Wasion Holdings Limited
威勝控股有限公司

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

ENERGY METERING & ENERGY SAVING EXPERT

Interim Report 2019

CORPORATE MISSION :

Energy Metering & Energy Saving Expert

CORPORATE SPIRIT :

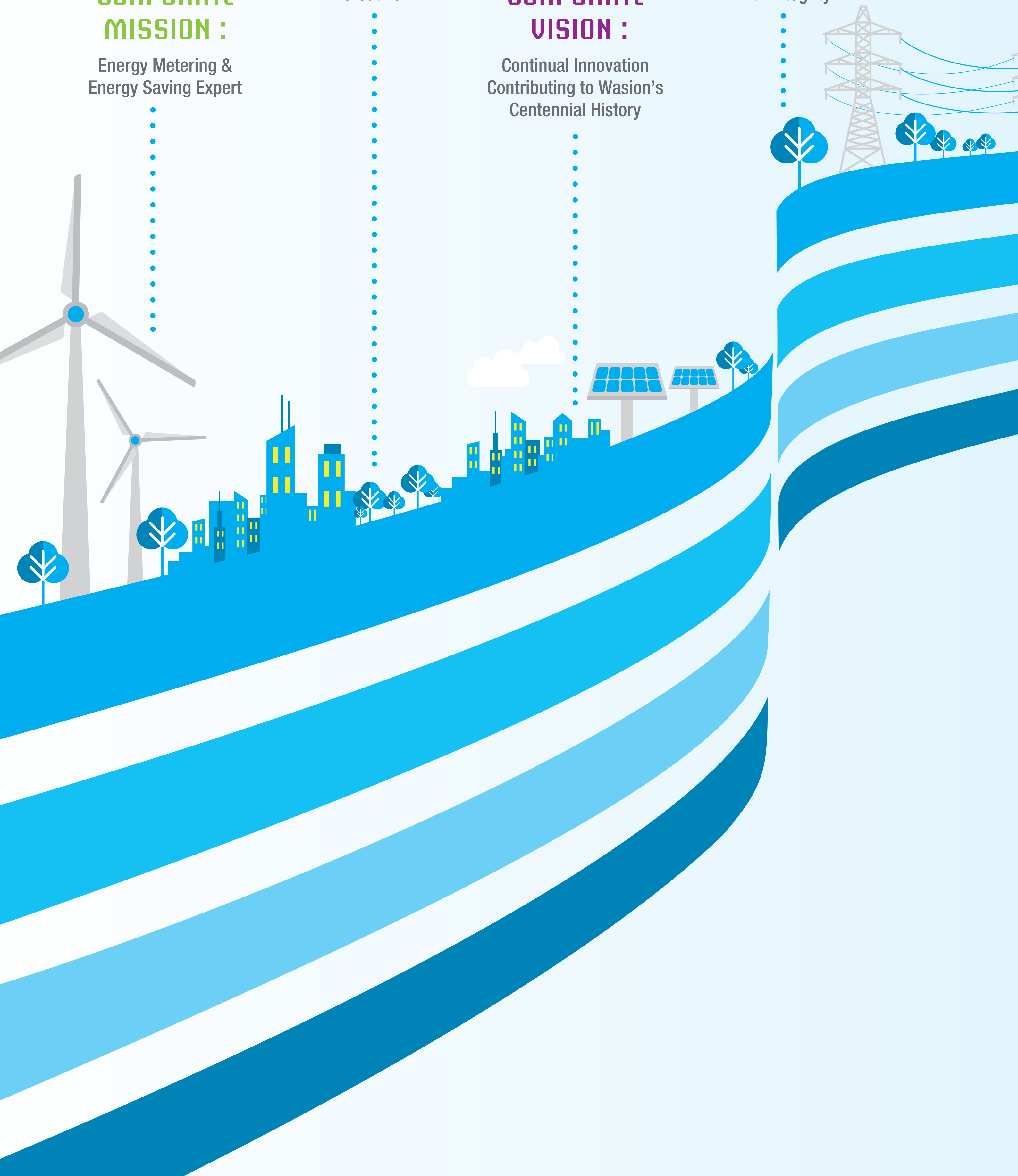
Be Cohesive, Ambitious, Down-to-Earth and Creative

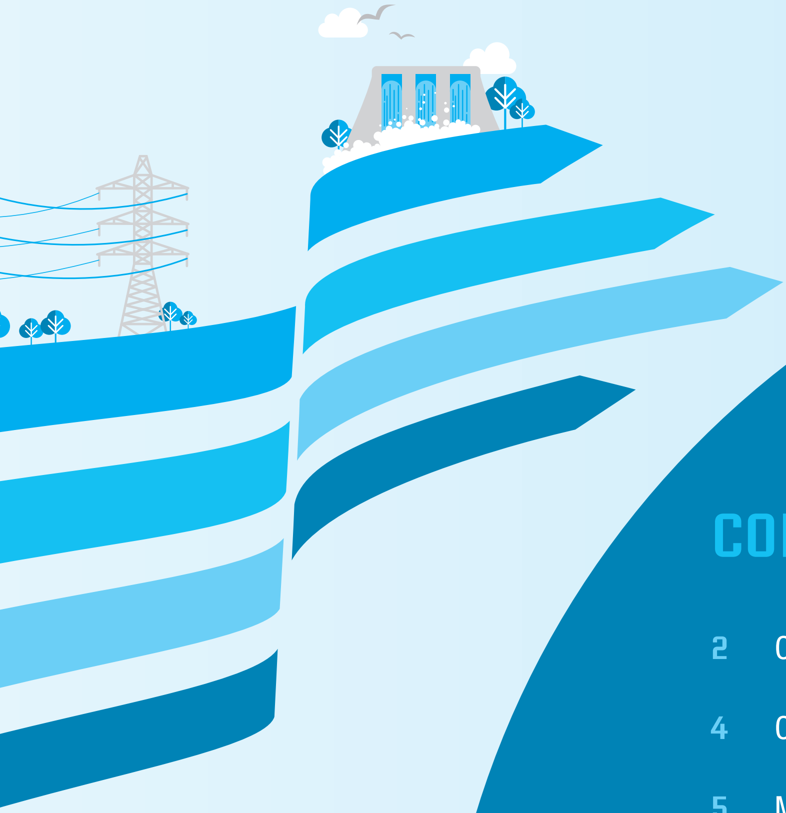
CORPORATE VISION :

Continual Innovation Contributing to Wasion's Centennial History

MOTTOS OF OPERATION :

Perfect Work with Passion, and Success Achieved with Integrity





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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Kat Chit

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Choi Wai Lung Edward *FCCA, FCPA*

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

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

PRINCIPAL BANKERS

In Hong Kong:

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

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

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Bank of Communications

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Highlights

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Turnover	**1,923,930**	1,654,925
Gross profit	**581,271**	496,061
Profit from operations	**282,267**	211,459
Net profit attributable to owners of the Company	**170,294**	137,405
Total assets	**9,426,362**	8,288,480
Shareholders' equity attributable to owners of the Company	**4,175,212**	4,083,017
Basic earnings per share (RMB cents)	**17.0**	13.8
Diluted earnings per share (RMB cents)	**17.0**	13.8

Key Financial Figures

	Six months ended 30 June	
	2019	2018
Gross profit margin	**30%**	30%
Operating profit margin	**15%**	13%
Net profit margin	**9%**	8%
Trade receivable turnover period (Days)	**331**	317
Inventory turnover period (Days)	**69**	75
Trade payable turnover period (Days)	**316**	322
Gearing ratio (Total borrowings divided by total assets)	**20%**	17%
Interest coverage (Profit before finance costs and tax divided by finance costs)	**7.33**	8.55

Revenue

During the period under review, revenue increased by 16% to RMB1,923.93 million (Period 2018: RMB1,654.93 million).

Gross Profit

The Group's gross profit increased by 17% to RMB581.27 million for the six months ended 30 June 2019 (Period 2018: RMB496.06 million). The overall gross profit margin is 30% in the first half of 2019 (Period 2018: 30%).

Other Income

The other income of the Group amounted to RMB61.24 million (Period 2018: RMB50.44 million) which was mainly comprised of interest income, government subsidy and refund of value-added tax.

Other gains and losses

Other gains for the six months ended 30 June, 2019 amounted to RMB0.67 million (Period 2018: RMB0.83 million) which comprised mainly investment gain net of foreign exchange loss.

Operating Expenses

In the first half of 2019, the Group's operating expenses amounted to RMB352.50 million (Period 2018: RMB333.35 million). Operating expenses accounted for 18% of the Group's revenue in the first half of 2019, representing a decrease of 2% as compared with 20% in the first half of 2018.

Finance Costs

For the six months ended 30 June 2019, the Group's finance costs amounted to RMB38.00 million (Period 2018: RMB24.31 million). The increase was attributable to the increase of bank borrowings and loan interest rate during the period.

Operating Profit

Earnings before finance costs and tax for the six months ended 30 June 2019 amounted to RMB278.44 million (Period 2018: RMB207.76 million), representing an increase of 34% 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 2019 increased by 24% to RMB170.29 million (Period 2018: RMB137.41 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 2019, the Group's current assets amounted to approximately RMB6,530.98 million (31 December 2018: RMB5,779.53 million), with cash and cash equivalents totaling approximately RMB1,466.74 million (31 December 2018: RMB1,401.36 million).

As at 30 June 2019, the Group's total bank loans amounted to approximately RMB1,865.10 million (31 December 2018: RMB1,418.17 million), of which RMB1,484.59 million (31 December 2018: RMB1,069.87 million) will be due to repay within one year and the remaining RMB380.51 million (31 December 2018: RMB348.30 million) will be due after one year. In the first half of 2019, the interest rate for the Group's bank borrowings ranged from 3.25% to 6.64% per annum (31 December 2018: 3.50% to 6.64% per annum).

The gearing ratio (total borrowings divided by total assets) increased from 16% on 31 December 2018 to 20% on 30 June 2019.

Exchange Rate Risk

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

Employees and Remuneration Policies

As at 30 June 2019, the Group had 3,424 (31 December 2018: 3,640) staff. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB162.71 million in the first half of 2019 (Period 2018: RMB162.47 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 RMB2.15 million for the six months ended 30 June 2019 (Period 2018: RMB2.08 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 2019	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 June 2019	Date of grant of share options	Vesting period of share options	Exercise period of share options	Exercise price of share options*	Share price of the Company as at the date of the grant of share options**
									HK$	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 2019, the pledge deposits are denominated in Renminbi and are pledged to banks as security for bills facilities granted to the Group. In addition, the Group's land and buildings are pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 30 June 2019, the capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial information amounted to RMB23.46 million (31 December 2018: RMB23.65 million).

Contingent Liabilities

As at 30 June 2019, the Group had no material contingent liabilities.

MARKET REVIEW

Despite the global economic slowdown during the first half of 2019 ("the period under review"), China's gross domestic product (GDP) increased by 6.3% year on year ("YoY") at comparable prices to those of the previous corresponding period. With the implementation of a series of macroeconomic policies aimed at maintaining steady growth and expectations, as well as optimization and upgrading of the economic structure, we are moving steadfastly towards high-quality development.

With a relatively stable macroeconomic performance, the development of the service industry, new innovative technology and equipment manufacturing industries maintain at a fast-growing pace. Furthermore, extreme weather events like cold spells and heat waves drive the demand of renewable power energy market. The transformation and upgrading of urban and rural power networks also drive the increase of power consumption. During the period under review, electricity consumption reached 3.4 trillion KWH in China, representing an increase of 5% YoY.

Since the launch of a fresh round of rural power grid upgrades in 2016, it is estimated that the total investment in such improvements will reach RMB830 billion by the end of 2020. The National Energy Administration has stated that the renovation and upgrades due for completion this year at which the capacity and reliability of the rural area power supply will be vastly improved. Also, it will further facilitate the target of "same grid, same price" among the urban and rural areas early this year.

At the beginning of the year, State Grid Corporation of China ("State Grid") has launched the strategic goal "Three Types and Two Networks", which draws on large industry-demand of new technologies and innovative products, has bestowed new development opportunities to the power metering industry. State Grid has commenced research and development on a new generation of smart meters, whilst various provincial network companies have been actively examining and upgrading their equipment. China Southern Power Grid Company Limited ("Southern Grid") has been preparing for a new generation of smart meter specification and has issued the "Southern Grid Digital Transformation and Digital Construction Action Plan". This emphasizes on the construction of power grid management platform, customer service platform, measurement adjustment platform and enterprise operation control platform and also the construction of three basic platforms of Southern Grid's network, namely Cloud Platform, Digital Power Grid and the Internet of Things ("IoT"). During the period under review, power enterprises actively responded to the call and established effective monitoring systems, thus improving the electricity efficiency.

With its expertise in energy metering and energy saving, the Group's three major businesses have achieved satisfactory results. During the period under review, the Group recorded a total turnover of RMB1,923.93 million (first half of 2018: RMB1,654.93 million), representing an increase of 16% over the same period of 2018 and a net profit of RMB170.29 million (first half of 2018: RMB137.41 million), representing an increase of 24% as compared with the same period of 2018.

BUSINESS REVIEW

Power Advanced Metering Infrastructure ("Power AMI")

To meet the demand created through the marketization of electricity transactions on Ubiquitous Electric Power IoT, a new national standard for smart power meter is going to be finalized. Power AMI business serves through a wide range of domestic and international power and non-power enterprises. During the period under review, the Group's Power AMI business performed well in State Grid, Southern Grid as well as local power companies (such as Inner Mongolia, Hunan, Shaanxi and other provinces).

During the period under review, the Group successfully won a RMB250 million contract under centralised tenders organised by State Grid, helping it to maintain its leadership position in the industry. At Southern Grid, the Group won tenders in five provinces and two cities by leveraging its advantages in brand, technology, market, quality, scale and management which successfully won RMB109 million worth of tenders from Southern Grid centralised framework projects. The Group's outstanding performance in the two largest traditional grid markets underscores its competitive advantage and market strength.

During the period under review, the Group recorded a turnover of RMB986.30 million (first half of 2018: RMB893.55 million) in its Power AMI business, representing an increase of 10% YoY, accounting for 51% of the Group's total revenue (first half of 2018: 54%).

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

After years of exploration, the Group has expanded its focus from purely the power industry to the water, gas, heat, communications and IoT industries, and further extended to other fields such as smart district, smart homes, smart fire control, while transforming "Electric Power IoT" and "City IoT" as its core business for Group's segments contribution.

During the period under review, the Group's Communication and Fluid Advanced Metering Infrastructure business achieved good results. Turnover reached RMB584.94 million (first half of 2018: RMB503.22 million), representing an increase of 16% compared with the same period last year, accounting for 31% of the total revenue of the Group (first half of 2018: 30%).

The Group successfully won RMB91.04 million worth of contracts for data collection terminal and concentrators within the centralised tenders organised by State Grid, maintaining its market leading position. While at the Southern Grid market, the Group won RMB53.73 million worth of contracts in centralised framework tender projects.

In April 2019, the Ministry of Housing and Urban-rural Development, together with the National Development and Reform Commission and the Ministry of Finance, conducted a survey to summarize the basic situation of old communities in need of urbanization. Up to the end of May, the number of old residential areas in cities and towns that needed upgrading had reached 170,000, thus increasing the demands for pipe network construction at water, electricity, gas and fiber optic equipment.

As the power industry long distance communications and local communications of data are facing a significant transformation stage, corresponding communication products will be developed to provide solutions for a wide range of IoT. For example, the medium voltage IoT realizes the development of distributed Data Transfer Unit ("DTU") core products for primary and secondary integration equipments. In terms of low voltage area, new intelligent switches and IoT communication devices are already being built, while a variety of new products are now running in several national and provincial pilot applications of IoT. At the total solutions area, the Group has built and supplied core supporting products for low-voltage intelligent switches, integrated the power IoT communication technology and achieved the seamless connection with intelligent transformer terminal products. The Group cooperated with Alibaba Cloud to co-develop the IoT gateway terminal based on LoRaWAN communication technology. This product has completed the prototype development phase and is currently undergoing full performance testing and verification. It is planned for commercial launch in phases after gaining certification in the second half of the year. In terms of overseas markets, the Group has rolled out its plans in markets like Bangladesh, Indonesia, South Africa and Tanzania.

In June 2019, an executive meeting of the State Council called for strengthening and improving supply of safe drinking water to underprivileged rural areas. To support rural water supply projects in the central and western regions of China, the Central government plans to increase subsidies by RMB6 billion for this year and next year. During the period under review, the contract and quantity of the Group's hydrothermal products have increased as compared with last year. The Group has been successfully listed among the water supply companies of Taiyuan, Lanzhou, Luzhou, Hengyang, Linfen and Chenzhou. The Group's Narrow Band Internet of Things ("NB-IoT") water meters and gas meters have obtained network access licenses from the Ministry of Industry and Information Technology. Our newly-launched modular split type water meters have laid a solid foundation for the development of new markets.

Advanced Distribution Operations ("ADO")

In January 2019, the National Development and Reform Commission and the National Energy Administration issued the "Notice on Further Promoting the Reform of the Incremental Distribution Business Reform". This document broadens the scope of incremental power distribution reform, clarifies the requirements for price verification and grid connection of incremental distribution networks, and further improves the policy system for incremental power distribution reform.

The Group's ADO business achieved satisfactory results in the period under review by recording a turnover of RMB352.69 million (first half of 2018: RMB258.15 million), representing an increase of 37% over 2018, accounting for 18% (first half of 2018: 16%) of total turnover.

Ubiquitous Electric Power IoT strives to provide the "last kilometer" service to customers, adding new requirements to smart power grids, and particularly promotes the smart process of low-voltage distribution. As a result, smart distribution terminals, digital 5G and NB-IoT solutions have derived. In addition, new technologies and standards brought by State Grid's energy Internet will penetrate into non-power grid fields, further accelerate the smart transformation of distribution power system for all types of end users, share the technology dividends of the Ubiquitous Electric Power IoT, whilst generating economic benefits.

Since 2017, the Group has followed a strategic plan to improve primary and secondary equipment integration, and participated in establishing an industry standard for smart area stations, and primary and secondary integration organized by the State Grid Transportation Inspection Department, as well as pilot project construction. The tender amount of primary and secondary integration products from power grids increased significantly. The Group also made further steps in energy efficiency and accomplished online connection and deployment of a smart fire control platform for the Changsha High-tech Zone. In the field of energy efficiency solutions, the Group completed project upgrades and deployments in universities, industrial zones, and commercial complexes, etc., in order to help the transformation from local area energy efficiency solutions linked up with the full system upgrade to an IoT cloud platform.

In non-power grid areas, the Group actively expanded the surrounding areas of Hunan, including Hubei, Anhui, Sichuan, Chongqing, Guangxi, etc., and focused on high-growth fields such as rail transit, data centers, electronic chip production and hospitals, and achieved positive results.

International markets

In recent years, the investment in overseas power markets from Chinese enterprises has increased rapidly. This has intensified overseas market competition. While the technology and scale of Power AMI construction of the Group has become relatively matured, the Group seized key opportunities in the overseas market and achieved a turnover of RMB199.57 million (first half of 2018: RMB177.68 million) in international markets during the period under review, representing an increase of 12% over the same period last year. The tremendous experience gained in the past has empowered the Group to realize an overall upgrade in sales and marketing strategies and establish a dominant position in the market. The Group showed good improvement in terms of products, services and sales capabilities while focusing on energy efficiency and communications.

In Bangladesh, the Group introduced a micro energy reserve system which allowed free switching between off-grid and on-grid connection, and is expected to bring positive outcomes in agricultural irrigation. The Group also undertook a smart power system construction project in Forest City, Malaysia, in which it provided an overall solution from systems and communications hardware supply to installation and full-system testing. This has laid a solid foundation on the Group's capabilities in integrated solutions and end-to-end project execution in overseas markets. The smart transformation of Power AMI products is expected to drive the Group's sales in Indonesia. In South Korea, the sales capabilities and business performance of the Group continued to improve. In Africa, the Group's business in power sector maintained a stable growth in Egypt and Tanzania, while in West Africa, the new generation of prepaid products is undergoing a key exploration stage. In Europe, the Group passed the recurring test for IDIS certification. In South America, the Group proactively sought acquisition opportunities to improve its competitive edge and create larger growth potential.

Research and Development ("R&D")

The rapid development of industry, the prescription of new power grid standards and the drive for Ubiquitous Electric Power IoT have become catalysts for R&D upgrades of smart meters, smart solutions and other smart products. During the period in review, the Group increased its investment in R&D through the recruitment of new talent and increased funding. A total of 76 patents and 40 software copyrights were registered during the year, resulting in 1,286 patents for new products and energy efficiency services and 1,062 software copyrights.

For Power AMI, the Group established a team to launch "Energy Internet Socket and System" and smart meters with "Load Identification and Leakage Monitoring" functions, and took an active involvement in the setting of technical standards for the new generation of smart meters with State Grid and Southern Grid. The Group conducted electricity load identification technology and received pilot orders from State Grid. In terms of power monitoring, the standard of the State Grid's smart low-voltage fault sensor was drafted and the Group has completed small batch production and product release of the smart low-voltage fault sensor product conforming to the standard.

For Communication and Fluid AMI, the Group successfully developed a new series of products including Smart Distribution Transformer Supervisory Terminal Unit ("TTU"), Branch Monitoring Terminal, Rear-end Sensing Terminal and platform topology identification, etc. These products have not only earned recognition from State Grid and Southern Grid, but also enhanced the strength of the Group in development of its own products in the construction and promotion of overall IoT solutions. For non-power grid markets, the Group successfully applied its cloud-based IoT mobile payment technology and NB-IoT communication to residential areas, universities, and shopping malls. The cloud platform has the advantages of ease of deployment, low cost and payment convenience.

In terms of ADO market, the Group developed key technologies in Ubiquitous Electric Power IoT, and full range of IoT solutions for low-voltage distribution; enhanced the engineering capabilities and key equipment development capabilities of smart energy, the primary and secondary integration with its smart equipment, smart power distribution and energy efficiency management solutions. The Group has cooperated with several provincial-level electric power science research institutes in Shaanxi, Guangxi and Hunan to carry out pilot projects on R&D of new technologies and new products. In the meantime, in accordance with the customized characteristics of power distribution equipment, the Group has constantly focused on smart manufacturing, improved the production management system, and developed smart software quality. Focusing on the future application scenarios of new energy sources, the Group has initially developed new energy forest monitoring system, new energy street lighting system and new energy landscape storage systems.

For overseas markets, the Group developed energy storage systems with independent intellectual property, and dual-loop power supply micro-continuous power supply system products. The Group launched smart prepaid products and successfully achieved platform upgrades and cost reductions. These products have been promoted in South Africa and Bangladesh. The Group accomplished R&D and tests of relevant products on NB-IoT, IoT, dual-module communication technologies and will soon complete the on-site trial installation, operations, and batch release. Under the development of the global industry supply chain, the Group will continue the research on the reliability and stability of its products, strengthen the onsite communication and interaction with local clients and continue to provide quality technical services to customers.

PROSPECTS

Smart grid is the foundation of future development in the power industry. According to the full report of "State Grid on Smart Planning, 2009–2020" issued by State Grid, smart grid investment during the period amounted to RMB384.1 billion. "Ubiquitous Electric Power IoT" sanctioned by the two major grid companies in China brings new opportunities for Power AMI solutions.

The Group's Power AMI businesses will continue to focus on domestic and international power and non-power markets. We will continue to work on cost reduction of existing on-sale products while further perfect the Power AMI total solutions with massive operations. Meanwhile, the Group will target on energy measurement and energy efficiency management for residents, industrial parks, distributed optical storage and charging stations, and commercial complexes which helps to satisfy the trading of electricity and the electricity demand side management requirements through the development of smart meters, energy routers and distributed micro control systems. It is expected that these products will improve optimal management of integrated energy, interaction between power grids and users, and meet the requirements of power supply safety, efficiency and effectiveness.

With the upgrade and implementation of NB-IoT communication skills, the demand for total solutions in water, gas and heat segments will increase in large scale. The Group will focus on the development of NB-IoT water and gas meters and increase investments in old town transformation in order to seize readily available market opportunities.

With the emergence of Power IoT and digital power grids, long distance communication and local communications of data facing a significant transformation stage and industries are facing new challenges in terms of system upgrades and replacement. Therefore, equipping these sectors not only provides opportunities for new wide-ranging IoT solutions, but also can promote mutual development of other fields such as smart fire control, smart district and community construction.

Under the technology promotion of Internet plus, artificial intelligence and appearance of Ubiquitous Electric Power IoT, ADO is presented with an unprecedented development opportunity. Methods of combining new technologies and products with end users' in mind, strenuous exploration of clients' values and innovation in business models have become the key development directions of the Group. During the period under review, the Group's ADO business incorporated an internationalization strategy which strengthened its in-depth understanding of the market and tapped into the key markets with existing resources and brand influence in order to better prepare for the "going out" action. In terms of end users' power distribution markets, such as petroleum and petrochemicals, business centres, and communication industries, the Group will launch new products and after-sales services in a timely manner to meet the increasing expectation of customers for higher quality, thereby enhancing our brand value.

Facing ground-breaking technological innovation and intensifying market competition, the Group will spare no effort to invest in R&D and guide State Grid and Southern Grid to lift up the technical requirements in the formulation of the next generation smart metering technological standards in order to enhance its technological competencies.

Demands on electric products vary in different areas and markets. Based on careful market evaluation and analysis, the Group will use communication platform products and total solutions as its leading products. At the developed countries, the Group will cooperate with well-known international corporations to drive product sales. On the other hand, at the emerging markets, the Group will actively establish local engineering technological companies in order to obtain market leading position and seek market domination opportunity.

Looking to the second half of 2019, it is expected that domestic electricity consumption will grow rapidly, and the power consumption structure will continue to be optimized, which brings new opportunities for related enterprises. The consulting firm Accenture predicted that global renewable energy will provide half of total power generation by 2035. Facing the rapid development of power industry innovation, the vigorous promotion of the energy IoT and the increasingly complex demand on electricity, the Group will firmly uphold the principle of “Aggressive with Keen Determination and Achieving Growth through Innovation”, adhere to the development of the three major business segments, and focus on the domestic and international markets. The Group aims to realize new achievements, seek new development, and unveil a new chapter by providing customers with state-of-the-art products and services.

PROPOSED SPIN-OFF AND SEPARATE LISTING OF WILLFAR INFORMATION TECHNOLOGY ON THE STAR MARKET OF SSE

Pursuant to the announcement of the Company dated 4 April 2019, Shanghai Stock Exchange ("SSE") has accepted the listing application of Willfar Information Technology Company Limited ("Willfar Information Technology"), a 65% owned subsidiary of the Company, on the STAR Market. Pursuant to the announcement of the Company dated 27 May 2019, the Company has received the approval from the Stock Exchange with regard to the above spin-off in accordance with the requirements of Practice Note 15 to the Listing Rules. Up to the date of this interim results announcement, Willfar Information Technology is replying the review inquiries raised by SSE.

INTERIM DIVIDEND

The directors have declared an interim dividend of HK$0.06 (Period 2018: Nil) per share to shareholders of the Company whose names appear on the register of members on 19 September 2019. The interim dividend is expected to be paid on 27 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who qualify for the interim dividend, the register of members will be closed on Wednesday, 18 September 2019 to Thursday, 19 September 2019, both days inclusive. In order to qualify for the interim dividend, all transfer documents should be lodged for registration with the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited situated at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong not later than 4:30 p.m. on Tuesday, 17 September 2019.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2019, 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)	529,986,888	53.00%
Cao Zhao Hui	Beneficial owner	2,000,000	0.20%
Zeng Xin	Beneficial owner	2,000,000	0.20%
Zheng Xiao Ping	Beneficial owner (Note 2)	3,682,000	0.37%
Hui Wing Kuen	Beneficial owner	550,000	0.06%

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 2019.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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	529,986,888	53.00%
Star Treasure	Beneficial owner	529,986,888	53.00%
Edgbaston Asian Equity Trust	Beneficial owner	61,720,000	6.17%
Edgbaston Investment Partners LLP	Investment manager	81,814,000	8.18%

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 2019.

AUDIT COMMITTEE

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

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

The interim results of the Group for the six months ended 30 June 2019 have been reviewed by the auditors of the Company, Deloitte Touche Tohmatsu, 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 2019, save for Code Provision A.6.7, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules.

Code Provision A.6.7 provides that independent non-executive directors and non-executive directors of the Company should attend general meetings of the Company. Mr. Huang Jing, Mr. Luan Wenpeng and Mr. Cheng Shi Jie, who are independent non-executive directors of the Company, failed to attend the annual general meeting of the Company held on 22 May 2019 due to conflicts with their schedules.

Save as disclosed, there has been no deviation from the code provisions of the Corporate Governance Code as set forth in the Appendix 14 of the Listing Rules for the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made with all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2019.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019, the Company has repurchased its listed shares on the Stock Exchange and the details are as below:

Month of repurchase	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Total Consideration Paid**
		HK$	HK$	HK$
January 2019	1,000,000	3.80	3.70	3,765,980
April 2019	1,400,000	4.10	3.95	5,621,000
May 2019	2,682,000	3.91	3.32	10,102,480
	5,082,000			19,489,460

Amongst 5,082,000 shares repurchased during the period, 1,000,000 shares were cancelled with the issued share capital of the Company reduced by the nominal value of these shares accordingly while the remaining 4,082,000 shares were not yet cancelled as at 30 June 2019.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the six months ended 30 June 2019.

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, 28 August 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF WASION HOLDINGS LIMITED
威勝控股有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Wasion Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	3	**1,923,930**	1,654,925
Cost of sales		**(1,342,659)**	(1,158,864)
Gross profit		**581,271**	496,061
Other income		**61,240**	50,441
Other gains and losses		**665**	827
Administrative expenses		**(84,923)**	(85,462)
Selling expenses		**(151,660)**	(143,497)
Research and development expenses		**(115,920)**	(104,391)
Impairment losses on financial assets		**(8,406)**	(2,520)
Finance costs	4	**(38,002)**	(24,308)
Share of results of a joint venture		**(4,000)**	—
Share of results of associates		**171**	(3,703)
Profit before taxation		**240,436**	183,448
Income tax expense	5	**(28,544)**	(12,646)
Profit for the period	6	**211,892**	170,802
Profit for the period attributable to			
— Owners of the Company		**170,294**	137,405
— Non-controlling interests		**41,598**	33,397
		211,892	170,802
Other comprehensive income (expense)			
Item that will not be subsequently reclassified to profit or loss			
Fair value changes on equity instruments at fair value through other comprehensive income, net of related deferred taxation		**9,069**	(26,848)
Item that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**(4,453)**	9,597
Other comprehensive income (expense) for the period		**4,616**	(17,251)
Total comprehensive income for the period		**216,508**	153,551
Total comprehensive income for the period attributable to			
— Owners of the Company		**174,910**	120,154
— Non-controlling interests		**41,598**	33,397
		216,508	153,551
Earnings per share	8		
Basic		**RMB17.0 cents**	RMB13.8 cents
Diluted		**RMB17.0 cents**	RMB13.8 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**1,273,328**	1,282,072
Right-of-use assets	9	**157,233**	—
Prepaid lease payments		**—**	148,460
Investment properties		**27,470**	28,160
Goodwill		**297,919**	297,919
Other intangible assets	9	**508,664**	472,948
Investment in associates		**9,321**	9,150
Investment in a joint venture		**—**	—
Equity instruments at fair value through other comprehensive income	10A	**107,849**	125,889
Financial assets at fair value through profit or loss	10B	**200,000**	200,000
Deferred tax assets		**18,056**	17,111
Other non-current assets	11	**130,540**	142,057
Loan receivables	13	**105,000**	105,000
Fixed bank deposit		**60,000**	—
		2,895,380	2,828,766
CURRENT ASSETS			
Inventories		**520,907**	495,522
Trade and other receivables and prepayments	12A	**3,958,129**	3,303,877
Contract assets	12B	**371,926**	263,358
Prepaid lease payments		**—**	3,541
Financial assets at fair value through profit or loss	10B	**—**	30,888
Pledged bank deposits		**213,281**	280,981
Bank balances and cash		**1,466,739**	1,401,362
		6,530,982	5,779,529
CURRENT LIABILITIES			
Trade and other payables	15	**2,648,108**	2,271,847
Contract liabilities		**79,936**	102,259
Lease liabilities		**4,784**	—
Tax liabilities		**39,606**	55,026
Borrowings — due within one year	16	**1,484,588**	1,069,864
		4,257,022	3,498,996
NET CURRENT ASSETS		**2,273,960**	2,280,533
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,169,340**	5,109,299

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2019

	Notes	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	17	**9,947**	9,969
Reserves		**4,165,266**	4,176,691
Equity attributable to owners of the Company		**4,175,213**	4,186,660
Non-controlling interests		**594,870**	555,624
		4,770,083	4,742,284
NON-CURRENT LIABILITIES			
Borrowings — due after one year	16	**380,513**	348,303
Deferred tax liabilities		**17,623**	18,712
Lease liabilities		**1,121**	—
		399,257	367,015
		5,169,340	5,109,299

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company													
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note i)	Exchange reserve RMB'000	PRC statutory reserves RMB'000 (Note ii)	Share option reserve RMB'000	Investment revaluation reserve RMB'000	Shares held for share award scheme RMB'000 (Note iii)	Share repurchase reserve RMB'000	Other reserve RMB'000 (Notes iv and v)	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2018 (audited)	9,988	1,645,571	49,990	(69,353)	335,777	27,730	2,022	(25,119)	–	(14,353)	2,200,051	4,162,304	493,631	4,655,935
Profit for the period	–	–	–	–	–	–	–	–	–	–	137,405	137,405	33,397	170,802
Fair value changes on equity instruments at fair value through other comprehensive income, net of related deferred taxation	–	–	–	–	–	–	(26,848)	–	–	–	–	(26,848)	–	(26,848)
Exchange differences arising on translation of foreign operations	–	–	–	9,597	–	–	–	–	–	–	–	9,597	–	9,597
Total comprehensive income (expense) for the period	–	–	–	9,597	–	–	(26,848)	–	–	–	137,405	120,154	33,397	153,551
Distribution of shares under share award scheme	–	–	–	–	–	–	–	3,107	–	–	–	3,107	–	3,107
Subscription of shares of a subsidiary by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	500	500
Dividend recognised as distribution	–	–	–	–	–	–	–	–	–	–	(202,548)	(202,548)	–	(202,548)
At 30 June 2018 (unaudited)	9,988	1,645,571	49,990	(59,756)	335,777	27,730	(24,826)	(22,012)	–	(14,353)	2,134,908	4,083,017	527,528	4,610,545
At 31 December 2018 (audited)	9,969	1,435,617	49,990	(52,822)	381,537	27,730	(49,125)	(22,012)	(4,979)	(14,353)	2,425,108	4,186,660	555,624	4,742,284
Profit for the period	–	–	–	–	–	–	–	–	–	–	170,294	170,294	41,598	211,892
Fair value changes on equity instruments at fair value through other comprehensive income, net of related deferred taxation	–	–	–	–	–	–	9,069	–	–	–	–	9,069	–	9,069
Exchange differences arising on translation of foreign operations	–	–	–	(4,453)	–	–	–	–	–	–	–	(4,453)	–	(4,453)
Reclassification adjustments upon disposal of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(2,113)	–	–	–	2,113	–	–	–
Total comprehensive (expense) income for the period	–	–	–	(4,453)	–	–	6,956	–	–	–	172,407	174,910	41,598	216,508
Acquisition of addition interests in a subsidiary	–	–	–	–	–	–	–	–	–	(648)	–	(648)	(2,352)	(3,000)
Share cancelled	(22)	(8,263)	–	–	–	–	–	–	8,285	–	–	–	–	–
Share repurchased	–	–	–	–	–	–	–	–	(17,111)	–	–	(17,111)	–	(17,111)
Transaction costs attributable to shares repurchase and cancellation	–	(12)	–	–	–	–	–	–	(50)	–	–	(62)	–	(62)
Dividend recognised as distribution	–	–	–	–	–	–	–	–	–	–	(168,536)	(168,536)	–	(168,536)
At 30 June 2019 (unaudited)	9,947	1,427,342	49,990	(57,275)	381,537	27,730	(42,619)	(22,012)	(13,855)	(15,001)	2,428,979	4,175,213	594,870	4,770,083

Notes:

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

(ii) PRC statutory reserves are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to the Group's PRC subsidiaries.

(iii) Shares held for share award scheme represent the own shares of the Company repurchased by a trustee for an employees' share award scheme. During the period ended 30 June 2018, a total of 900,000 ordinary shares of the Company at a fair value of RMB3,107,000 were granted to the employee of the Company.

(iv) Other reserve includes an amount of RMB33,164,000 representing the excess of the balance of plan asset over the carrying amount of shares held under share award plan of the Company, which was recognised upon termination of the plan in prior years.

(v) The Group accounts for changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and recognises any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received in other reserve.

During the period ended 30 June 2019, the Group acquired 10% equity interests in a non-wholly owned subsidiary from its non-controlling shareholder at a consideration of RMB3,000,000. The difference between the non-controlling interests released and the consideration is recognised in equity and accumulated in other reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Net cash used in operating activities		**(116,014)**	(168,683)
Net cash used in investing activities			
Purchase of financial assets at fair value through profit or loss		**(705,000)**	(371,796)
Placement of fixed bank deposits		**(60,000)**	—
Expenditure on intangible assets		**(86,921)**	(66,776)
Payment for a life insurance product		**(17,497)**	—
Acquisition of additional interest in a joint venture		**(4,000)**	—
Proceed from disposals of financial assets at fair value through profit or loss		**736,722**	183,319
Withdrawal of pledged bank deposits		**1,153,481**	322,956
Proceed from disposal of equity instruments at fair value through other comprehensive income		**29,884**	3,300
Purchase of property, plant and equipment		**(20,953)**	(27,882)
Purchase of equity instruments at fair value through other comprehensive income		**—**	(77,315)
Placement of pledged bank deposits		**(1,085,781)**	(276,560)
Placement of short-term bank deposits		**—**	(200,000)
Advance to an associate		**—**	(10,000)
Other investing cash flows		**30,172**	11,826
		(29,893)	(508,928)
Net cash from financing activities			
New borrowings raised		**825,248**	809,110
Repayment of borrowings		**(380,469)**	(301,264)
Dividend paid		**(168,536)**	(202,548)
Shares repurchased	17	**(17,111)**	—
Principal portion of lease payments		**(4,399)**	—
Transaction costs attributable to shares repurchase and cancellation	17	**(62)**	—
Subscription of shares of a subsidiary by non-controlling interests		**—**	500
Acquisition of additional interest in a subsidiary		**(3,000)**	—
Other financing cash flows		**(37,836)**	(24,308)
		213,835	281,490
Net increase (decrease) in cash and cash equivalents		**67,928**	(396,121)
Cash and cash equivalents at beginning of the period		**1,401,362**	1,243,892
Effect of foreign exchange rate changes		**(2,551)**	5,854
Cash and cash equivalents at end of the period		**1,466,739**	853,625
Represented by:			
Bank balances and cash		**1,466,739**	1,053,625
Less: Short-term bank deposits		**—**	(200,000)
		1,466,739	853,625

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is incorporated In the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors consider the immediate and ultimate holding company to be Star Treasure Investments Holdings Limited, a limited liability company incorporated in the British Virgin Islands (the "BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the interim report.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

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

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

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

2.1.1. Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of land and building that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1. Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1. Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2. Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

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

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

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

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

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the People's Republic of China and Hong Kong was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$3,252,000 and right-of-use assets of HK$156,407,000 at 1 January 2019.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2. Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

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

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

	Notes	Right-of use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		3,252
Reclassified from prepaid lease payments	(a)	152,001
Adjustments on rental deposits at 1 January 2019	(b)	1,154
		156,407
By class:		
Leasehold land		152,001
Land and buildings		4,406
		156,407

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2. Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

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

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$1,154,000 was adjusted to refundable rental deposits paid and right-of-use assets.

As a lessor

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

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

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current assets			
Prepaid lease payments	148,460	(148,460)	—
Right-of-use assets	—	156,407	156,407
Current assets			
Prepaid lease payments	3,541	(3,541)	—
Other receivables			
— Rental deposits	1,154	(1,154)	—
Current liability			
Lease liabilities	—	(3,011)	(3,011)
Non-current liability			
Lease liabilities	—	(241)	(241)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

The effect of application of HKFRS 16 as a lessor for the Group on the condensed consolidated financial statements for the current interim period is insignificant.

3. REVENUE AND SEGMENT INFORMATION

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

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

(a) Power advanced metering infrastructure segment, which engages in the development, manufacture and sale of smart power meters and provision of respective system solution;

(b) Communication and fluid advanced metering infrastructure segment, which engages in the development, manufacture and sale of communication terminals and water, gas and heat metering products and provision of respective system solution; and

(c) Advanced distribution operations segment, which engages in the manufacture and sale of smart power distribution devices and providing smart power distribution solution and energy efficiency solution.

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

For the six months ended 30 June 2019

	Power advanced metering infrastructure RMB'000	Communication and fluid advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Consolidated RMB'000
Segment revenue	986,302	584,938	352,690	1,923,930
Timing of revenue recognition				
At a point of time	986,302	584,938	352,690	1,923,930
Segment profit	118,163	121,061	45,152	284,376
Unallocated income and gains/losses				16,364
Central administration costs				(18,473)
Finance costs				(38,002)
Share of results of an associate and a joint venture				(3,829)
Profit before taxation				240,436

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2018

	Power advanced metering infrastructure RMB'000	Communication and fluid advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Consolidated RMB'000
Segment revenue	893,551	503,222	258,152	1,654,925
Timing of revenue recognition				
At a point of time	893,551	503,222	258,152	1,654,925
Segment profit	82,853	92,519	26,773	202,145
Unallocated income and gains/losses				27,287
Central administration costs				(17,973)
Finance costs				(24,308)
Share of results of associates				(3,703)
Profit before taxation				183,448

Segment profit represents the profit earned by each segment without allocation of certain items of other income and central administration costs, share of results of associates and a joint venture, directors' salaries, finance costs and taxation. This is the measure reported to the CODM, for the purposes of resources allocation and performance assessment.

4. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interests on borrowings	**37,836**	24,308
Interests on lease liabilities	**166**	—
	38,002	24,308

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
— current period	**38,416**	35,900
— overprovision in prior periods	**(5,379)**	(22,155)
	33,037	13,745
Deferred taxation		
— current period	**(4,493)**	(1,099)
	28,544	12,646

Notes:

(i) Hong Kong

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income that was subject to Hong Kong Profits Tax during each of the six months ended 30 June 2018 and 2019.

(ii) The PRC

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

5. INCOME TAX EXPENSE (Continued)

Notes: (Continued)

(ii) The PRC (Continued)

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC, certain of the subsidiaries established in the PRC engaging in research and development activities are entitled to claim additional 50% to 75% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year. The qualified PRC subsidiaries can enjoy the additional deduction of 75% of qualified research and development expenses for a consecutive three years from year 2018 to 2020.

(iii) Other jurisdictions

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

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

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of intangible assets (included in selling expenses, administrative expenses and research and development expenses)	**51,205**	47,756
Depreciation of investment properties	**690**	115
Depreciation of property, plant and equipment	**29,074**	30,768
Depreciation of right-of-use assets	**4,289**	—
Release of prepaid lease payments	**—**	1,894
Net exchange loss	**484**	2,217
Bank interest income	**(9,788)**	(8,861)
Interest income from loan receivables	**(9,842)**	(10,097)

7. DIVIDENDS

During the period, a cash dividend of HK$0.20, equivalent to RMB0.171, per share (six months ended 30 June 2018: HK$0.24, equivalent to RMB0.194, per share) was declared and paid to the shareholders as the final dividend for 2018 (six months ended 30 June 2018: final dividend for 2017). The aggregate amount of the final dividend declared and paid in the current interim period amounting to RMB168,536,000 (six months ended 30 June 2018: RMB202,548,000).

The directors has declared an interim dividend of HK$0.06, equivalent to RMB0.054 (six months ended 30 June 2018: nil) per share for the six months ended 30 June 2019 to shareholders whose name appear in Register of Members on 19 September 2019.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**170,294**	137,405
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,000,376,040**	997,753,719

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

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

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, OTHER INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

During current interim period, the Group incurred costs of RMB1,892,000 (six months ended 30 June 2018: RMB1,563,000) on the construction of new factory and office premises and acquired property, plant and equipment of RMB19,061,000 (six months ended 30 June 2018: RMB26,319,000) in order to upgrade its manufacturing capabilities. Development costs and additions to patents, copy rights and trademarks of RMB80,290,000 and RMB6,631,000 respectively (six months ended 30 June 2018: development cost of RMB66,776,000) are capitalised in other intangible assets. During the current interim period. the Group entered into new lease agreements for the use of land and buildings for one to two years. On lease commencement, the Group recognised right-of-use asset of RMB7,310,000 and lease liabilities of RMB6,833,000.

10A. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at fair value through other comprehensive income comprise:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Equity securities listed in Hong Kong	**68,709**	89,198
Equity securities listed in the PRC	**17,392**	14,943
Unlisted equity securities	**21,748**	21,748
	107,849	125,889

10B. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Equity securities listed in the PRC	**–**	888
Investments in trust funds (Note)	**200,000**	230,000
	200,000	230,888

Note: Amounts represent investments in trust funds made by the Group through security houses. The trust funds invest in ranges of debt instrument products which are generally government bonds and corporate loans.

At 31 December 2018, investment amount of RMB30,000,000 was entered for less than 1 year and was classified under current assets.

11. OTHER NON-CURRENT ASSETS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Consideration receivables for disposal of subsidiaries (Note i)	**77,000**	77,000
Consideration receivables for disposal of unlisted equity investment (Note ii)	**–**	29,700
Life insurance products (Note iii)	**53,540**	35,357
	130,540	142,057

Notes:

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

(ii) Amount represented consideration receivable for the disposal of 15% equity interest in Hunan Jiale Property Development Co., Ltd.. The balance carries fixed interest at 4.35% per annum and is repayable in January 2020. At 30 June 2019, the amount would be repaid within one year and was classified under current assets as detailed in Note 12A.

11. OTHER NON-CURRENT ASSETS (Continued)

Notes: (Continued)

(iii) In prior years, the Company entered into three (31 December 2018: two) life insurance policies with an insurance company to insure three (31 December 2018: two) executive directors. Under these policies, the beneficiary and policy holder is 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 fifteen or eighteenth policy year, as appropriates, a pre-determined specified surrender charge would be imposed on the Company.

12A. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Due to the nature of business, the settlement terms of trade receivables are based on the achievement of certain milestones of each sales transaction. The Group generally allows credit periods ranging from 90 days to 365 days to its trade customers, except for certain customers, where the credit periods may be beyond 365 days.

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade and bills receivables		
0–90 days	**1,458,087**	1,219,657
91–180 days	**404,988**	382,137
181–365 days	**862,359**	508,310
Over 1 year	**658,952**	606,369
	3,384,386	2,716,473
Retentions held by trade customers (note i)	**121,382**	174,280
Deposits, prepayments and other receivables	**394,211**	344,124
Consideration receivable for disposal of unlisted equity instruments	**29,700**	—
Loan receivables (note ii)	**10,450**	51,000
Loan receivable from a joint venture/an associate (note iii)	**18,000**	18,000
	3,958,129	3,303,877

12A. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes:

(i) Upon the application of HKFRS 15, the retentions held by trade customers arising from the sales contracts entered into after 1 January 2018 are classified as contract assets. The amount of RMB121,382,000 (31 December 2018: RMB174,280,000) represents retentions held by trade customers arising from the sales contracts which were already completed as of 31 December 2017.

(ii) Upon the disposal of 85% equity interest in Hunan Jiale Property Development Co., Ltd ("Hunan Jiale") in 2017 to an independent third party, Hunan Jiale will repay a shareholder's loan of RMB138,869,000, with principal of RMB51,000,000 outstanding at 31 December 2018. In January 2019, principal of RMB40,550,000 has been settled. The remaining amount is expected to be repaid in one year.

(iii) The amount represents a short-term loan to a joint venture (31 December 2018: an associate) which carry fixed interests at 4.71% per annum which is repayable within one year from the end of the reporting period.

12B. CONTRACT ASSETS

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

13. LOAN RECEIVABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Fixed-rate loan receivables	**105,000**	105,000

The amounts represent loans advanced by the Group to an independent third party under entrusted loan contracts. These entrusted loans carry fixed interests at 12% per annum and are repayable in September 2020.

Certain land and buildings of the borrowers have been pledged to the Group, and the Group is not permitted to sell these assets in the absence of default of the borrowers. The pledge will be released upon settlement of the relevant loans.

14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS ("ECL") MODEL

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Trade receivables and contract assets

The Group applies the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for those which had been determined as credit-impaired under HKFRS 9, the Group determines the expected credit losses on these items by using a provision matrix based on a combination of groupings of various debtors that shared similar credit risk characteristics and past due analysis.

Other financial assets

The Group assessed the impairment for its other receivables individually based on internal credit rating. The Group assess there has been no significant increase in credit risk since initial recognition. The management of the Group considers fixed bank deposit, pledged bank deposits and bank balances that are deposited with state-owned banks or financial institutions with high credit rating to be low credit risk financial assets and the probability of default is negligible on the basis of high-credit-rating. No 12 month ECL was made for these items as at 31 December 2018 and 30 June 2019 as the amounts involved were insignificant.

15. TRADE AND OTHER PAYABLES

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade and bills payables		
0–90 days	**1,763,077**	1,761,118
91–180 days	**488,513**	224,373
181–365 days	**120,181**	115,260
Over 1 year	**135,947**	72,642
	2,507,718	2,173,393
Other payables	**140,390**	98,454
	2,648,108	2,271,847

16. BORROWINGS

During the period, the Group obtained bank loans of RMB825,248,000 (six months ended 30 June 2018: RMB809,110,000) and repaid bank loans of RMB380,469,000 (six months ended 30 June 2018: RMB301,264,000). The loans carry interests at market rates ranging from 3.25% to 6.64% (six months ended 30 June 2018: 3.30% to 5.69%) per annum and are repayable in instalments over a period of 3 years. The proceeds were used for general working capital purposes.

17. SHARE CAPITAL

	Number of shares	Nominal value
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2018, 30 June 2018, 31 December 2018 and 30 June 2019	100,000,000,000	1,000,000
		RMB'000
Issued and fully paid:		
At 1 January 2018 and 30 June 2018	1,004,721,675	9,988
Shares repurchased and cancelled	(2,260,000)	(19)
At 31 December 2018	1,002,461,675	9,969
Shares cancelled	(1,500,000)	(13)
Shares repurchased and cancelled (Note)	(1,000,000)	(9)
At 30 June 2019	999,961,675	9,947

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

Six months ended 30 June 2019

Month of repurchase	Number of ordinary shares of HK$0.01 each of the Company	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	RMB'000
January 2019	1,000,000	3.80	3.70	3,306
April 2019	1,400,000	4.10	3.95	4,935
May 2019	2,682,000	3.91	3.32	8,870
	5,082,000			17,111

Out of 5,082,000 ordinary shares repurchased, 1,000,000 shares were cancelled during the six months ended 30 June 2019.

18. 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 Share Award 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 Share Award Scheme.

As at 30 June 2019, 6,600,000 ordinary shares of the Company were held by trustee of the Share Award Scheme.

19. CAPITAL COMMITMENTS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
— acquisition of property, plant and equipment	**23,464**	23,532
— additions of construction in progress	**—**	121
	23,464	23,653

20. RELATED PARTY DISCLOSURES

(a) Transactions

Relationship	Transactions	Six months ended 30 June 2019 RMB'000 (unaudited)	Six months ended 30 June 2018 RMB'000 (unaudited)
A joint venture/ an associate	Sales of goods by the Group	**19,856**	19,278

(b) Balances

Except for set out in Note 12A, details of balances between the Group and an associate are as below:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade receivable due from a joint venture/an associate	**35,685**	39,925
Trade payables due to a joint venture/an associate	**17,445**	—

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

	Six months ended 30 June 2019 RMB'000 (unaudited)	Six months ended 30 June 2018 RMB'000 (unaudited)
Short-term benefits	**2,985**	2,711
Retirement benefit scheme contributions	**16**	54
	3,001	2,765

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

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 June 2019	31 December 2018			
1) Listed equity securities of fair value through profit or loss	–	Listed equity securities in the PRC: RMB888,000	Level 1	Quoted bid prices in an active market	N/A
2) Unlisted investments in trust fund	RMB200,000,000	RMB230,000,000	Level 2	Discounted cash flow, which was based on value of underlying assets	N/A
3) Listed equity securities at fair value through other comprehensive income	Listed equity securities in Hong Kong: RMB68,709,000 Listed equity securities in PRC: RMB17,392,000	Listed equity securities in Hong Kong: RMB89,198,000 Listed equity securities in PRC: RMB14,943,000	Level 1	Quoted bid prices in an active market	N/A
4) Unlisted equity investments at fair value through other comprehensive income	17.42% equity investment in a PRC company engaged in development of electronic meters –RMB18,748,000; and 15% in a PRC company engaged in energy supplies services – RMB3,000,000	17.42% equity investment in a PRC company engaged in development of electronic meters –RMB18,748,000; and 15% in a PRC company engaged in energy supplies services – RMB3,000,000	Level 3	Asset approach	Fair market value of assets and liabilities as at valuation date. The higher the fair value of assets, the higher the fair value

There were no transfers among Level 1, 2 and 3 during the periods.