, completed a smart AMI meter pilot project and made a major market breakthrough, laying a solid foundation to further expand its market share in Brazil. Moreover, the Group's Mexican subsidiary also consolidated its operations and delivery capabilities, and has secured several major power meter contracts during the period under review, leading to further increase of its market share. At the same time, the Group explored market opportunities and entered into new business areas such as communication products, water meters and photovoltaics. In Ecuador, the Group maintained its share of the power meter market. In Colombia, the Group actively promoted its smart power meter products. In Chile, Peru, Argentina and other South American markets, the Group collaborated on key projects and conducted in-depth market reviews

In Europe, the Group maintained its partnerships with Siemens in the Austrian market and actively explored new opportunities.

Future Development of International Markets

The Group will focus on stabilizing its market share in key markets and pursue a strategy of building factories with local subsidiaries, enhancing its on-the-ground capabilities and infrastructure to access adjacent markets. To better understand customer needs in existing markets and improve product quality and service levels, the Group will actively explore new markets.

In Southeast Asia, the Group has chosen Indonesia as base from where it can develop new markets including Malaysia, Singapore, Vietnam, Thailand and the Philippines; and Bangladesh as a base from where it can develop new markets such as Pakistan and India. In the Middle East, with Saudi Arabia as its hub, the Group aims to steadily penetrate markets in the UAE, Kuwait, Iraq, Oman, and Yemen.

Tanzania will be the Group's East Africa base from where it can access Uganda, Kenya, Mozambique and other neighboring countries. From its base in Egypt, the Group has steadily expanded its business into neighboring North African countries. In West Africa, the Group will focus on the Côte d'Ivoire, Guinea and Nigeria markets, gradually expanding into neighboring countries such as Benin, Niger, Mali, Mauritania and Sierra Leone. In Southern Africa, with South Africa as its hub, the Group aims to expand into Botswana and other neighboring markets.

In South America, the Group's Brazilian subsidiary will continue to consolidate and expand its operations to serve the local market while actively developing the neighboring markets of Ecuador, Colombia, Peru, Bolivia, Guatemala and other countries. The Group's Mexican subsidiary will also consolidate and expand its operations to serve the local market while exploring neighboring markets in North America.

In Europe, the Group has chosen Austria as a base from where it can develop its business in other European countries.

Research and Development ("R&D")

To drive innovation, the Group invests substantially in R&D, pursues the national policies of "Peak Emissions" and "Carbon Neutrality", and harnesses new technologies to construct next-generation power systems and smart cities. While focusing on customer needs, the Group also champions new technologies. During the period under review, the Group was granted 174 patents and authored 73 software copyrights, boosting the total number of valid patents to 1,721 and software copyrights to 1,552.

Power AMI Business

During the period under review, the Group's IoT meter for State Grid, which meets the latest domestic technical standards, was the industry's first to obtain a qualification report issued by the State Grid Metrology Center, and won the most contracts in the centralized tenders organized by State Grid. Batches of related products have been delivered to Shandong, Zhejiang, northern Hebei, Gansu and other provinces. The Group has developed industry-leading online monitoring devices for capacitor transformers. Offering accurate, stable and reliable metering, these have been piloted in Hunan and other provinces. At the same time, the high-precision gateway power meters developed by the Group can meet the demand from the domestic power grid for high-end metering and are widely used in China to replace imported products. To meet the business and technical demands of hospitals, schools, operators and other industries, the Group has developed guideway cascaded power meters, smart sockets and other products, as well as an intelligent metering cloud platform system, and introduced multiple solutions for the needs of segmented industries. With the concept of "turnkey" projects, the Group is meeting customers' demand for smart metering, safe electricity, energy saving and carbon reduction. To help the power industry automate its operations, the Group launched intelligent storage solutions to help customers with automatic and intelligent equipment storage and management. As of July 2022, the Group had won contracts from State Grid and Southern Grid for intelligent storage worth over RMB100 million.

Communication and Fluid AMI Business

During the period under review, the Group's investment in R&D increased by 18% YoY with significant results achieved. In terms of new power systems, the Group led the "Digital Grid Edge Computing Control Devices for Multi-service Collaboration", a key national research project. Significant progress was made in the first half of 2022, which was recognized as meeting advanced international levels by a team of experts. The Group has full intellectual property rights for its new high-precision fault location devices which use wireless synchronization technology to achieve synchronization time errors of under 30 microseconds. The Group has also developed a new power load management system solution. This adopts the "acquisition system + specialized terminal + extension module + branch monitoring device + load switch" load control structure to cover complete levels, successfully controlling a large proportion of adjustable loads. In terms of the digital economy, the Group's "Trusted Integrated Energy Management System Project Based on Blockchain Technology" adopts proprietary intelligent hardware devices such as intelligent sensing and i-communications. This fills the gap of security interaction technology of comprehensive energy data combined with computing privacy in China and creates a regional "energy + carbon" map.

ADO Business

The Group continuously innovates its products and technologies. For medium-voltage power distribution, the Group's single-phase grounding technology passed the real model tests of State Grid's Wuhan High Voltage Research Institute. It has been successfully applied to primary and secondary integrated pole-mounted circuit breakers based on State Grid's new standards and is now undergoing final inspections by State Grid. The Group has launched and mass-produced intelligent distributed control devices for primary and secondary integrated ring network cabinets based on GOOSE communications. The Group is intensively researching new technologies such as holographic sensing, traveling wave ranging and ADMU to improve the technical performance of its products. It is now one of the few manufacturers capable of independently designing and manufacturing permanent magnet normal-pressure sealed ring network cabinets. In the low-voltage power distribution sector, the Group made rapid breakthroughs in anti-islanding protection technology for circuit breakers and is creating key products for power grids such as smart metering switches and smart photovoltaic circuit breakers. Batches of its smart metering switches have already been launched on the market. The Group has already mastered smart electrical products that offer complete solutions for the intelligent power distribution industry. It has produced prototypes for WF-IoT 10kV intelligent switchgears and 10kV miniaturized intelligent switchgears which have become the physical foundation for digital platforms and primary and secondary integration carriers and will be core products for the Group in the next two to three years. This will help the Group steadily master the core technologies in this segment and block out any competitors.

For new energy grid connections, the Group is collaborating with universities to research technologies such as inverter circuit topology design, core control algorithms and BMS active balancing. It has completed a range of key inverter components and further R&D projects on its 3kV/5kV photovoltaic inverters, and BMS level I/II/III have been approved. In terms of energy storage equipment, the Group is meeting the needs of new energy power stations and power grid auxiliary services for safer electricity consumption on the user side by intensively developing lithium iron phosphate battery materials. It has researched and developed 1000V and 1500V air-cooled energy storage battery cabinets which have entered mass production. The EMS (energy management system) and BMS system that the Group independently developed were fully certified and adopted by the market. Looking ahead, small and medium-sized energy storage systems on the user side will be gradually integrated with the BMS. In the field of smart new energy solutions, the Group is aggressively developing source-network-load-storage integration and industry solutions; photovoltaic-storage, wind-storage and wind-photovoltaic-storage power supply equipment; and systems for on-grid and off-grid operations and dispatching capabilities that have enjoyed success in many areas including Hunan, Qinghai and Tibet. As for low-speed EV battery swapping, the Group is helping the country meet its “Carbon Neutrality” transport goals by launching a series of battery swap solutions for the takeaway and express delivery markets, supply urban battery swap products targeting shared delivery personnel and customer charging and battery swap products targeting residential users, providing customers with optimal solutions with comprehensive capabilities.

International Markets

During the period under review, against the challenging backdrop of COVID-19 and raw material and core chip shortages, the Group focused on securing multiple suppliers for key components. This enabled it to deliver products through multiple brands, and develop a range of competitive products and AMI solutions for different markets. (I) In Mexico, the Group completed the development and marketing of a range of single-phase and three-phase products that meet local ANSI standards. Well received by customers for their superior performance and cost-effectiveness, these have enabled the Group to successfully bid for numerous contracts. (II) In Brazil, the Group developed a comprehensive WISUN-based AMI solution for wireless intelligent ad-hoc networks that meets the specification requirements of international technology league. Enabling remote meter reading and remote tripping and closing, this was well received by customers and lays a solid technical foundation for future business wins; (III) In Latin America, the Group developed a multi-brand power meter-reading software and meter-reading app for mobile devices for the Ecuador market. Users can use Wasion’s Android APP or connect relevant API user interface modules to their own APP. By providing full technical support, this solution has enabled Wasion to be fully compatible with products from other brands on the market; (IV) In Asia, the Group developed a complete set of AMI solutions and products based on the needs of Indonesian broadband carriers. The prototype was successfully connected to the AMI system and is currently undergoing certification; (V) In Europe, the Group has developed smart meter products to meet the needs of a new generation of high-end users. It has independently developed a secure encryption protocol stack technology that is now IDIS certified and offers more reliable performance, security and stability; (VI) In Africa, the Group has developed G3 uplink and downlink AMI solutions and products. Using physical power line networks makes these less costly than intelligent digital systems, and provides high-quality, stable data communication paths that enable more flexible networking.

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 2022:

Intended use of net proceeds	Net proceeds RMB'000	Amount utilised from date of listing to 31 December 2021 RMB'000	Amount utilised during the six months ended 30 June 2022 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	14,948	8,342	37,002
(2) Expansion of production capacity and technological upgrade of fluid sensing equipment applied in the perception layer of IoT	62,940	11,157	4,191	47,592
(3) Expansion of production capacity and technological upgrade of products applied in the network layer of IoT	204,873	91,399	33,582	79,892
(4) Construction of comprehensive research and development centre for IoT	146,951	28,839	14,948	103,164
(5) Replenishment of working capital	135,778	132,134	1,731	1,913
	610,834	278,477	62,794	269,563

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

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (Period 2021: Nil).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2022, 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)	531,286,888	53.35%
Cao Zhao Hui	Beneficial owner	2,000,000	0.20%
Li Hong	Beneficial owner	350,000	0.04%
Zheng Xiao Ping	Beneficial owner (Note 2)	3,682,000	0.37%
Chan Cheong Tat	Beneficial owner	120,000	0.01%

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 2022.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, 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	531,286,888	53.35%
Star Treasure	Beneficial owner	531,286,888	53.35%

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 2022.

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 2022 have been reviewed by the auditors of the Company, Ernst & Young, and the Audit Committee.

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 2022, save for Code Provision C.1.6, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 of the Listing Rules.

Code Provision C.1.6 provides that independent non-executive directors and non-executive directors of the Company should attend general meetings of the Company. Mr. Wang Yaonan, who is an independent non-executive director of the Company, failed to attend the annual general meeting of the Company held on 1 June 2022 due to conflicts with his schedule.

Save as disclosed, there has been no deviation from the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 of the Listing Rules for the six months ended 30 June 2022.

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 2022.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

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, 30 August 2022

INDEPENDENT REVIEW REPORT

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To the board of directors of Wasion Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 28 to 62, which comprise the condensed consolidated statement of financial position of Wasion Holdings Limited (the "Company") and its subsidiaries (together the "Group") as at 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and 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 ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 HKICPA. A review of interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

30 August 2022

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

For the six months ended 30 June 2022

	Notes	Six months ended 30 June 2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	4	**2,552,743**	2,065,632
Cost of sales		**(1,684,809)**	(1,387,425)
Gross profit		**867,934**	678,207
Other income, gains and losses, net	4	**87,820**	86,849
Administrative expenses		**(114,016)**	(85,707)
Selling expenses		**(230,472)**	(186,649)
Research and development expenses		**(247,330)**	(183,523)
Impairment losses on financial assets and contract assets		**(32,985)**	(27,927)
Finance costs	5	**(51,841)**	(48,591)
Profit before tax	6	**279,110**	232,659
Income tax expense	7	**(41,645)**	(31,743)
PROFIT FOR THE PERIOD		**237,465**	200,916
Profit for the period attributable to			
— Owners of the parent		**143,315**	123,141
— Non-controlling interests		**94,150**	77,775
		237,465	200,916
OTHER COMPREHENSIVE (LOSS)/INCOME:			
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		**(13,718)**	(10,648)
Tax effect		**2,257**	102
		(11,461)	(10,546)
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**(8,730)**	11,806
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		**(20,191)**	1,260

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

For the six months ended 30 June 2022

	Note	Six months ended 30 June 2022 RMB'000 (unaudited)	 2021 RMB'000 (unaudited)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**217,274**	202,176
Attributable to:			
Owners of the parent		**123,124**	124,401
Non-controlling interests		**94,150**	77,775
		217,274	202,176
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**RMB14.6 cents**	RMB12.5 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,515,205**	1,472,208
Investment properties		**13,528**	15,235
Right-of-use assets		**193,161**	198,143
Goodwill		**338,317**	338,317
Other intangible assets		**564,935**	568,210
Investment in a joint venture		**—**	—
Equity investments designated at fair value through other comprehensive income	11	**56,183**	66,996
Financial assets at fair value through profit or loss	12	**200,000**	200,000
Loan receivables	15	**93,280**	108,176
Prepayments, other receivables and other assets	16	**57,900**	54,370
Deferred tax assets		**74,093**	62,143
		3,106,602	3,083,798
CURRENT ASSETS			
Inventories		**1,045,071**	990,758
Trade and bills receivables	13	**4,340,737**	4,095,153
Contract assets	14	**600,479**	567,313
Prepayments, other receivables and other assets	16	**969,086**	937,650
Financial assets at fair value through profit or loss	12	**—**	2,269
Structured deposits	17	**94,000**	—
Pledged deposits		**493,766**	416,252
Cash and bank balances		**2,016,113**	2,578,946
		9,559,252	9,588,341
CURRENT LIABILITIES			
Trade and bills payables	18	**3,199,783**	3,312,712
Other payables and accruals	19	**231,471**	316,879
Financial liabilities at fair value through profit or loss	20	**21,250**	—
Interest-bearing bank borrowings	21	**2,061,579**	2,046,566
Lease liabilities		**7,950**	7,891
Tax payable		**83,882**	74,530
		5,605,915	5,758,578
NET CURRENT ASSETS		**3,953,337**	3,829,763
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,059,939**	6,913,561

	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	21	**986,880**	790,335
Lease liabilities		**5,538**	8,898
Deferred tax liabilities		**33,507**	34,466
Total non-current liabilities		**1,025,925**	833,699
Net assets		**6,034,014**	6,079,862
EQUITY			
Equity attributable to owners of the parent			
Issued capital	22	**9,906**	9,906
Reserves		**4,494,461**	4,622,020
		4,504,367	4,631,926
Non-controlling interests		**1,529,647**	1,447,936
Total equity		**6,034,014**	6,079,862

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent												
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note 23(i))	Exchange reserve RMB'000	PRC statutory reserves RMB'000 (Note 23(ii))	Share option reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Shares held for share award scheme RMB'000 (Note 23(iii))	Other reserve RMB'000 (Note 23(iv))	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2022 (audited)	9,906	846,792	49,990	(41,866)	522,147	27,730	(43,210)	(36,998)	235,772	3,061,663	4,631,926	1,447,936	6,079,862
Profit for the period	–	–	–	–	–	–	–	–	–	143,315	143,315	94,150	237,465
Other comprehensive income for the period:													
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(11,461)	–	–	–	(11,461)	–	(11,461)
Exchange differences on translation of foreign operations	–	–	–	(8,730)	–	–	–	–	–	–	(8,730)	–	(8,730)
Total comprehensive income for the period	–	–	–	(8,730)	–	–	(11,461)	–	–	143,315	123,124	94,150	217,274
Transfer to PRC statutory reserves	–	–	–	–	36,199	–	–	–	–	(36,199)	–	–	–
Deemed partial disposal of interest in a subsidiary (Note 23(v))	–	–	–	–	–	–	–	–	(21,100)	–	(21,100)	67,020	45,920
Deemed partial acquisition of interest in subsidiaries (Note 23(v))	–	–	–	–	–	–	–	–	(64,815)	–	(64,815)	(25,527)	(90,342)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(53,932)	(53,932)
Dividend	–	(164,768)	–	–	–	–	–	–	–	–	(164,768)	–	(164,768)
At 30 June 2022 (unaudited)	9,906	682,024*	49,990*	(50,596)*	558,346*	27,730*	(54,671)*	(36,998)*	149,857*	3,168,779*	4,504,367	1,529,647	6,034,014

	Attributable to owners of the parent												
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note 23(i))	Exchange reserve RMB'000	PRC statutory reserves RMB'000 (Note 23(ii))	Share option reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Shares held for share award scheme RMB'000 (Note 23(iii))	Other reserve RMB'000 (Note 23(iv))	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2021 (audited)	9,906	1,011,659	49,990	(39,628)	463,816	27,730	(34,277)	(36,998)	219,253	2,851,850	4,523,301	1,153,157	5,676,458
Profit for the period	—	—	—	—	—	—	—	—	—	123,141	123,141	77,775	200,916
Other comprehensive income for the period:													
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	(10,546)	—	—	—	(10,546)	—	(10,546)
Exchange differences on translation of foreign operations	—	—	—	11,806	—	—	—	—	—	—	11,806	—	11,806
Total comprehensive income for the period	—	—	—	11,806	—	—	(10,546)	—	—	123,141	124,401	77,775	202,176
Transfer to PRC statutory reserves	—	—	—	—	30,187	—	—	—	—	(30,187)	—	—	—
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	—	—	—	—	—	—	(60)	—	—	60	—	—	—
Deemed partial disposal of interest in a subsidiary (Note 23(v))	—	—	—	—	—	—	—	—	19,866	—	19,866	55,134	75,000
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(46,672)	(46,672)
Dividend	—	(164,867)	—	—	—	—	—	—	—	—	(164,867)	—	(164,867)
At 30 June 2021 (unaudited)	9,906	846,792	49,990	(27,822)	494,003	27,730	(44,883)	(36,998)	239,119	2,944,864	4,502,701	1,239,394	5,742,095

* These reserve accounts comprise the consolidated other reserves of RMB4,494,461,000 (31 December 2021: RMB4,622,020,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(115,960)	(277,645)
PRC taxes paid	(42,945)	(26,741)
Net cash flows used in operating activities	(158,905)	(304,386)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(78,554)	(95,629)
Additions to other intangible assets	(68,170)	(70,933)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income	—	3,060
Investment in structured deposits	(94,000)	(1,000,000)
Withdrawal of structured deposits	—	715,000
Placement in bank deposits with maturity over 3 months	—	(130,000)
Withdrawal of bank deposits with maturity over 3 months	60,000	140,000
Placement in pledged deposits	(204,903)	(292,391)
Withdrawal of pledged deposits	127,389	272,062
Other investing cash flows	54,598	58,449
Net cash flows used in investing activities	(203,640)	(400,382)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	1,553,693	1,608,932
Repayment of bank loans	(1,385,479)	(1,017,832)
Dividend paid	(164,768)	(164,867)
Dividend paid to non-controlling shareholders	(53,932)	(46,672)
Principal portion of lease payments	(5,241)	(4,964)
Proceeds from disposal of interests in subsidiaries	45,920	75,000
Acquisition of non-controlling interests	(90,342)	—
Other financing cash flows	(51,504)	(48,165)
Net cash flows (used in)/generated from financing activities	(151,653)	401,432
NET DECREASE IN CASH AND CASH EQUIVALENTS	(514,198)	(303,336)
Cash and cash equivalents at the beginning of period	2,208,946	1,983,473
Effect of foreign exchange rate changes, net	11,365	(2,156)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	1,706,113	1,677,981
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,706,113	1,677,981
Time deposits	310,000	262,000
Cash and bank balances as stated in the interim condensed consolidated statement of financial position	2,016,113	1,939,981
Less: Time deposits with original maturity over three months	(310,000)	(262,000)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	1,706,113	1,677,981

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 2681, Grand Cayman, KY1-1111, Cayman Islands, 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 2022 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 2021. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets and financial liabilities 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 2021, 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 and the adoption of accounting policies upon the recognition of financial liabilities at fair value through profit or loss as described as follow.

(a) Adoption of the revised HKFRSs by the Group

The Group has adopted the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Adoption of the revised HKFRSs by the Group (Continued)

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

(i) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(ii) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

(iii) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Adoption of the revised HKFRSs by the Group (Continued)

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

(iv) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

(b) Accounting policies adopted by the Group upon the recognition of financial liabilities at fair value through profit or loss

Subsequent measurement of financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the profit or loss does not include any interest charged on these financial liabilities.

3. 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, non-lease-related finance costs, dividend income, as well as unallocated corporate income, expenses, gains and losses are excluded from such measurement.

The financial results of certain unallocated assets and liabilities were aggregated with the segment assets and liabilities in the financial statements. Comparative figures of the segment information have been reclassified to conform with the current period's presentation.

3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2022 (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 (Note 4):				
Sales to external customers	929,191	897,549	726,003	2,552,743
Intersegment sales	19,427	45,803	—	65,230
	948,618	943,352	726,003	2,617,973
Reconciliation:				
Elimination of intersegment sales				(65,230)
				2,552,743
Segment results	54,895	174,006	69,544	298,445
Reconciliation:				
Interest income				39,629
Finance costs (other than interest on lease liabilities)				(51,504)
Unallocated corporate gains and expenses, net				(7,460)
Profit before tax				279,110

3. OPERATING SEGMENT INFORMATION (Continued)

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 (Note 4):				
Sales to external customers	731,334	814,536	519,762	2,065,632
Intersegment sales	11,804	31,904	—	43,708
	743,138	846,440	519,762	2,109,340
Reconciliation:				
Elimination of intersegment sales				(43,708)
				2,065,632
Segment results	12,125	172,475	60,933	245,533
Reconciliation:				
Interest income				38,017
Finance costs (other than interest on lease liabilities)				(48,165)
Unallocated corporate gains and expenses, net				(2,726)
Profit before tax				232,659

4. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue from contracts with customers	2,552,743	2,065,632

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2022 (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	929,191	—	—	929,191
Communication terminals, water, gas and heat metering products	—	895,028	—	895,028
Smart power distribution devices	—	—	721,097	721,097
System solution services	—	2,521	4,906	7,427
	929,191	897,549	726,003	2,552,743
Geographic markets				
PRC	537,168	774,589	726,003	2,037,760
South America	280,180	—	—	280,180
Africa	44,417	85,881	—	130,298
Asia, except for PRC	43,828	37,079	—	80,907
Europe	23,598	—	—	23,598
Total revenue from contracts with customers	929,191	897,549	726,003	2,552,743
Timing of revenue recognition				
Goods transferred at a point in time	929,191	895,028	721,097	2,545,316
Services rendered over time	—	2,521	4,906	7,427
	929,191	897,549	726,003	2,552,743

4. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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
	731,334	814,536	519,762	2,065,632
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
Total revenue from contracts with customers	731,334	814,536	519,762	2,065,632
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
	731,334	814,536	519,762	2,065,632

4. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET (Continued)

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Other income		
Bank interest income	24,073	19,396
Interest income from structured deposits	856	2,817
Interest income from loan receivables	5,163	6,267
Interest income from consideration receivable for disposal of a subsidiary	2,192	2,192
Interest income on financial assets at fair value through profit or loss ("FVTPL")	7,345	7,345
Refund of value-added tax	41,213	33,160
Government grants*	10,834	15,288
Gross rental income	644	908
Others	1,082	1,651
	93,402	89,024
Gains and losses, net		
Gain on disposal of items of property, plant and equipment	575	277
Foreign exchange gains/(losses), net	15,093	(2,710)
Fair value (losses)/gains on financial assets at FVTPL	(21,250)	258
	(5,582)	(2,175)
	87,820	86,849

* There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interests on borrowings	51,504	48,165
Interests on lease liabilities	337	426
	51,841	48,591

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Cost of inventories sold	**1,671,859**	1,383,822
Cost of services rendered	**2,796**	1,177
Depreciation of property, plant and equipment	**41,569**	35,039
Depreciation of right-of-use assets	**7,598**	7,387
Depreciation of investment properties	**529**	247
Amortisation of other intangible assets*	**3,198**	3,283
Research and development costs:		
Research and development expenses	**241,599**	192,763
Less: capitalised development costs	**(62,516)**	(70,328)
	179,083	122,435
Amortisation of capitalised development costs	**68,247**	61,088
	247,330	183,523
Provision of impairment losses on financial assets and contract assets, net:		
Trade receivables	**27,985**	27,788
Other receivables	**5,000**	—
Contract assets	**—**	139
	32,985	27,927
Fair value losses/(gains), net:		
Derivative instruments — transactions not qualifying as hedges	**21,250**	(258)
Gain on disposal of items of property, plant and equipment	**(575)**	(277)
Write-down of inventories to net realisable value**	**10,154**	2,426
Foreign exchange (gains)/losses, net	**(15,093)**	2,710

* 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 sales".

7. 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 2022 and 2021.

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 2021: 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 years 2018 to 2021, years 2020 to 2023 or years 2021 to 2024.

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 for the period.

Macau Complementary Tax has been provided at the rate of 12% (30 June 2021: 12%) on the assessable profits arising in Macau during the period.

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	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current		
Charge for the period	**52,067**	40,507
Under-provision/(overprovision) in prior periods	**230**	(2,320)
	52,297	38,187
Deferred tax	**(10,652)**	(6,444)
Total tax charge for the period	**41,645**	31,743

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

8. DIVIDENDS

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Final declared and paid — HK20 cents (31 December 2021: HK20 cents) per ordinary share	**164,768**	164,867

The directors of the Company do not recommend the payment of a dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Earnings		
Profit attributable to owners of the parent, used in the basic earnings per share calculation	**143,315**	123,141

	Six months ended 30 June	
	2022 Number of shares (unaudited)	2021 Number of shares (unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**984,985,675**	984,985,675

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

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 as set out in note 24.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2022 and 2021 because the exercise price of those share options was higher than the average market price of the Company's shares during the periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired assets at a cost of RMB78,554,000 (30 June 2021: RMB95,629,000).

Assets with a net book value of RMB73,000 (30 June 2021: RMB2,161,000) were disposed of by the Group during the six months ended 30 June 2022 for a consideration of RMB648,000 (30 June 2021: RMB2,438,000), resulting in a net gain on disposal of RMB575,000 (30 June 2021: RMB277,000).

At 30 June 2022, the Group's property, plant and equipment with a carrying amount of RMB111,355,000 (31 December 2021: RMB112,692,000) were pledged as security for the Group's bank loans. Further details are set out in note 21 to the interim condensed consolidated financial information.

11. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at fair value through other comprehensive income ("FVTOCI") comprise:

	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Equity investments designated at FVTOCI			
Equity investments listed in Hong Kong, at fair value		**21,811**	25,397
Equity investments listed in the PRC, at fair value		**—**	9,996
Unlisted equity investments, at fair value — A	(i)	**31,603**	31,603
Unlisted equity investments, at fair value — B	(ii)	**969**	—
Unlisted equity investments, at fair value — C	(iii)	**1,800**	—
		56,183	66,996

11. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Notes:

(i) The unlisted equity investment A is 17.42% of equity interest of a company incorporated in the PRC, which is mainly engaged in the development and manufacturing of smart meters and new technology utilities products.

(ii) The unlisted equity investments B's shares were once listed on Shenzhen Stock Exchange and delisted in June 2022. During the six months ended 30 June 2022, the fair value loss of RMB9,027,000 was recognised in other comprehensive income.

(iii) During the six months ended 30 June 2022, the Group and independent third parties established a private entity in the PRC, and the Group's shareholding was 3% with total cash consideration of RMB6,000,000, of which part of the investment costs of RMB1,800,000 was paid by the Group in cash during the period, and the remaining investment costs of RMB4,200,000 will be settled upon the notice of the controlling shareholder.

The above equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Unlisted investments in trust funds, at fair value	(i)	**200,000**	200,000
Forward currency contracts	(ii)	**—**	2,269
		200,000	202,269
Less: current portion		**—**	(2,269)
		200,000	200,000

Notes:

(i) Amounts represent investments in trust funds made by the Group through a financial institution. The trust funds invest in ranges of debt instrument products which are generally government bonds and corporate loans. The trust funds investments will expire in 2024, and the balances are classified as non-current assets as at 30 June 2022.

They are mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.

(ii) As at 30 June 2022, the Group had entered into forward currency contracts, which are not designated for hedge purposes and are measured at fair value through profit or loss. There were changes in the fair values of non-hedging currency derivatives of RMB258,000 credited to profit or loss during the period ended 30 June 2020.

13. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade receivables	**4,278,351**	3,934,264
Bills receivables	**279,350**	352,123
	4,557,701	4,286,387
Less: impairment loss on trade receivables	**(216,964)**	(191,234)
	4,340,737	4,095,153

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 RMB52,548,000 (31 December 2021: RMB52,344,000), 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 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
0–90 days	**1,598,879**	1,787,060
91–180 days	**711,771**	581,645
181–365 days	**1,009,570**	711,107
1–2 years	**856,009**	880,554
Over 2 years	**164,508**	134,787
	4,340,737	4,095,153

14. CONTRACT ASSETS

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Contract assets	**606,323**	573,157
Less: impairment loss on contract assets	**(5,844)**	(5,844)
	600,479	567,313

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 RMB11,285,000 (31 December 2021: RMB12,637,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

15. LOANS RECEIVABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Loans receivables	**93,280**	108,176

The amounts represent loans advanced by the Group to an independent third party under entrusted loan contracts. These entrusted loans carry fixed interest at 12% per annum and are repayable in August 2025.

As at 30 June 2022, the Group's loan receivables amounting to RMB85,000,000 (31 December 2021: RMB88,176,000) was guaranteed by an independent third party.

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Life insurance products	(i)	**57,900**	54,370
Non-current portion		**57,900**	54,370
Purchase prepayments	(ii)	**391,657**	416,983
Bidding deposits		**37,428**	25,038
Other prepayments		**53,694**	39,158
Other receivables		**145,026**	136,618
Consideration receivables for disposal of subsidiaries	(iii)	**77,000**	77,000
Consideration receivables for disposal of unlisted equity instruments	(iv)	**23,652**	23,652
Loan receivable from a joint venture	(v)	**17,850**	17,850
VAT recoverable		**227,779**	201,351
		974,086	937,650
Less: impairment loss on other receivables		**(5,000)**	—
Current portion		**969,086**	937,650
		1,026,986	992,020

Notes:

(i) In prior years, the Company entered into three life insurance policies with an insurance company to insure three executive directors. Under these policies, the beneficiary and policy holder are the Company. The Company is required to pay an upfront payment for each policy. The Company may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged. If such withdrawal is made at any time during the first to the fifteenth or eighteenth policy year, as appropriate, a pre-determined specified surrender charge would be imposed on the Company. As at 30 June 2022, the balance included a prepayment of life insurance premium and cash value amounting to RMB1,668,000 (31 December 2021: RMB1,681,000) and RMB56,232,000 (31 December 2021: RMB52,689,000), respectively.

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

Notes: (Continued)

(i) (Continued)

Particulars of the policies are as follows:

Policy	Insured sum	Upfront payment	Guaranteed interest rates First year	Guaranteed interest rates Second year and onwards
Policy A	US$7,557,000	US$3,421,000	4.25% per annum	3% per annum
Policy B	US$10,000,000	US$1,771,000	4% per annum	2% per annum
Policy C	US$13,741,000	US$3,229,000	4.25% per annum	2% per annum

(ii) During the six months ended 30 June 2022, the Group entered into purchase contracts with certain suppliers to stabilise material supply. The purchase prepayments will be utilised within one year from the end of the reporting period.

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

(iv) The balance is unsecured, non-guaranteed, carrying fixed interest at 4.35% per annum and is repayable in 2022. The Group has an option to request the repayment on demand.

(v) The amount represents an unsecured, non-guaranteed short-term loan to a joint venture which carries a fixed interest at 4.35% per annum and repayable in 2023.

17. STRUCTURED DEPOSITS

Structured deposits were stated at fair value and represented several deposits placed with banks. The Group designated the structured deposits as investments at fair value through profit or loss. As at 30 June 2022, the aggregate fair value of the structured deposits was approximately RMB94,000,000 (31 December 2021: Nil) and total interest income of approximately RMB856,000 (six months ended 30 June 2021: RMB2,817,000) was recognised by the Group during the period.

The fair value was based on the market values provided by financial institutions at the end of the reporting period.

18. TRADE AND BILLS PAYABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade and bills payables	**3,199,783**	3,312,712

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 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
0–90 days	**1,893,850**	1,893,820
91–180 days	**859,892**	982,361
181–365 days	**339,446**	346,749
Over 1 year	**106,595**	89,782
	3,199,783	3,312,712

The trade payables are non-interest-bearing and are normally settled within terms of 90 days. For some suppliers with long business relationship, a credit term of 181 to 365 days is granted.

Included in the Group's trade payables are amounts due to the Group's joint venture of RMB9,470,000 (31 December 2021: RMB6,780,000), which are repayable on credit terms similar to those offered by the major suppliers of the Group.

19. OTHER PAYABLES AND ACCRUALS

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Accruals	**25,199**	81,593
Other payables	**92,938**	124,040
Contract liabilities	**113,334**	111,246
	231,471	316,879

20. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss comprise:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Forward currency contracts (note)	**21,250**	—

Note: As at 30 June 2022, the Group had entered into forward currency contracts, which are not designated for hedge purposes and are measured at fair value through profit or loss. There were changes in the fair values of non-hedging currency derivatives of RMB21,250,000 charged to profit or loss during the period.

21. INTEREST-BEARING BANK BORROWINGS

The loans carry interests at market rates ranging from 1.77% to 4.80% (31 December 2021: 1.18% to 5.22%) per annum and are repayable within one to four years. The proceeds were used for general working capital purposes.

22. SHARE CAPITAL

	30 June 2022 HK$'000 (unaudited)	31 December 2021 HK$'000 (audited)
Authorised:		
100,000,000,000 ordinary shares of HK$0.01 each	**1,000,000**	1,000,000

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Issued and fully paid:		
995,879,675 ordinary shares	**9,906**	9,906

23. RESERVES

(i) Merger reserve represents the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of shares used by the Company in exchange thereafter.

(ii) The PRC statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the subsidiaries established in the PRC in accordance with the relevant laws and regulations of the PRC. According to the relevant rules and Accounting Regulations in PRC applicable to wholly foreign-owned enterprises, a wholly foreign-owned enterprise is required to transfer at least 10% of its profit after taxation, to a reserve fund until the reserve fund balance reaches 50% of the relevant enterprise's registered capital. This reserve can be used to offset accumulated losses or to increase capital upon approval from the relevant authorities.

(iii) Shares held for share award scheme represent the own shares of the Company repurchased by a trustee for an employee's share award scheme.

(iv) Other reserve mainly comprises equity transactions credited to the other reserves, and the excess balance of share award plan assets under the share award plan of the Company upon termination of the plan, amounting to RMB116,693,000 and RMB33,164,000 respectively.

(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.

During the period ended 30 June 2022, Wasion Electric Limited, a non-wholly-owned subsidiary of the Group issued 27,011,765 ordinary shares, equivalent to 5.46% equity interests, to its non-controlling shareholder at a consideration of RMB1.7 per share, for a total consideration of approximately RMB45,920,000. The difference of RMB21,100,000 between the non-controlling interests recognised and the consideration was debited to other reserve.

During the period ended 30 June 2022, the Group acquired 4,819,877 ordinary shares, equivalent to 0.40% equity interests in Willfar Information Technology Company Limited, a non-wholly-owned subsidiary established in the PRC and listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange, from the market at a total consideration of RMB89,842,000. The difference of RMB64,894,000 between the non-controlling interests derecognised and the consideration was debited to other reserve.

During the period ended 30 June 2022, the Group acquired 500,000 ordinary shares, equivalent to 25% equity interests in Hunan Weisheng Comprehensive Intelligent Energy Management and Technology Research Center Co., Ltd., a non-wholly-owned subsidiary established in the PRC at a total consideration of RMB500,000. The difference of RMB79,000 between the non-controlling interests derecognised and the consideration was credited to other reserve.

24. SHARE-BASED PAYMENT TRANSACTION

Share award scheme

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.

As at 30 June 2022, 10,894,000 (30 June 2021: 10,894,000) ordinary shares of the Company were held by trustee of the Scheme.

25. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Contracted, but not provided for:		
Property, plant and equipment	45,840	51,514
Investment in equity investments at FVTOCI	4,200	—
	50,040	51,514

26. RELATED PARTY DISCLOSURES

(a) The Group had the following transactions with related parties during the period:

	Notes	Six months ended 30 June 2022 RMB'000 (unaudited)	Six months ended 30 June 2021 RMB'000 (unaudited)
Sales of goods to a joint venture	(i)	31,134	43,052
Sales of goods to a company of which a close member of the director's family is a controlling shareholder	(i)	851	—
Purchase of goods from a company of which a close member of the director's family is a controlling shareholder	(ii)	7,831	—
Interest received from a joint venture	(iii)	348	372
Rental income received from a joint venture		187	170

Notes:

(i) The sales to the joint venture and a company of which a close member of the director's family is a controlling shareholder were made according to the prices and conditions offered to the major customers of the Group.

(ii) The purchase constitute continuing connected transaction, as defined in Chapter 14A of the Listing Rules.

(iii) The loan to the joint venture is unsecured and interest-bearing at 4.35% per annum and is repayable in 2023.

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

	Six months ended 30 June 2022 RMB'000 (unaudited)	Six months ended 30 June 2021 RMB'000 (unaudited)
Short-term benefits	2,852	2,810
Retirement benefit scheme contributions	92	65
	2,944	2,875

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

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Financial assets				
Equity investments designated at FVTOCI	56,183	66,996	56,183	66,996
Financial assets at FVTPL	200,000	202,269	200,000	202,269
Structured deposits	94,000	—	94,000	—
	350,183	269,265	350,183	269,265
Financial liabilities				
Financial liabilities at FVTPL	21,250	—	21,250	—
Interest-bearing bank and other borrowings	3,048,459	2,836,901	3,020,449	2,820,356
	3,069,709	2,836,901	3,041,699	2,820,356

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. Management reports directly to the executive directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments, which were classified as equity investment designated at FVTOCI, have been estimated using a market-based valuation technique or a recent transaction price based on assumptions that are not supported by observable market prices or rates. For market-based valuation technique, the valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy. They are also required to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EBITDA") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on specific facts and circumstances of the Company. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. For valuation based on recent transaction price, the valuation is made by reference to the transaction price of the same investment being valued. The directors of the Company believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of the unlisted investments in trust funds are measured using valuation techniques by discounted cash flow method. The valuation requires the directors to determine a suitable discount rate in order to calculate the present value of those cash flows. The directors of the Company believe that the estimated fair values which are recorded in the interim condensed consolidated statement of financial position with net changes in fair value recognised in the interim condensed consolidated statement of profit or loss are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair values of structured deposits were based on the market values provided by the banks at the end of the reporting period. They are estimated with the principal plus estimated interest income based on expected annual rate of return.

The fair values of forward currency contracts are based on quotes from financial institutions.

The fair values of other financial assets and financial liabilities carried at amortised cost approximate to their carrying amounts.

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2022 and 31 December 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments designated at FVTOCI — A	Valuation multiple	EV/EBITDA multiple of peers	7.24 (31 December 2021: 7.24)	1% (31 December 2021: 1%) increase/decrease in the multiple would result in increase/decrease in fair value by RMB251,000 (31 December 2021: RMB277,000)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2022 (unaudited)				
Equity investments designated at FVTOCI	**21,811**	**2,769**	**31,603**	**56,183**
Financial assets at FVTPL	**—**	**200,000**	**—**	**200,000**
Structured deposits	**—**	**94,000**	**—**	**94,000**
	21,811	**296,769**	**31,603**	**350,183**
As at 31 December 2021 (audited)				
Equity investments designated at FVTOCI	35,393	—	31,603	66,996
Financial assets at FVTPL	—	202,269	—	202,269
	35,393	202,269	31,603	269,265

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 30 June 2022 (unaudited)				
Financial liabilities				
Financial liabilities at FVTPL	—	21,250	—	21,250

The Group did not have any financial liabilities measured at fair value as at 31 December 2021.

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 30 June 2022 (unaudited)				
Financial liabilities				
Interest-bearing bank and other borrowings	—	3,020,449	—	3,020,449
As at 31 December 2021 (audited)				
Financial liabilities				
Interest-bearing bank and other borrowings	—	2,820,356	—	2,820,356

During the period, there were no movement for the fair value measurements within Level 3 (six months ended 30 June 2021: Nil).

During the period, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2021: Nil).

28. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 30 August 2022.