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Wasion Holdings Limited
威勝控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3393)

**ANNOUNCEMENT OF THE ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB4,590.76 million (2020: RMB3,948.75 million), representing an increase of 16%.
- Revenue from Power AMI increased by 5% to RMB1,714.45 million as compared with 2020.
- Revenue from Communication and Fluid AMI increased by 26% to RMB1,719.37 million as compared with 2020.
- Revenue from ADO increased by 22% to RMB1,156.94 million as compared with 2020.
- Net profit for the year attributable to owners of the Company amounted to RMB268.08 million (2020: RMB231.19 million).
- Basic earnings per share for the year amounted to RMB27.2 cents (2020: RMB23.5 cents).
- The board of directors has proposed a final dividend of HK\$0.20 (equivalent to RMB0.163) per share for the year ended 31 December 2021.

The board of directors (the “**Board**”) of Wasion Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Revenue	3	4,590,762	3,948,750
Cost of sales		(3,091,992)	(2,702,185)
Gross profit		1,498,770	1,246,565
Other income, gains and losses, net	4	182,413	166,351
Selling expenses		(437,708)	(360,639)
Administrative expenses		(177,407)	(169,280)
Research and development expenses		(424,476)	(334,937)
Impairment losses on financial assets, net		(69,592)	(55,887)
Finance costs		(99,267)	(96,262)
Profit before tax	5	472,733	395,911
Income tax expense	6	(44,759)	(51,742)
PROFIT FOR THE YEAR		<u>427,974</u>	<u>344,169</u>
Profit for the year attributable to			
— Owners of the parent		268,084	231,190
— Non-controlling interests		159,890	112,979
		<u>427,974</u>	<u>344,169</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	<u>RMB27.2cents</u>	<u>RMB23.5 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>427,974</u>	<u>344,169</u>
OTHER COMPREHENSIVE INCOME:		
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Change in fair value	(7,716)	716
Tax effect	<u>(1,157)</u>	<u>154</u>
	(8,873)	870
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(2,238)</u>	<u>23,369</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	<u>(11,111)</u>	<u>24,239</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>416,863</u></u>	<u><u>368,408</u></u>
Attributable to:		
Owners of the parent	256,973	255,429
Non-controlling interests	<u>159,890</u>	<u>112,979</u>
	<u><u>416,863</u></u>	<u><u>368,408</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,472,208	1,322,117
Investment properties		15,235	23,346
Right-of-use assets		198,143	188,114
Goodwill		338,317	313,272
Other intangible assets		568,210	511,201
Investment in a joint venture		—	—
Equity investments designated at fair value through other comprehensive income		66,996	78,775
Financial assets at fair value through profit or loss		200,000	—
Loan receivables		108,176	109,384
Prepayments, other receivables and other assets		54,370	132,308
Deferred tax assets		62,143	33,726
		3,083,798	2,712,243
CURRENT ASSETS			
Inventories		990,758	497,838
Trade and bills receivables	<i>9</i>	4,095,153	3,850,096
Contract assets	<i>10</i>	567,313	651,206
Prepayments, other receivables and other assets		937,650	720,998
Financial assets at fair value through profit or loss		2,269	200,000
Structured deposits		—	80,000
Pledged deposits		416,252	302,229
Cash and bank balances		2,578,946	2,255,473
		9,588,341	8,557,840
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	3,312,712	2,963,135
Other payables and accruals		316,879	258,600
Interest-bearing bank borrowings		2,046,566	1,787,997
Lease liabilities		7,891	5,306
Tax payable		74,530	52,680
		5,758,578	5,067,718
NET CURRENT ASSETS		3,829,763	3,490,122
TOTAL ASSETS LESS CURRENT LIABILITIES		6,913,561	6,202,365

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*AT 31 DECEMBER 2021*

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	790,335	502,126
Lease liabilities	8,898	4,337
Deferred tax liabilities	34,466	19,444
	<hr/>	<hr/>
Total non-current liabilities	833,699	525,907
	<hr/>	<hr/>
Net assets	6,079,862	5,676,458
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	9,906	9,906
Reserves	4,622,020	4,513,395
	<hr/>	<hr/>
	4,631,926	4,523,301
Non-controlling interests	1,447,936	1,153,157
	<hr/>	<hr/>
Total equity	6,079,862	5,676,458
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NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Wasion Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, GT George Town, Grand Cayman, British West Indies, and the Company’s head office and principal place of business is located at Unit 2605, 26/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income which have been measured at fair value. The financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

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

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars (“HKD”) and the United States dollars (“US\$”) based on the Hong Kong Interbank Offered Rate (“HIBOR”) and London Interbank Offered Rate (“LIBOR”), respectively as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

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

3. REVENUE AND OPERATING SEGMENT INFORMATION

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

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

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

During the year ended 31 December 2021, the financial results of certain unallocated assets and liabilities were aggregated with the segment assets and liabilities in the financial statements. Comparative figures of the segment information have been reclassified to conform with the current year’s presentation.

Segment assets exclude other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2021

	Power advanced metering infrastructure RMB'000	Communication and fluid advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	1,714,446	1,719,375	1,156,941	4,590,762
Intersegment sales	<u>22,701</u>	<u>98,434</u>	<u>449</u>	<u>121,584</u>
	1,737,147	1,817,809	1,157,390	4,712,346
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(121,584)</u>
				<u><u>4,590,762</u></u>
Segment results	56,118	323,041	112,457	491,616
<i>Reconciliation:</i>				
Elimination of intersegment results				15,651
Interest income				82,343
Dividend income and unallocated gains				511
Corporate and other unallocated expenses				(18,973)
Finance costs (other than interest on lease liabilities)				<u>(98,415)</u>
Profit before tax				<u><u>472,733</u></u>

Year ended 31 December 2020

	Power advanced metering infrastructure <i>RMB'000</i>	Communication and fluid advanced metering infrastructure <i>RMB'000</i>	Advanced distribution operations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Sales to external customers	1,633,608	1,366,088	949,054	3,948,750
Intersegment sales	5,909	76,635	158	82,702
	<u>1,639,517</u>	<u>1,442,723</u>	<u>949,212</u>	<u>4,031,452</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(82,702)</u>
				<u><u>3,948,750</u></u>
Segment results	91,046	231,981	92,110	415,137
<i>Reconciliation:</i>				
Elimination of intersegment results				22,518
Interest income				73,411
Dividend income and unallocated gains				3,929
Corporate and other unallocated expenses				(23,419)
Finance costs (other than interest on lease liabilities)				<u>(95,665)</u>
Profit before tax				<u><u>395,911</u></u>

Geographical information

Revenue from external customers

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PRC	3,878,309	3,566,778
Africa	315,410	66,525
South America	178,427	107,245
Europe	77,047	21,584
Asia, except for PRC	63,110	31,207
Middle East	46,328	154,662
Others	32,131	749
	<u>4,590,762</u>	<u>3,948,750</u>

The revenue information above is based on the locations of the customers.

4. OTHER INCOME, GAINS AND LOSSES, NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income		
Bank interest income	36,395	35,999
Interest income from structured deposits	12,513	5,249
Interest income from loan receivables	12,632	12,934
Interest income from consideration receivable for disposal of a subsidiary	4,421	4,516
Interest income on financial assets at FVTPL	16,382	14,713
Dividend income from equity investments designated at FVTOCI	511	1,526
Refund of value-added tax*	55,162	38,130
Government grants [#]	44,954	49,535
Gross rental income	2,281	2,930
Others	5,289	1,276
	<u>190,540</u>	<u>166,808</u>
Gains and losses, net		
Impairment of goodwill	(7,672)	—
Foreign exchange losses, net	(3,167)	(246)
Gain/(loss) on disposal of items of property, plant and equipment	443	(211)
Fair value gains on financial assets at FVTPL	2,269	—
	<u>(8,127)</u>	<u>(457)</u>
	<u><u>182,413</u></u>	<u><u>166,351</u></u>

* Pursuant to the relevant regulations in the PRC, certain subsidiaries of the Group operating in the PRC are entitled to refunds of a certain percentage of VAT on the sale of specified high technology products. The amount represents such VAT refund which is approved by the relevant tax authorities.

[#] Government grants mainly comprise financial subsidies from the PRC government for the immediate rewards of the Group's contribution to the relevant provinces and the continuous technological advancements of the Group in its products with no future related costs or obligations. There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

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

	2021	2020
	RMB'000	RMB'000
Cost of inventories sold	3,062,754	2,682,701
Cost of service rendered	12,597	13,623
Depreciation of property, plant and equipment	72,826	60,340
Depreciation of investment properties	625	598
Depreciation of right-of-use assets	15,432	14,169
Amortisation of other intangible assets (excluding the deferred expenditure amortised)*	6,636	6,949
Impairment of goodwill	7,672	—
Lease payments not included in the measurement of lease liabilities	6,585	3,883
Research and development costs:		
Research and development expenses	448,371	363,786
Less: capitalised development costs	(147,598)	(159,407)
	300,773	204,379
Amortisation of capitalised development costs	123,703	130,558
	424,476	334,937
Auditor's remuneration	3,584	3,475
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	433,120	348,280
Equity-settled share award expenses	—	3,807
Pension scheme contributions***	53,033	32,688
	486,153	384,775
Provision of impairment losses, net:		
Trade receivables	69,592	55,887
Fair value gains, net:		
Derivative instruments — transactions not qualifying as hedges	(2,269)	—
(Gain)/loss on disposal of items of property, plant and equipment	(443)	211
Write-down of inventories to net realisable value**	16,641	5,861
Foreign exchange losses, net	3,167	246

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

** Included in "Cost of inventories sold".

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not earn any income that was subject to Hong Kong profits tax during each of the years ended 31 December 2021 and 2020.

Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax (“CIT”) rate of 25% (2020: 25%), except that certain PRC subsidiaries which are approved as enterprises that satisfied the condition as high technology development enterprises and obtained the Certificate of High New Technology Enterprise can continue to enjoy the preferential tax rate of 15% for a three consecutive years from year 2018 to 2021, year 2020 to 2023 or year 2021 to 2024.

In addition, 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 75% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits since 2018.

Macau Complementary Tax has been provided at the rate of 12% (2020: 12%) on the assessable profits arising in Macau during the year. Pursuant to the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, a Macau subsidiary of the Group incorporated under that law, was entitled to the exemption of Macau Complementary Tax, which was valid up to 31 December 2020.

Brazil income tax is charged at 34% (2020: 34%) on the estimated assessable profits arising in Brazil. Brazil income tax has not been provided for the years ended 31 December 2021 and 2020 as there was no assessable profit.

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

	2021	2020
	RMB'000	RMB'000
Current		
Charge for the year	68,841	58,793
(Overprovision)/underprovision in prior years	(3,314)	2,657
PRC withholding tax	2,447	1,805
	67,974	63,255
Deferred tax	(23,215)	(11,513)
Total tax charge for the year	44,759	51,742

7. DIVIDENDS

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>

Final — HK20 cents per ordinary share for 2020
(2020: HK20 cents per ordinary share for 2019)

<u>164,867</u>	<u>180,175</u>
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A final dividend of HK20 cents per share amounting to approximately HK\$199,176,000 (equivalent to RMB161,950,000) in respect of the year ended 31 December 2021 (2020: HK20 cents per share amounting to approximately HK\$196,997,000 (equivalent to RMB164,867,000)) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 984,985,675 (2020: 983,845,302) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020 because the exercise price of the share options granted to employees and consultants was higher than the average market price of the Company's shares during the years.

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>

Earnings

Profit attributable to ordinary equity holders of the parent,
used in the basic earnings per share calculation

<u>268,084</u>	<u>231,190</u>
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	2021	2020
	Number of shares	Number of shares

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

<u>984,985,675</u>	<u>983,845,302</u>
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9. TRADE AND BILLS RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	3,934,264	3,693,395
Bills receivable	<u>352,123</u>	<u>280,325</u>
	4,286,387	3,973,720
Less: Impairment loss on trade receivables	<u>(191,234)</u>	<u>(123,624)</u>
	<u><u>4,095,153</u></u>	<u><u>3,850,096</u></u>

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

Included in the Group's trade receivables are amounts due from the Group's joint venture of RMB52,344,000 (2020: RMB52,728,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

At 31 December 2020, the Group's bills receivable with a carrying amount of RMB5,000,000 were pledged as security for the Group's bank loans.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0–90 days	1,787,060	1,258,938
91–180 days	581,645	595,989
181–365 days	711,107	869,661
1–2 years	880,554	811,161
Over 2 years	<u>134,787</u>	<u>314,347</u>
	<u><u>4,095,153</u></u>	<u><u>3,850,096</u></u>

10. CONTRACT ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contract assets	573,157	657,050
Less: Impairment loss on contract assets	<u>(5,844)</u>	<u>(5,844)</u>
	<u>567,313</u>	<u>651,206</u>

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

Included in the Group's contract assets are amounts due from the Group's joint venture of RMB12,637,000 (2020: RMB5,275,000), which will be repayable on credit terms similar to those offered to the major customers of the Group.

11. TRADE AND BILLS PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	2,107,538	1,794,817
Bills payables	<u>1,205,174</u>	<u>1,168,318</u>
	<u>3,312,712</u>	<u>2,963,135</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0–90 days	1,893,820	1,706,865
91–180 days	982,361	704,585
181–365 days	346,749	455,537
Over 1 year	<u>89,782</u>	<u>96,148</u>
	<u>3,312,712</u>	<u>2,963,135</u>

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

Included in the Group's trade payables are amounts due to the Group's joint venture of RMB6,780,000 (2020: RMB4,956,000), which are repayable on credit terms similar to those offered by the major suppliers of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Macro Environment

In 2021, the COVID-19 pandemic continued to ravage the world with new variants emerging. Intermittent flare-ups of the virus have caused ever more people to be infected, slowing the pace of recovery in various industry segments across the world. However, with the rollout of vaccination programs worldwide, a higher percentage of the global population has now been vaccinated, and the pandemic's impact on global economic growth has diminished. Industries have gradually formulated business strategies under the “new normal” and successfully turned crises into opportunities, enabling steady economic recovery. In terms of operational activities, some sectors have returned to — and even exceeded — pre-pandemic levels in 2019. Thanks to its concerted efforts to fight COVID-19, the Chinese government has successfully contained the pandemic and given the country's economy renewed impetus by adopting a “dual circulation” development strategy, i.e. domestic plus international circulation, with domestic circulation the main driver. In 2021, China's economic growth ranked among the highest of the world's major economies, becoming a significant force in leading global economic recovery. According to the National Bureau of Statistics, China's GDP in 2021 was RMB114.367 trillion, representing an 8.1% year-on-year (“YoY”) increase. Amid profound changes of a kind unseen in a century and the global pandemic, China's economy has steadily recovered. Though global energy prices keep soaring, China's energy market, with its once tight power supply, has gradually eased, effectively meeting the population's needs and maintaining livelihoods. At the same time, the Chinese government remains committed to achieving the “Dual Carbon” goals of “Peak Emissions” and “Carbon Neutrality” to ensure social and global sustainable development. China's installed capacity of renewable power in 2021 exceeded one billion kW of annual power generation through new energy topping one trillion kWh for the first time, maintaining a leading position. However, despite the rapid increase in China's vaccination rate, the spread of new COVID-19 variants is creating uncertainty and the economy still faces serious challenges.

Review of the Power Grid Industry

During the year under review, China's overall electricity consumption was 8.3128 trillion kWh, representing an increase of 10.3% YoY. The State Grid Corporation of China (“State Grid”) installed 44,000 km of alternating current projects (of 110 kV and above), totalling 280 million kVA and completing 101.4% of its annual plan. In 2021, State Grid invited tenders for smart power meters worth approximately RMB20 billion, a 50% increase compared to 2020. During the year under review, State Grid completed RMB402.48 billion of investment in power grid infrastructure. China Southern Power Grid Company Limited (“Southern Grid”) completed RMB135.7 billion of investment in fixed assets, and green financial business totalling RMB21.45 billion. Two “Southern Grid Dual Carbon” industrial funds were launched raising RMB2.8 billion to support the development and construction of new energy projects. Moreover, during the year under review, electric consumption by Southern Grid grew to 1,450.6 billion kWh across five provinces, representing an increase of 11.1% YoY, higher than the national average, with electricity consumption in tertiary industries rebounding strongly to 22.1%.

Review of Major Policies for the Power Grid Industry

Guided by China's 14th Five-Year Plan, total investment in the power grid nationally will be worth approximately RMB3 trillion, of which State Grid plans to invest around RMB2.23 trillion and construct ultra-high voltage "24 AC and 14 DC" projects comprising more than 30,000 kilometers of lines with a conversion capacity of 340 million kVA. Given the goals of "Peak Emissions" and "Carbon Neutrality", constructing more robust grids, especially ultra-high voltage networks, can solve most problems for large-scale renewable energy transmission, and trans-provincial and trans-regional needs in China. Moreover, during the "14th Five-Year Plan" period, creating an intelligent distribution network and constructing new power systems will be core developments. At the end of 2021, Southern Grid issued its "White Paper on Digital Power Grid Practices", introducing construction processes for digitalizing power grids with business and sustainably closely integrated. To achieve the goals of "Dual Carbon", Southern Grid established a "Dual Carbon Big Data Center" to advise municipal and district governments in conducting carbon monitoring, carbon governance, carbon trading and dual control of energy consumption. In the "14th Five-Year Plan of Southern Grid for Power Grid Development", constructing distribution networks is listed as a priority, with RMB320 billion of investment set aside to promote developing multi-energy and complementary smart energy. Furthermore, Southern Grid officially launched "Fuxi", China's first dedicated electric power master chip based on domestic command architecture and domestic core, ensuring core intellectual property for the chip is independently controlled.

Review of the Group's Overall Performance

As an expert in energy metering and energy-efficiency management, the Group recorded a total turnover of RMB4,590.76 million (2020: RMB3,948.75 million) in its three main business segments during 2021 representing a 16% increase YoY; and a gross profit of RMB1,498.77 million (2020: RMB1,246.57 million), representing a 20% increase YoY. The Group's overall gross profit margin was 33% (2020: 32%), representing an increase of 1 percentage point YoY. This increase was due to the ongoing cost reduction measures undertaken by the Group in 2021 including continual increase of investment in research and development ("R&D") of smart-manufacturing platforms to improve efficiency and optimize product structure by increasing the proportion of high-margin products. Net profit attributable to the Company's owners was RMB268.08 million (2020: RMB231.19 million), representing a 16% increase YoY.

Business Review

Power Advanced Metering Infrastructure (“Power AMI”)

Business Overview

Power AMI focuses on the R&D, production and sale of smart power meters. It also offers energy-efficient management solutions with a product range that mainly comprises single-phase and three-phase power meters, and other smart metering devices. Power AMI’s main customers are primarily power grid and non-power grid, both domestic and overseas. Power grid customers include State Grid, Southern Grid and more than 60 local power companies, while non-power grid customers range from large-scale public infrastructures with high energy-consumption needs to petroleum & petrochemicals, transportation, machine manufacturing, metallurgical and chemical industries, and residential users.

Review of Business

During the year under review, the Group’s Power AMI business recorded a turnover of RMB1,714.45 million (2020: RMB1,633.61 million), representing an increase of 5% YoY, accounting for 37% of the Group’s total turnover (2020: 41%). Gross profit margin was 32% (2020: 30%). The Group’s power grid customers and non-power grid customers accounted for 51% and 49% of turnover, respectively (2020: 47% and 53%).

Order Data in the Year under Review

During the year under review, the Group’s Power AMI business secured orders totalling RMB1,530 million, representing an 8.67% increase YoY. Of this, bids from power-grid customers were worth approximately RMB1,041 million (2020: RMB926 million), representing a 12.40% increase YoY. This increase was mainly due to the increase in demand for power meters from State Grid over last year, and the uplift from increasing unit prices for products that resulted from changes in the technical standards for these products. Bids from non-power grid customers were worth approximately RMB489 million (2020: RMB482 million), representing a 1.50% increase YoY. Reasons for this modest increase include the competitive low-price competition mode adopted by manufacturers, and the designation of procurement channels of metering product packages by power companies which led to declining demand for traditional package business, resulting in weak growth. During the year under review, the Group won a contract worth RMB637 million in centralized tenders organized by State Grid, the highest for the last five years. The Group also won a contract worth RMB81 million in the first centralized tender from Southern Grid in 2021, winning all four sections. Benefiting from the intelligent asset management requirements of distribution network equipment, the Group’s intelligent storage products also won bids in the State Grid and Southern Grid regions, with total contracts worth more than RMB40 million.

Review of Developments in Power AMI Business and Relevant Policies

During the year under review, the Group's power grid business remained the prime main source of revenue. Sales growth came mainly from revisions in the technical standards which led to the repricing of products for State Grid and Southern Grid. In terms of non-power grid business and developing the new infrastructure market, the Group continued to improve its NB-IoT, CAT1 and other products, successfully winning tenders from telecommunication operators in Hunan, Hainan, Jiangsu and Shanxi provinces. Growth remained stable for commercial complexes, industrial and commercial logistics parks, transportation, schools, communication and other fields. Influenced by "Peak Emissions" and "Carbon Neutrality" policies, power grid enterprises adopted an electrical energy replacement strategy to reduce carbon emissions produced by the consumption of traditional fossil fuels. Technologies such as energy storage for microgrids, demand-side response, and virtual power plants have all progressed rapidly, as has precise metering which is at the core of green-energy-saving technologies. In November, last year, the Central Committee for Deepening Overall Reform issued its "Guiding Opinions on Accelerating the Construction of a National Unified Power Market System". This aims to improve the multi-level unified power market system, perfect electricity price transmission mechanisms, and promote the orderly integration of new energy into market transactions. According to statistics from the China Association of Automobile Manufacturers, combined sales of new energy vehicles from January to November 2021 totalled 3,023,000 units, representing a 127.8% increase YoY. Among these, sales of new energy passenger vehicles increased 133.8% YoY.

Prospects for Power AMI Business

For the power grid market: Benefiting from the continuous implementation of the GB/T17215 series of national standards that align with IEC61851 international recommendations, demand for products from the power grid industry is expected to steadily increase. With spot electricity trading being steadily reformed, renewable electricity generation and domestic substitution have become a key development focus, further boosting demand for high-end products.

For the non-power grid market: Benefiting from the ongoing launch of new products and revised sales targets for the non-power grid market, the Group is currently shifting from solely selling power-meter products to providing one-stop power metering and charging solutions. This will be the Group's prime sales objective in the non-power grid industry throughout 2022. Given its industry-leading technical expertise in high-end products, the Group will focus on developing China's five major power generation groups in 2022, and gradually realize the domestic substitution of gateway power meters for wind and solar power, traditional thermal power, hydropower and other new power sources. This year, the Group will continue focusing on total solutions for industrial and commercial parks, apartments and commercial complexes; government initiatives such as street lamp metering at airports and high-speed railway stations; and energy-saving schemes for university dormitories, classrooms and hospitals. In December 2021, the National Development and Reform Commission issued its "Implementation Plan for Meeting the Requirements of 'Peak Carbon Emissions' and 'Carbon Neutrality' Targets and Promoting Green and High Quality Development of Data Centers, 5G and Other New Infrastructure". This sets out how green electricity consumption at data centers can be enhanced through special self-built lines and bilateral trading, promoting the use of renewable energy from the nearest feasible location. Applying the Group's energy-saving products to 5G communications will create even more market opportunities.

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

Business Overview

Our Communication and Fluid AMI business focuses mainly on reshaping energy management for power, water, gas and heat with technologies ranging from chip substrate design to data perception and acquisition, and routing networks. It also includes communication technologies that ensure high-speed data transmission and stable connections for communication networking technologies, providing a full-chain Internet of Energy (“IoE”) solution, and offering users digital solutions such as data management. In terms of power Internet of Things (“IoT”), the Group is striving to make existing power-system infrastructure more efficient, and provide key technological support for power grid generation, transmission, transformation, distribution, and consumption. This will gradually extend to smart water services, smart fire protection, smart street lamps, smart charging and other smart-city applications. The Group’s Communication and Fluid AMI business, Willfar Information Technology Company Limited (stock code: 688100, a 58.5% shareholding subsidiary of the Group), is Hunan Province’s first company to list on the STAR Market of the Shanghai Stock Exchange. It was also a constituent stock of the STAR Market New Generation Information Technology Index.

Review of Business

During the year under review, the Group’s Communication and Fluid AMI business recorded a turnover of RMB1,719.37 million (2020: RMB1,366.09 million), representing a 26% increase YoY, and accounting for 38% of the Group’s total turnover (2020: 35%). Gross profit margin was 36% (2020: 34%). The Group’s power grid customers and non-power grid customers accounted for 45% and 55% of turnover, respectively (2020: 56% and 44%).

Order Data in the Year under Review

As of 31 December 2021, the total value of signed contracts on hand reached RMB1,770 million, laying a strong foundation for the Groups future growth.

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

During the year under review, the “Dual Carbon” goals continued driving the transformation and upgrading of new power systems, and accelerated the development of power IoT, IoE and intelligent power distribution networks. State Grid, Southern Grid and local grid companies are the main investors in power grids and have accelerated construction of new power systems. Total investment in power grids is expected to increase and the investment structure to improve during the “14th Five-Year Plan” period.

On 12 January 2022, the State Council unveiled its “Plan to Facilitate the Development of the Digital Economy in the 14th Five-Year Plan Period.” This confirms that it will continue promoting digital industrialization and industrial digitalization during the “14th Five-Year Plan” period, transforming and upgrading traditional industries, and strongly supporting the transition to a digital China. Digitally-intelligent cities will continue providing opportunities to develop new applications and digital economy. In fields such as smart water, smart fire protection, energy monitoring, new energy vehicles and other markets, digitally-intelligent cities will drive market demand, guided by relevant policies, and create a new era of vibrant construction.

In view of market trends, the Group continued to increase investment in product R&D according to the technological development of IoE and digital-intelligent cities under the new situation and the mainstream market demand. (I) IoE: The Group was awarded CMMI-ML5 certification, the highest maturity level for international software maturity model, becoming one of the few enterprises in the world that can provide high-quality software integration for the global market. Developing “domestic microchips” is a key national development focus, and the Group launched various modules based on fifth-generation HPLC chips, as well as micro-power and Wi-SUN modules, with the anti-noise and anti-interference performance of the former about ten times better than the previous generation. (II) Digital-intelligent cities: Taking an “IoT Platform” as the foundation, the Group accessed intelligent equipment at the sensing layer, launching integrated energy solutions, smart fire protection, smart power, smart water and smart parks to eliminate isolated information islands and offer data-sharing to customers — with several such projects successfully completed. (III) Partnering with technology giants: During the year under review, the Group cooperated with Tencent to launch a joint solution for smart cities, becoming Tencent’s strategic partner in the IoT field. The Group also benefitted from Tencent’s strategic investment to develop industrial Internet and digitally-intelligent cities.

Prospects for Communication and Fluid AMI Business

As the world moves gradually towards zero carbon emissions, green and sustainable development will reshape the means of production and our way of life. An energy mix in which electricity plays the leading role will support the transformation and upgrading of the industrial economies. With such goals and opportunities, the Group will stay committed to providing services for the digital power grid and the construction of digitally-intelligent cities, and the layout of energy IoT application systems, IoT chips, intelligent devices and other core technologies and products. Focusing on energy and information flows, the Group will provide customers with highly-efficient low-carbon solutions from data perception and communication networking to data management, thereby contributing to the construction of new power systems and digital twin cities. Given ongoing innovation of key technologies for new power systems, the Group will continue optimizing products to maintain its leading market share and realize source-network-load-storage integration through integrated energy management.

China's IoT industry for digitally-intelligent cities is predicted to be worth over RMB2.7 trillion by 2025. From water, electricity, gas and heat utilities to various segments of digital-intelligent cities, the development of the IoT industry will continue to be driven by clear policies. The Group will strive to be a unicorn in the energy IoT sector. It will increase investment in R&D and sales in overseas markets, actively participate in the economic development and IoE construction along the "Belt and Road", seize opportunities for constructing energy infrastructure in emerging markets such as Latin America and Africa, and further increase its share of the IoT market in cities around the world.

Advanced Distribution Operations ("ADO")

Business Overview

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

Review of Business

During the year under review, the Group's ADO business recorded a turnover of RMB1,156.94 million (2020: RMB949.05 million), representing an increase of 22% YoY, and accounting for 25% of the Group's total turnover (2020: 24%). Gross profit margin was 28% (2020: 31%). The Group's power grid customers and non-power grid customers accounted for 31% and 69% of turnover, respectively (2020: 39% and 61%).

Order Data in the Year under Review

During the year under review, the Group's ADO business secured orders worth RMB2,103 million, representing a 42% increase YoY. Of these, contracts won from the power-grid market had a combined value of RMB991 million (2020: RMB853 million), representing a 16% increase YoY. This increase in orders was mainly due to: (I) The Group was successful in bidding for State Grid projects; (II) Bestselling products, such as primary and secondary integrated intelligent ring network cabinets, pole-mounted circuit breakers, realized intelligentization, and ring network cabinets all performed well. Contracts won in the non-power grid market were worth RMB1,112 million (2020: RMB629 million), representing a 77% increase YoY which was mainly due to: (I) The steady growth of key industry sectors such as data centers, rail transport and medical care; (II) Breakthroughs achieved in the green travel market by innovations such as charging and power exchange for low-speed two-wheel vehicles and heavy trucks, energy-efficient base stations and new energy solutions.

Review of Development of ADO Business and Relevant Policies

The government has proposed constructing a power system primarily based on new energy as a key path to achieving the twin goals of “Peak Emissions” and “Carbon Neutrality”. This will create immense development opportunities for new energy, energy storage, electric energy substitution, smart grid, digital distribution and other fields. In terms of the power grid market which is facing increasing distribution demands from the new power system, the Group continued to win contracts from State Grid and Southern Grid, but also steadily expanded new cooperation modes to ensure the stable development of the power grid business. The Group’s power grid business grew in terms of scope, frequency and volume, and it won several project tenders from power grid companies. It continued winning tenders in the five base markets of Beijing, Shandong, Jiangsu, Hunan and Guangdong, and successfully expanded into the five new markets of Shanxi, Jilin, Sichuan, Hebei and Gansu. In terms of the end-user market, long-term customer orders represented by data centers have hit record highs, ranking among the highest in the industry. In the rail transport sector, the Group won the tender for Wuhan Metro Line 19. It has also established a loyal customer base in industries such as electronic chips and environmentally-friendly water treatment, promoting the substantial growth of market performance in key industries. Currently, products conforming to State Grid’s new standards and the complete sets of integrated pole-mounted circuit breakers have entered the first echelon of State Grid standardized product development. The Group has become one of the few manufacturers that can independently design and manufacture permanent magnet normal-pressure sealed ring network cabinets.

Looking to the future of the new energy market, the National Development and Reform Commission and the National Energy Administration jointly issued its “Guidelines on Accelerating the Development of New Energy Storage (Draft)” in July 2021. This proposes that new energy storage in China during the 14th Five-Year Plan period will transform from the initial stage of commercialization to large-scale development with a target of more than 30 gigawatts capacity of new energy storage to be installed by 2025. By the end of 2020, the cumulative installed capacity of domestic electrochemical energy storage was about 3.3 gigawatts, indicating that there is room for it to grow ten-fold in the next five years. The Carbon Neutral Roadmap of China’s Energy Industry forecasts that photovoltaic capacity in China will grow by 200 gigawatts annually from 2030 to 2060. During the year under review, the Group cooperated closely with core resource customers in green travel business, achieving “Internet + State Grid and Southern Grid + Tower Energy” multi-field layout, and providing a full range of products and systems for State Grid Shandong and Sichuan Electric Companies based on their standard system. During the year under review, the Group re-established its professional energy storage business unit, and completed construction of a production workshop for high-level energy storage products, as well as a series of large, medium and small energy-storage products. At the same time, the Group made introductions to around ten industrial parks and another ten or so counties and cities in Hunan Province to secure a number of smart new energy and energy storage projects. The first industrial park source-network-load-storage integration green low-carbon demonstration project in Hunan Province led by the Group was officially approved and actual construction has begun. On 16 December 2021, the Group officially entered into a strategic cooperation framework agreement with China Power International Development Limited (“China Power”) and both parties will collaborate in Ningxia, Hunan, Guangxi and other provinces to rapidly expand ADO’s new energy market.

Prospects for ADO Business

In 2022, the Group will seize opportunities to construct new power systems and layouts in new business development tracks such as new energy connections to grids, DC switchgear and automation. With increasing numbers of tenders from State Grid and steady expansion of its coverage, as well as Southern Grid's ongoing consolidation and the growing reputation of its brand, the Group is realizing the transformation of conventional products from available to complete and some products from available to excellent, and its overall core competitiveness has rapidly improved. The Group will provide high-quality products and services for industry-users and the end-user market, upgrading digital power distribution and integrated energy-efficiency solutions. For prime industry customers, the Group will pursue closer collaborations, maintaining long-term relationships with stable suppliers, and expand into key industries across the overall market.

Regarding the new energy industry, the Group will closely adhere to national policies, accurately position itself, and focus on the Hunan Province market as well as the power generation, cement and industrial real estate sectors. It will vigorously develop the three core businesses of low-speed power exchange, user-side energy storage products and systems; distributed photovoltaic; and enterprise-level source-network-load-storage integration. At the same time, the Group will seek greater cooperation with strategic customers such as China Power and grow new business segments such as centralized power stations, generation-side energy storage and heavy-truck power exchanges. Turning to green travel business, the Group will provide high-quality services to key customers such as Internet leaders Hello Inc. and Didi Chuxing; State Grid Electric Company and Tower Energy. It will do this through mass-producing energy-efficient, intelligent power-exchange cabinets and developing its own power-exchange system solutions — thereby becoming a leader in this field. By providing energy storage products and solutions, it will simultaneously target the generation-side, grid-side and user-side markets, significant advancing its capabilities in these areas.

International Markets

Global Smart Power Meter Information

Advanced Metering Infrastructure (“AMI”) with smart power meter as a core offering, has expanded its product portfolio from power meters to complementary communication modules, terminals and front-end meter reading software. It now also offers customized solutions and engineering, operations and maintenance services. The depth and breadth of key markets offer power meter companies considerable room for growth.

Data from Market Research Future's research report on the global smart power meter market forecasts that it will be worth USD43.31 billion in 2027 with compound annual growth of 8.93% during 2021 to 2027. According to data released by the Qianzhan Industry Research Institute, smart power meter penetration in the EU market is expected to reach 83% in 2022 and 100% by 2025. Overseas markets have not yet reached saturation, leaving significant market space for smart power meter companies to expand their share.

Review of Business

During the year under review, overseas business turnover was RMB712.45 million (2020: RMB381.97 million), representing an increase of 87% YoY. This was due to the Group making steady progress in mature markets such as Egypt, Indonesia and Bangladesh. The three overseas factories in Mexico, Brazil and Tanzania were now all opened and operating smoothly and have entered a rapid-development stage. New growth markets are emerging in Central & North America, South America, West Africa, East Africa and the Middle East; and the Group's partnership projects with Siemens and Itron have enabled it to expand into new markets such as Malaysia, Singapore, Switzerland and Benin.

Order Data in the Year under Review

During the year under review, the Group secured approximately RMB1,149.72 million worth of overseas orders, representing an increase of 10.6% YoY.

Market Developments in Each Country

Across Asia, the Group continued to be a leading supplier of industrial and commercial meters to Indonesia. After being added to the supplier list for residential pre-paid power meters, it won the contract for a smart power meter pilot project and delivered over 50,000 smart meters and AMI solutions during the year under review, thereby becoming the country's main supplier of replacement AMI technology. In Bangladesh, the Group successfully conducted systems access, technology promotion and intelligent transformation pilot work for four major power distribution companies, delivering over 200,000 pre-paid smart power meters and broadband carrier communication AMI technical solutions. The Group has become one of the country's three major local suppliers and the main promoter for pilot projects for smart water and gas services. In Malaysia, the Group is one of the country's main suppliers and recently secured the annual renovation procurement contract from Tenaga Nasional Berhad (TNB), moving it up to the number two position in terms of overall market share. In Central Asia, the Group's cooperation channels and market share are increasing rapidly, and it delivered a bulk order for smart power meter packages. In the Middle East, the Group has explored the needs of existing customers and successfully renewed AMI contracts with Saudi Arabia for large numbers of smart power meters, communication modules and old meter integrators. While expanding its core business, the Group is making good progress in penetrating the markets of adjoining countries.

In Africa, the Group continued to be a major supplier in Egypt's power metering market, successfully completing a smart AMI pilot project which was well received by users. In West Africa, the Group is one of Côte d'Ivoire's three major suppliers and its market share has increased as compared with 2020. Through actively developed neighbouring markets, the Group obtained bulk orders from Nigeria, Guinea and Ghana. In Tanzania, a manufacturing plant owned by the Group's subsidiary commenced operations, localizing production capacity, quality and service level, and securing a stable market share. At the same time, the Group partnered with Chinese SEOs and factories, reaching out to East African markets such as Uganda and Kenya.

In South America, the Group's Brazil subsidiary strengthened its operational and delivery capabilities, and completed local certifications, manufacturing and engineering implementation capacity construction projects for smart power meters and complementary AMI products. During the year under review, the Group won bids from multiple Brazilian power companies for power meter projects with contract value worth more than RMB100 million. The Group successfully completed AMI projects for Copel Celesc and other Brazilian power companies and deployed over 100,000 smart power meters, building a solid foundation for its continued expansion into Brazil's AMI market. The Group's Mexican subsidiary secured a contract for smart power meters worth over RMB260 million from the Comisión Federal de Electricidad of Mexico ("CFE"), becoming one of its primary suppliers. The first phase of construction for a new factory in Mexico was completed with an annual production capacity of two million meters. Phase II of construction has commenced which will increase the annual production capacity to three million meters. In Ecuador, the Group won major orders for power metering equipment from five local power authorities, further increasing its market share. The Group also played a key role in projects for Colombia, Chile and Peru, and made significant breakthroughs in these markets with contract orders continuing to grow. In North America, the Group signed a strategic cooperation agreement with Trilliant and achieved solid business results. It is also planning to further expand its business in the US and Canadian markets over the next few years.

In Europe, the Group maintained steady partnerships with Siemens and Itron. During the year under review, orders from the Group's project with Siemens in Austria continued to grow, and orders for smart power meters were successfully completed. Through its project with Itron, the Group has delivered orders to Switzerland and other markets.

Future Development of International Markets

The Group will focus on stabilizing its market share in key markets and adopt an expansion strategy of steadily building local factories with subsidiaries; improving its local language abilities and infrastructure to access surrounding markets. In addition to better understanding customer needs in existing markets and improving product quality and service levels, the Group will actively explore new markets.

In Southeast Asia, the Group is choosing Indonesia and Bangladesh as bases from where it can develop new markets including Malaysia, Thailand, Singapore, Vietnam, the Philippines, Laos, Sri Lanka and Pakistan. Focusing on AMI solutions based on broadband carrier communications technologies, the Group will expand its product portfolio from power meters to AMI solutions. An enhanced product structure will help boost the Group's profitability. The Group will also expand its business into countries such as Tajikistan, Uzbekistan, Kyrgyzstan and Mongolia. In the Middle East, with Saudi Arabia as its center, the Group aims to steadily penetrate markets in Kuwait, Jordan, the UAE and Qatar.

Tanzania will be the Group's East Africa base from where it can access Uganda, Kenya and other neighbouring countries. From its base in Egypt, the Group has steadily expanded its business into neighbouring North African countries. The Group plans to promote integrated energy efficiency and power AMI transformation for approximately 40 million Egyptian households over the next five to ten years. In West Africa, the Group will prioritize the construction of a factory in Nigeria with its subsidiary, focusing on the Côte d'Ivoire, Guinea and Nigeria markets, and gradually expanding into neighbouring countries such as Benin, Cameroon, Niger, Mali, Mauritania and Sierra Leone. The business will be focused on smart pre-paid solutions based on the narrowband narrow-wave G3-PLC communication standard, thereby enhancing its technological edge and overall profitability.

In South America, the Group's Brazilian subsidiary, which is one of the three local companies currently operating, is predicted to secure 30% of the market. The Group will actively develop the neighbouring markets of Ecuador, Colombia, Chile, Peru and Argentina — and use the Brazilian factory's R&D, manufacturing and service capabilities to expand its footprint in South America. The Group's subsidiary in Mexico will continue the second phase of construction of the local factory. It will improve its R&D, manufacturing and local-service capabilities, to secure the largest market share for residential CFE's single-phase power meters. The Group's Mexican subsidiary will actively bid for CFE's industrial and commercial power meters and AMI contracts, striving to become a mainstream supplier in this market. Using the R&D, manufacturing and service capabilities of its Mexican factory, the Group will reach out to the ANSI standard power meter markets in Canada, the US and Central & North America. With a focus on Wi-SUN-based AMI solutions, the Group will proactively initiate pilot projects and bid for major AMI projects. The Group will transition from being a mainstream power meter supplier to an integrated AMI solution provider, supporting market developments and enhancing profitability through diverse products and advanced technologies.

Through its partnership with Siemens in Europe, the Group expects to win 25% of the Austrian market, while continuing to develop business in other countries. In other markets, the Group will actively promote upstream and downstream collaboration with internationally renowned companies including Itron, Landis+Gyr and Trilliant. At the same time, it will closely collaborate with large Chinese SEOs and business competitors to advance integration within the AMI industrial chain, improve overall competitiveness, and jointly develop the international AMI market.

Research and Development (“R&D”)

To drive innovation, the Group invests substantially in R&D, follows the national policies of peak emissions and carbon neutrality, and harnesses new developments in the market transformation of smart power grid and the building of smart cities. While continuing to satisfy customer needs, the Group also champions new technologies. During the year under review, the Group was granted 238 patents and authored 126 software copyrights, boosting the total number of valid patents and software copyrights to 1,494 and 1,351, respectively.

Power AMI Business

During the year under review, one of the Group’s newest products — its high-precision gateway power meter — met the highest levels for all metrics, and passed the inspection of several provincial power grid metrology centers, representing the highest technical level in China. The smart IoT power meter in line with the latest State Grid technical standards was the first to pass the inspection of the State Grid Metrology Center, and has completed delivery of the Shandong pilot project. During the year under review, the Group successfully developed single-phase and three-phase fee-control meters that meet the Southern Grid standards, and passed the prototype inspection. A series of pilot projects for its newly-developed photovoltaic metering power meter have been successfully conducted. Regarding metering technologies, the Group achieved the highest power quality level in both frequency-metering algorithm research and harmonic compensation methods. Moreover, the lightweight deep learning network technology for low-voltage side load recognition pioneered by the Group has been applied to State Grid’s IoT meters and photovoltaic metering products.

Communication and Fluid AMI Business

During the year under review, the Group focused on researching new-type power systems, marginal calculation and communication technologies leading to fruitful innovations. The Group provides full-level integrated solutions for the IoT of energy from data perception and communication networks to data management. Its “Blockchain-based Integrated Energy Service Platform Project” was included in the shortlist of blockchain + energy projects by 17 of China’s ministries and commissions including the Office of the Central Cyberspace Affairs Commission and the General Office of the State Council. Furthermore, the Group was the only non-grid enterprise involved in the “Digital Power Grid Key Technologies”, a key national research project conducted by the CSG Digital Power Grid Research Institute. To empower the industry through its core products, the Group launched its smart fire protection cloud platform system V3.0 in 2021. The WFET-1900 energy controller launched for the digital power grid has received the approval of scientific and technological achievements by the Hunan Provincial Instruments and Meters Association. The Wi-SUN communication microchip module, which the Group independently developed, has obtained Anatel certification. In view of intelligent digital cities, the Group launched its module-based NB-IoT water meter with current monitoring that enables remote battery life prediction and circuit fault self-diagnosis for low-power devices in 2021.

ADO Business

The Group has accelerated R&D to innovate its core technologies, seeking to provide standardized, differentiated and intelligent products and services for medium- and low-voltage power distribution under the IoT framework. As for low-voltage power distribution, the Group made breakthroughs in topology-identification technology, modular interchangeability and miniaturization technology — and created products such as the smart metering switch, the Bluetooth micro disconnection, and the smart residual current circuit breaker, all of which are being mass-produced. Regarding medium-voltage power distribution, the Group developed its primary and secondary integrated pole-mounted circuit breakers based on the new standards. It also created a prototype magnetron pole-mounted circuit breaker to provide a multi-level differential feeder automation plan. The Group completed trial production for a decentralized controller prototype that meets State Grid's new standards and completed a standardized design for a ring network cabinet, undertaking independent research and production to significantly reduce costs. Turning to complete smart electrical products, high- and low-voltage intelligent switchgear has become the physical foundation for digital platforms and a carrier of primary and secondary integration. The Group completed trial production of prototypes for the power cabinet series and 550 miniaturized high-voltage switchgear. In the field of new energy, the Group collaborated with universities and colleges within China to conduct basic research into BMS + PCS, and completed trial production for a PV-storage-charge integration machine and BMS prototype. Regarding intelligent new energy solutions, the Group built source-grid-load-storage integration demonstration projects for industrial parks and enterprises in various cities including Changsha, Xiangtan, Yueyang and Hengyang. In terms of energy storage equipment, with lithium iron phosphate battery materials as the prime focus of technological development, the Group researched, developed and produced 1000V and 1500V air-cooled energy storage battery cabinets and a 1500V water-cooled energy storage battery cabinet, successfully achieved battery module-level fire safety monitoring and rapid positioning fire protection system applications. As for low-speed electric vehicle battery swap-related products, the Group successively launched these for merchants and individuals targeting takeaway and express delivery personnel, and set up an R&D center in Shenzhen for integrated operational management.

International Markets

Closely reviewing market demand and international development trends, the Group has utilized software and hardware CBB shelf and bottom decoupling technology to greatly reduce both the length of the R&D cycle and costs. Despite the shortage of materials in 2021, the Group completed the following projects: the R&D and promotion for a single-phase and three-phase ANSI meters in Mexico based on the new platform and a Wi-SUN-based smart power meter AMI solution and promotion in Brazil; the R&D and delivery of LoRa Walk-by-based low-cost meters in Ecuador; and a BPLC-based new smart power meter AMI solution that was delivered in Indonesia. The Group also completed R&D for its aMeter series, obtaining MID, IDIS and UL50 certification, and successfully delivering the products to various markets.

Financial Review

Revenue

During the year under review, revenue increased by 16% to RMB4,590.76 million (2020: RMB3,948.75 million).

Gross Profit

The Group's gross profit increased by 20% to RMB1,498.77 million for the year ended 31 December 2021 (2020: RMB1,246.57 million). The overall gross profit margin is 33% in 2021 (2020: 32%).

Other Income

The other income of the Group amounted to RMB190.54 million (2020: RMB166.81 million) which was mainly comprised of interest income, government grants and refund of value-added tax.

Other gains and losses

Other losses for the year ended 31 December 2021 amounted to RMB8.13 million (2020: RMB0.46 million) which comprised mainly of impairment of goodwill, foreign exchange losses, net and fair value gains on financial assets at FVTPL.

Operating Expenses

In 2021, the Group's operating expenses, including selling expenses, administrative expenses and research and development expenses amounted to RMB1,039.59 million (2020: RMB864.86 million). Operating expenses accounted for 23% of the Group's revenue in 2021, representing an increase of 1% as compared with 22% in 2020.

Finance Costs

For the year ended 31 December 2021, the Group's finance costs amounted to RMB99.27 million (2020: RMB96.26 million). The increase was mainly attributable to the increase of bank borrowings during the year.

Operating Profit

Earnings before finance costs and tax for the year ended 31 December 2021 amounted to RMB572.00 million (2020: RMB492.17 million), representing an increase of 16% as compared with last year.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the year ended 31 December 2021 increased by 16% to RMB268.08 million (2020: RMB231.19 million) as compared with last year.

Liquidity and Financial Resources

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

As at 31 December 2021, the Group's current assets amounted to approximately RMB9,588.34 million (2020: RMB8,557.84 million), with cash and cash equivalents totaling approximately RMB2,578.95 million (2020: RMB2,255.47 million).

As at 31 December 2021, the Group's total borrowings amounted to approximately RMB2,836.90 million (2020: RMB2,290.12 million), of which RMB2,046.57 million (2020: RMB1,787.99 million) will be due to repay within one year and the remaining RMB790.33 million (2020: RMB502.13 million) will be due after one year. In 2021, the interest rate for the Group's bank borrowings ranged from 1.18% to 5.22% per annum (2020: 2.20% to 5.55% per annum).

The gearing ratio (total borrowings divided by total assets) increased by 2% from 20% in 2020 to 22% in 2021.

Acquisitions

On 29 December 2021, Wasion Group Limited, a wholly owned subsidiary of the Company, has completed the acquisition of 100% of share capital of Changsha Zhongkun Electric Technology Co., Ltd. ("Zhongkun") from independent third parties at an aggregate consideration of RMB100,000,000. Zhongkun is a company established in the PRC which engaged in the R&D, manufacturing and sales of relay used in smart meters. The acquisition is to integrate the upper stream supply chain for the Group's products and enable the Group to secure a stable source of relay, reduce operating costs and enhance profitability.

Exchange Rate Risk

Most of the businesses of the Group are settled in Renminbi while businesses in foreign currencies are mainly settled in USD. The fluctuation of exchange rate of both currencies will have certain impact on the Group's business which are settled in foreign currencies. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. Where a natural hedge is not possible, the Group will mitigate foreign exchange risks via appropriate foreign exchange contracts. During the year under review, the Group has entered into foreign exchange forward contracts with notional amount of USD10.50 million with a commercial bank to minimise the exposure to fluctuations in foreign currency exchange rates of USD revenue received from overseas customers.

Charge on Assets

As at 31 December 2021, the pledged deposits are denominated in Renminbi and are pledged to banks as security for bills facilities granted to the Group. In addition, the Group's certain buildings are pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 31 December 2021, the capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial information amounted to RMB51.51 million (2020: RMB38.80 million).

Contingent Liabilities

As at 31 December 2021, the Group had no material contingent liabilities.

OTHER INFORMATION

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

The net proceeds from the initial public offering (“**IPO**”) of shares of Willfar Information Technology Company Limited (“**Willfar Information Technology**”) on the STAR Market of Shanghai Stock Exchange (“**STAR Market**”) on 21 January 2020 amounted to approximately RMB610.83 million and the below table sets out the use of the net proceeds from the listing date up to 31 December 2021:

Intended use of net proceeds	Net proceeds RMB'000	Amount utilised from date of listing to 31 December 2020 RMB'000	Amount utilised during the year ended 31 December 2021 RMB'000	Unused proceeds RMB'000
(1) Expansion of production capacity and technological upgrade of monitoring equipment applied in the perception layer of IoT	60,292	8,869	6,079	45,344
(2) Expansion of production capacity and technological upgrade of fluid sensing equipment applied in the perception layer of IoT	62,940	5,266	5,891	51,783
(3) Expansion of production capacity and technological upgrade of products applied in the network layer of IoT	204,873	39,581	51,818	113,474
(4) Construction of comprehensive research and development centre for IoT	146,951	11,942	16,897	118,112
(5) Replenishment of working capital	135,778	127,469	4,665	3,644
	<u>610,834</u>	<u>193,127</u>	<u>85,350</u>	<u>332,357</u>

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

Employees and Remuneration Policies

As at 31 December 2021, the Group had 3,578 (2020: 3,222) staff. Employee remuneration is determined on performance, experience and prevailing market conditions, with compensation policies being reviewed on a regular basis. The Company has adopted a share option scheme to recognize and acknowledge the contributions made or will be made to the Group by the eligible participants. The Company has also adopted a share award plan in which the eligible employees will be entitled to participate. The purposes of the share award plan are to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and also to attract suitable personnel for further development of the Group.

Dividends

The Board has proposed a final dividend of HK\$0.20 (2020: HK\$0.20) per share to shareholders of the Company (the “**Shareholders**”) whose name appear in the register of members of the Company on Friday, 10 June 2022 and a resolution to this effect will be proposed and subject to the Shareholders’ approval in the forthcoming annual general meeting. The final dividend will be paid on 22 June 2022.

Closure of Register of Members

The register of members will be closed for the following periods:

- (a) For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on Wednesday, 1 June 2022 (“**AGM**”), the register of members will be closed from Monday, 30 May 2022 to Wednesday, 1 June 2022, both days inclusive. In order to qualify for attending and voting at the AGM, 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 Friday, 27 May 2022.
- (b) For the purpose of determining shareholders who qualify for the final dividend, the register of members will be closed from Thursday, 9 June 2022 to Friday, 10 June 2022, both days inclusive. In order to qualify for the final 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 Wednesday, 8 June 2022.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2021, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

Compliance with the Corporate Governance Code of the Listing Rules

During the year ended 31 December 2021, save for Code Provision A.6.7 (which has been renumbered as Code Provision C.1.6 with effect from 1 January 2022), the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules.

Code Provision A.6.7 provides that independent non-executive directors and non-executive directors of the Company should attend general meetings of the Company. Mr. Luan Wenpeng, Mr. Cheng Shi Jie and Mr. Wang Yaonan, who are independent non-executive directors of the Company, failed to attend the annual general meeting of the Company held on 3 June 2021 due to conflicts with their schedules.

Save as disclosed, there has been no deviation from the code provisions of the Corporate Governance Code as set forth in the Appendix 14 of the Listing Rules for the year ended 31 December 2021.

Model Code for Securities Transactions

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

Specific enquiry has been made with all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2021.

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

AUDIT COMMITTEE

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

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

The annual results of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee.

SCOPE OF WORK ON THE RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

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

The electronic version of this announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.wasion.com. The annual report of the Company for the year ended 31 December 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Executive Directors

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

Independent non-executive Directors

Chan Cheong Tat
Luan Wenpeng
Cheng Shi Jie
Wang Yaonan

Non-executive Director

Kat Chit

By order of the Board
Wasion Holdings Limited
Ji Wei
Chairman

Hong Kong, 28 March 2022