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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 2022

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB5,855.84 million (2021: RMB4,590.76 million), representing an increase of 28%.
- Revenue from Power AMI increased by 20% to RMB2,059.25 million as compared with 2021.
- Revenue from Communication and Fluid AMI increased by 11% to RMB1,901.85 million as compared with 2021.
- Revenue from ADO increased by 64% to RMB1,894.74 million as compared with 2021.
- Net profit for the year attributable to owners of the Company increased by 21% to RMB323.80 million (2021: RMB268.08 million).
- Basic earnings per share for the year amounted to RMB32.9 cents (2021: RMB27.2 cents).
- The board of directors has proposed a final dividend of HK$0.23 (equivalent to RMB0.202) per share for the year ended 31 December 2022.

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 2022, together with the comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**2022**	2021
		RMB'000	*RMB'000*
Revenue	*3*	**5,855,844**	4,590,762
Cost of sales		**(3,926,620)**	(3,091,992)
Gross profit		**1,929,224**	1,498,770
Other income, gains and losses, net	*4*	**162,675**	182,413
Selling expenses		**(512,914)**	(437,708)
Administrative expenses		**(215,652)**	(177,407)
Research and development expenses		**(577,443)**	(424,476)
Impairment losses on financial assets and contract assets, net		**(94,191)**	(69,592)
Finance costs		**(112,500)**	(99,267)
Share of profits of an associate		**3,235**	—
Profit before tax	*5*	**582,434**	472,733
Income tax expense	*6*	**(71,274)**	(44,759)
PROFIT FOR THE YEAR		**511,160**	427,974
Profit for the year attributable to			
— Owners of the parent		**323,797**	268,084
— Non-controlling interests		**187,363**	159,890
		511,160	427,974
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*8*	**RMB32.9 cents**	RMB27.2 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**511,160**	427,974
OTHER COMPREHENSIVE LOSS:		
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	**(14,082)**	(7,716)
Tax effect	**982**	(1,157)
	(13,100)	(8,873)
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(20,207)**	(2,238)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(33,307)**	(11,111)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**477,853**	416,863
Attributable to:		
Owners of the parent	**289,947**	256,973
Non-controlling interests	**187,906**	159,890
	477,853	416,863

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Notes	**2022**	2021
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,615,569**	1,472,208
Investment properties		**14,370**	15,235
Right-of-use assets		**191,627**	198,143
Goodwill		**330,636**	338,317
Other intangible assets		**546,483**	568,210
Investment in a joint venture		**—**	—
Investment in an associate		**8,395**	—
Equity investments designated at fair value through other comprehensive income		**66,670**	66,996
Financial assets at fair value through profit or loss		**218,000**	200,000
Loan receivables		**85,000**	108,176
Prepayments, other receivables and other assets		**61,560**	54,370
Deferred tax assets		**91,464**	62,143
		3,229,774	3,083,798
CURRENT ASSETS			
Inventories		**1,080,835**	990,758
Trade and bills receivables	*9*	**4,395,215**	4,095,153
Contract assets	*10*	**552,693**	567,313
Prepayments, other receivables and other assets		**907,226**	937,650
Financial assets at fair value through profit or loss		**—**	2,269
Structured deposits		**70,000**	—
Pledged deposits		**762,384**	416,252
Cash and bank balances		**2,027,928**	2,578,946
		9,796,281	9,588,341
CURRENT LIABILITIES			
Trade and bills payables	*11*	**3,641,627**	3,312,712
Other payables and accruals		**408,992**	316,879
Financial liabilities at fair value through profit or loss		**37,940**	—
Interest-bearing bank borrowings		**1,714,799**	2,046,566
Lease liabilities		**9,291**	7,891
Tax payable		**100,053**	74,530
		5,912,702	5,758,578
NET CURRENT ASSETS		**3,883,579**	3,829,763
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,113,353**	6,913,561

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 31 DECEMBER 2022

	2022	2021
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**946,843**	790,335
Lease liabilities	**4,535**	8,898
Deferred tax liabilities	**33,499**	34,466
Total non-current liabilities	**984,877**	833,699
Net assets	**6,128,476**	6,079,862
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**9,906**	9,906
Reserves	**4,645,998**	4,622,020
	4,655,904	4,631,926
Non-controlling interests	**1,472,572**	1,447,936
Total equity	**6,128,476**	6,079,862

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2022

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, Grand Cayman, KY1-1111, Cayman Islands, 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, equity investments designated at fair value through other comprehensive income and financial liabilities at fair value through profit or loss 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 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

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

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

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

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

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

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.

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 2022

	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	**2,059,254**	**1,901,852**	**1,894,738**	**5,855,844**
Intersegment sales	**26,935**	**91,726**	**233**	**118,894**
	2,086,189	**1,993,578**	**1,894,971**	**5,974,738**
Reconciliation:				
Elimination of intersegment sales				**(118,894)**
				5,855,844
Segment results	**141,608**	**373,726**	**104,845**	**620,179**
Reconciliation:				
Elimination of intersegment results				**18,966**
Interest income				**79,025**
Dividend income and unallocated gains				**464**
Corporate and other unallocated expenses				**(24,514)**
Finance costs (other than interest on lease liabilities)				**(111,686)**
Profit before tax				**582,434**

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	22,701	98,434	449	121,584
	1,737,147	1,817,809	1,157,390	4,712,346
Reconciliation:				
Elimination of intersegment sales				(121,584)
				4,590,762
Segment results	56,118	323,041	112,457	491,616
Reconciliation:				
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)				(98,415)
Profit before tax				472,733

Geographical information

Revenue from external customers

	2022 ***RMB'000***	2021 *RMB'000*
PRC	**4,621,154**	3,878,309
America	**671,957**	189,911
Africa	**404,932**	315,410
Asia, except for PRC	**139,544**	109,438
Europe	**18,245**	77,047
Others	**12**	20,647
	5,855,844	4,590,762

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

4. OTHER INCOME, GAINS AND LOSSES, NET

	2022	2021
	RMB'000	*RMB'000*
Other income		
Bank interest income	**36,747**	36,395
Interest income from structured deposits	**12,593**	12,513
Interest income from loan receivables	**10,386**	12,632
Interest income from consideration receivable for disposal of a subsidiary	**4,421**	4,421
Interest income from financial assets at FVTPL	**14,878**	16,382
Dividend income from equity investments designated at FVTOCI	**464**	511
Refund of value-added tax*	**59,755**	55,162
Government grants#	**30,989**	44,954
Gross rental income	**1,431**	2,281
Others	**9,118**	5,289
	180,782	190,540
Gains and losses, net		
Impairment of goodwill	**(7,681)**	(7,672)
Foreign exchange gains/(losses), net	**29,188**	(3,167)
Gain on disposal of items of property, plant and equipment	**595**	443
Fair value (loss)/gain on financial instruments at FVTPL	**(40,209)**	2,269
	(18,107)	(8,127)
	162,675	182,413

* 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):

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**3,847,245**	3,062,754
Cost of service rendered	**46,032**	12,597
Depreciation of property, plant and equipment	**86,225**	72,826
Depreciation of investment properties	**865**	625
Depreciation of right-of-use assets	**14,778**	15,432
Amortisation of other intangible assets (excluding the deferred expenditure amortised)*	**15,529**	6,636
Impairment of goodwill	**7,681**	7,672
Lease payments not included in the measurement of lease liabilities	**10,286**	6,585
Research and development costs:		
Research and development expenses	**551,601**	448,371
Less: capitalised development costs	**(123,760)**	(147,598)
	427,841	300,773
Amortisation of capitalised development costs	**149,602**	123,703
	577,443	424,476
Auditor's remuneration	**3,810**	3,584
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**654,482**	433,120
Equity-settled share award expenses	**2,104**	—
Pension scheme contributions***	**60,030**	53,033
	716,616	486,153
Provision/(reversal of provision) of impairment losses, net:		
Trade receivables	**79,600**	69,592
Contract assets	**(609)**	—
Other receivables	**15,200**	—
	94,191	69,592
Fair value losses/(gains), net:		
Derivative instruments — transactions not qualifying as hedges	**40,209**	(2,269)
Gain on disposal of items of property, plant and equipment	**(595)**	(443)
Write-down of inventories to net realisable value**	**33,343**	16,641
Foreign exchange (gains)/losses, net	**(29,188)**	3,167

* 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 2022 and 2021.

Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% (2021: 25%), except that certain PRC subsidiaries which are approved as enterprises that satisfied the condition as high technology development enterprises and obtained the Certificate of High New Technology Enterprise can continue to enjoy the preferential tax rate of 15% for a three consecutive years from years 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 100% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year.

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

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

	2022	2021
	RMB'000	*RMB'000*
Current		
Charge for the year	**94,641**	68,841
Underprovision/(overprovision) in prior years	**2,942**	(3,314)
PRC withholding tax	**—**	2,447
	97,583	67,974
Deferred tax	**(26,309)**	(23,215)
Total tax charge for the year	**71,274**	44,759

7. DIVIDENDS

	2022 ***RMB'000***	2021 *RMB'000*
Final — HK20 cents per ordinary share for 2021 (2021: HK20 cents per ordinary share for 2020)	**168,526**	164,867

A final dividend of HK23 cents (2021: HK20 cents) per share amounting to approximately HK$229,052,000 (equivalent to RMB201,337,000) (2021: HK$199,176,000 (equivalent to RMB168,526,000)) in respect of the year ended 31 December 2022 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, excluding a pool of shares maintained by a trustee, of 985,255,264 (2021: 984,985,675) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021 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.

	2022 ***RMB'000***	2021 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**323,797**	268,084

	2022 **Number of shares**	2021 Number of shares
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**985,255,264**	984,985,675

9. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**4,258,163**	3,934,264
Bills receivable	**407,886**	352,123
	4,666,049	4,286,387
Less: Impairment loss on trade receivables	**(270,834)**	(191,234)
	4,395,215	4,095,153

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 is an amount due from the Group's joint venture of RMB75,573,000 (2021: RMB52,344,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

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

	2022	2021
	RMB'000	*RMB'000*
0–90 days	**1,805,130**	1,787,060
91–180 days	**1,015,106**	581,645
181–365 days	**827,117**	711,107
1–2 years	**456,416**	880,554
Over 2 years	**291,446**	134,787
	4,395,215	4,095,153

10. CONTRACT ASSETS

	2022 *RMB'000*	2021 *RMB'000*
Contract assets	**557,928**	573,157
Less: Impairment loss on contract assets	**(5,235)**	(5,844)
	552,693	567,313

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

Included in the Group's contract assets is an amount due from the Group's joint venture of RMB8,112,000 (2021: 12,637,000), which will be repayable on credit terms similar to those offered to the major customers of the Group.

11. TRADE AND BILLS PAYABLES

	2022 *RMB'000*	2021 *RMB'000*
Trade payables	**2,192,822**	2,107,538
Bills payables	**1,448,805**	1,205,174
	3,641,627	3,312,712

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

	2022 *RMB'000*	2021 *RMB'000*
0–90 days	**1,954,308**	1,893,820
91–180 days	**1,072,247**	982,361
181–365 days	**484,563**	346,749
Over 1 year	**130,509**	89,782
	3,641,627	3,312,712

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

Included in the Group's trade payables is an amount due to the Group's joint venture of RMB6,310,000 (2021: RMB6,780,000) which is repayable on credit terms similar to those offered by the major suppliers of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Macro Environment

The year 2022 ("**year under review**") was marked by global instability that triggered inflation, supply chain disruptions, and energy shortages, which weakened overall economic performance. With a rapid tightening of monetary policies by central banks worldwide, the international financial environment remained complex. China faced several rounds of local COVID-19 outbreaks in 2022, leading to regional lockdowns that impacted economic development. However, with the support of national policies and the continuous optimization of epidemic prevention and control measures, China's economy experienced growth in 2022 despite these short-term challenges. In December 2022, China reopened its borders and resumed domestic and international travel, further strengthening economic recovery. According to preliminary accounting results released by the National Bureau of Statistics, China's GDP in 2022 was RMB121.021 trillion, a 3% increase year-on-year ("**YoY**") at constant prices. As for the new energy sector, the number of new energy vehicles in China reached 13.1 million in 2022, representing a 67.13% increase YoY and showing a notable upward trend. With total installed capacity of renewable energy surpassing 1.2 billion kW, China ranked first in the world for installed capacity in hydropower, wind power, solar power, and biomass power generation each ranking first globally in terms of installed capacity. China continued investing in oil and gas exploration and development while vigorously developing a diversified clean power supply system. Power generated from clean energy rose by 5.3% YoY in 2022. As for the information and communications industry during the year under review, the Ministry of Industry and Information Technology collaborated to build 2.312 million 5G base stations, established a presence in data and computing power facilities, and constructed four new internet exchange centers.

Review of the Power Grid Industry

During the year under review, China's overall electricity consumption was 8.637 trillion kWh, representing a 3.6% increase YoY. The installed capacity of solar power was around 390 million kW, representing a 28.1% increase YoY. During the year, the State Grid Corporation of China ("**State Grid**") invested more than RMB500 billion, the highest sum ever, representing an 8.84% increase YoY, and China Southern Power Grid Company Limited ("**Southern Grid**") committed to investing RMB125 billion in fixed assets during the year, representing a 20% increase YoY. State Grid started constructing 42,100 km of grid infrastructure (of 110 kV to 750 kV), totalling 294 million kVA, and installed 44,700 km, totalling 286 million kVA, exceeding its annual plans for both. In terms of smart power meter tenders, State Grid issued tenders for more than 70.14 million units during the year, representing a 4.28% increase YoY, with a total tender value of RMB25.6 billion. Southern Grid regional power trading centers organized and completed market transactions of 853.63 billion kWh, representing a 27.4% increase YoY, accounting for 58.3% of the total electricity consumption in the region. From January to October 2022, more than 3.2 billion kWh of green electricity was sold in the southern region, representing a 200% increase YoY. Southern Grid has started interconnecting grids with neighboring countries. As of August, the electricity trade volume between Southern Grid and neighboring countries exceeded 65.5 billion kWh.

Review of Major Power Grid Industry Policies

In March 2022, the National Development and Reform Commission and the National Energy Administration issued the "14th Five-Year Plan on Modern Energy System Planning". The Plan requires that the power grid be the basic platform to enhance the power system's ability to optimize resource allocation, improve the grid's intelligence level, and promote the power grid to actively adapt to developing large-scale centralized new energy and distributed energy of large quantity and wide range. State Grid released the "State Grid Green and Low-carbon Development Report" during the year that offers 12 typical cases including actively and steadily promoting "Peak Emissions" and "Carbon Neutrality" ("**Dual Carbon**"). In July, construction on the State Grid Energy Internet Industry Xiong'an Innovation Center officially commenced. This is projected to drive RMB10 billion of upstream and downstream industry investment. The Center will focus on energy e-commerce and financial technology, next-generation information technology, comprehensive energy services, EV (electric vehicle) services, smart grid technology and other emerging industries. State Grid plans to invest over RMB520 billion in the power grid during 2023. In August, State Grid launched the "Joint Innovation Framework for Major Technologies of New Power System", and implemented the action plan for scientific and technological breakthroughs of new power systems, focusing on core technologies and basic frontier technologies with first-mover advantages. In addition, Southern Grid issued the "White Paper of Action Plan of China Southern Power Grid for the Construction of New Power System (2021–2030)". In essence, this White Paper plans to complete a new power system by 2030, supporting an additional 100 million kW of new energy installed capacity with non-fossil energy accounting for over 65% of the total. Shenzhen Virtual Power Plant Management Center, being China's first virtual power plant management center, was established in August. Currently, the Center has access to 14 load aggregators of distributed energy storage, data centers, charging stations, metros and other types. The management platform adopts advanced "Internet + 5G + intelligent gateway" communication technology to realize two-way communication between power grid dispatching systems and user-side adjustable resources.

Review of the Group's Overall Performance

As an expert in energy metering and energy-efficiency management, the Group recorded a total turnover of RMB5,855.84 million (2021: RMB4,590.76 million) in its three main business segments during 2022, representing a 28% increase YoY; and a gross profit of RMB1,929.22 million (2021: RMB1,498.77 million), representing a 29% increase YoY. The Group's overall gross profit margin was 33% (2021: 33%), being flat YoY. Net profit attributable to the Company's owners was RMB323.80 million (2021: RMB268.08 million), representing a 21% increase YoY.

Business Review

Power Advanced Metering Infrastructure ("Power AMI")

Business Overview

Power AMI focuses on the research and development ("**R&D**"), production and sales of smart power meters. It also offers energy-efficient management solutions with a product range mainly comprising single-phase and three-phase power meters, and other smart metering devices. Power AMI primarily serves power grid and non-power grid customers, both domestically and overseas. These include State Grid, Southern Grid, Inner Mongolia Power Group, China Three Gorges Corporation, power generation groups and power plants, as well as more than 20 local power companies. Non-power grid customers range from telecommunication operators to large-scale public infrastructures, petroleum & petrochemicals, transportation, machine manufacturing, iron & steel metallurgical industries with high energy-consumption needs, and residential users.

Review of Business

During the year under review, the Group's Power AMI business recorded a turnover of RMB2,059.25 million (2021: RMB1,714.45 million), representing an increase of 20% YoY, accounting for 35% of the Group's total turnover (2021: 37%). Gross profit margin was 39% (2021: 32%). The Group's power grid and non-power grid customers accounted for 38% and 62% of turnover, respectively (2021: 51% and 49%).

Order Data in the Year under Review

During the year under review, the Group's Power AMI business secured orders totalling around RMB1,838 million, representing a 20% increase YoY. Of this, bids won from power-grid customers were worth approximately RMB1,411 million (2021: RMB1,041 million), representing a 36% increase YoY. This increase came mainly from the growing demand for power meters from State Grid and Southern Grid. Bids won from domestic non-power grid customers were worth approximately RMB427 million (2021: RMB489 million), representing a 13% decrease YoY mainly due to the impact of recurrent COVID-19 outbreaks regionally.

Review of Developments in Power AMI Business and Relevant Policies

During the year under review, the Group's power grid business remained its prime source of revenue. Sales growth came mainly from increasing demand for products from State Grid and Southern Grid. Contracts worth RMB1,250 million were won in centralized tenders, representing a significant increase YoY. At the same time, the Group made breakthroughs in new products for its power business such as storage equipment, testing devices, online monitoring devices for capacitor voltage transformers (CVT) and charging pile testing devices that have won contracts in several provinces. With the Group's technical strengths, its gateway power meter products have won contracts in several provinces, maintaining its dominant market share. The Group maintained steady sales growth in tenders for local power companies and continued to increase sales growth in telecommunication operators, rail transport, commercial complexes and parks sectors. In terms of government policy, ten departments including the National Development and Reform Commission, the National Energy Administration and the Ministry of Industry and Information Technology jointly issued their "Guidelines on Further Promotion of Electrical Energy Replacement" which calls for expanding electrical energy replacement, developing comprehensive energy services and increasing the percentage of electrical energy consumed by end-users. Market demand for electrical energy metering products and equipment will continue to grow. The "14th Five-Year Plan on Modern Energy System Planning" also highlights that the elasticity of power load and the construction of power demand-side response capacity must be strengthened and enhanced. The State Administration for Market Regulation issued the "14th Five-Year Plan on the Development of Technology for Market Regulation", which plans to carry out research on key measurement technologies in the fields of green, low-carbon, energy conservation and environmental protection during the five-year period. Carbon metering is still in its infancy and research into carbon metering products is gaining attention. At the end of 2022, the Group, in collaboration with Southern Grid, started developing special power carbon meters, and successfully launched several models that measure carbon factors. The Group will continue exploring the relationship between electricity and carbon and conducting R&D into power carbon meters.

Prospects for Power AMI Business

For the power grid market: replacing existing power meters with new smart power meters was delayed in 2022 due to COVID-19 and chip shortages but will return to normal in 2023. A shift to renewable electricity and growing demand for domestic made raw materials led to steady growth in high-end products. According to the relevant policies and regulations of the state market regulatory authorities, as well as the digital transformation of the power grid and the construction of new power systems, demand for online power grid testing devices and digital instruments will also grow. In 2023, State Grid will launch a new version of the smart power meter standards, the application scope of new generation IoT smart power meters will be expanded, and the digital transformation of power grids will steadily continue.

For the non-power grid market: based on the national "Dual Carbon" development strategy and developing industrial Internet and energy Internet technologies, the Group will continue making its power AMI business an important growth driver. It will do this by further expanding its one-stop power metering, integrated management solutions and distribution business, thereby consolidating its position as China's leading provider of energy metering and energy-efficiency management solutions. Moreover, the Group will continue focusing on rail transport, schools and hospitals, commercial complexes and parks, telecommunication operators and energy consumption enterprises.

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

Business Overview

The Group's Communication and Fluid AMI business, which specializes in energy and information flows, mainly focuses on digital power grids and smart cities. The Company is committed to developing energy digitalization technology and applications, providing energy IoT integrated solutions, and helping traditional power systems to transform and develop with source, network, load and storage all interacting to serve cities, parks and enterprises. It delivers more efficient energy management to buildings, water services, water conservation, fire protection, and other applications, while systematically developing digital energy systems that can be sensed, observed, measured and controlled. Through smart energy and data interconnectivity, the Group works with customers to use energy more efficiently and pioneers low-carbon and zero-carbon urban development. In the field of digital power grids, the Group maintained its industry leadership position. In 2022, the Group was the only enterprise to win bids from the three major power grids, namely State Grid, Southern Grid and Western Inner Mongolia Grid, for electricity consumption information collection and ranking first in the industry for total contract value. As a key part of future power systems, virtual power plants are consistent with the digital transformation of energy systems driven by the "Dual Carbon" policy. Currently, the Group is conducting comprehensive research on source-network-load-storage interactive technology and developing core devices. In the field of smart cities, focusing on energy and security and other key elements, the Group provides products and energy AIoT platform technologies to promote the digital upgrading of modern urban public infrastructure such as power supplies, water services, water conservation, gas, heat, electricity and charging in cities, enterprises and parks. The Group provides government, enterprises and parks with data entry into the energy IoT and smart city IoT, and consolidates the energy management base and urban security management of smart cities, enterprises and parks. It also facilitates the digital transformation of government, enterprises and parks to achieve "Carbon Neutrality" and realize their low-carbon and zero-carbon development goals. The Group's Communication and Fluid AMI business, Willfar Information Technology Company Limited (stock code: 688100, a 59.51% shareholding subsidiary of the Group), is Hunan Province's first company to list on the STAR Market of the Shanghai Stock Exchange. It is 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 RMB1,901.85 million (2021: RMB1,719.37 million), representing a 11% increase YoY, and accounting for 33% of the Group's total turnover (2021: 38%). Gross profit margin was 38% (2021: 36%). The Group's power grid customers and non-power grid customers accounted for 52% and 48% of turnover, respectively (2021: 45% and 55%).

Order Data in the Year under Review

During the year under review, the value of newly-signed contracts for the Communication and Fluid AMI business totalled RMB3,176 million, representing a 28% increase YoY. As of 31 December 2022, the value of signed contracts on hand reached RMB2,516 million, representing a 42% increase YoY, strongly underpinning the Group's future performance.

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

Realizing the "Dual Carbon" goals will reshape China's industrial and lifestyle models, and have a far-reaching impact on the country's future economic and social development. A mixed-energy approach in which electricity plays the leading role will help transform the leading industrial economies and raise living standards. As green and low-carbon development trends continue, new low-carbon technologies especially those relating to deep decarbonization, zero-carbon, high-efficiency electricity consumption, renewable energy power generation, and virtual power plants are poised to become key economic drivers. To achieve the "Dual Carbon" goals, the power industry, which is the greatest source of carbon emissions, must prioritize clean energy development on the supply side and promote electrification on the demand side.

During the year under review, power grid construction underwent a dynamic phase characterized by the intelligent transformation of distribution networks. As power grids continue to digitally transform, State Grid and Southern Grid will likely increase capital expenditure on distribution networks during the "14th Five-Year Plan" period. According to the "14th Five-Year Plan of Southern Grid for Power Grid Development", the company plans to invest approximately RMB670 billion during the five-year period to construct new power systems in which new energy will play a key role. State Grid and Southern Grid plan to invest over RMB2.9 trillion in grids during the "14th Five-Year Plan" period, far exceeding the RMB2.57 trillion spent during the "13th Five-Year Plan" period. During the "14th Five-Year Plan" period, an estimated RMB3 trillion will be invested in new power systems with new energy as the mainstay, helping the country achieve its "Dual Carbon" goals. In January 2022, the State Council issued its "Plan to Facilitate the Development of the Digital Economy in the 14th Five-Year Plan Period", proposing that core digital industries should account for 10% of GDP by 2025. In June 2022, six ministries and commissions including the Ministry of Industry and Information Technology and the National Development and Reform Commission jointly issued their "Industrial Energy Efficiency Improvement Action Plan" which specifies seven key tasks to improve industrial energy conservation and efficiency. It calls for more R&D into digital technologies such as 5G, cloud and edge computing, IoT, big data, and artificial intelligence ("**AI**") to improve energy savings and efficiencies, and build a twin digital system. By the end of April 2022, according to China News, China had signed more than 200 Belt and Road cooperation documents with 149 countries and 32 international organizations, covering 100 countries in Asia, Africa and Latin America. Egypt, Indonesia, Myanmar, Bangladesh and India have all launched smart city construction plans that the Group's overseas business should benefit from.

Given the above, the Group continuously deepening its efforts into its leading strategic sectors by enhancing innovation and R&D and improving the business operating environment. (I) New-type power systems: the Group has developed the latest WTZ30 series chips — HPLC+HRF dual-mode SoC communication chips designed to meet the national grid interconnection technical standards. This chip series combines wired and wireless communications and features dual-network compatibility. The WFM series of smart measurement switches enables remote monitoring and interacts with power lines in low-voltage distribution zones, meeting the application requirements of smart grids and power IoT. (II) Digital-intelligent cities: the modular IoT water meter 3.0 developed by the Group is a next-generation metering device that utilizes advanced sensor technology and intelligent decision-making algorithms to enable smart metering through IoT applications. For new-type infrastructure operating companies in cities, provincial and municipal water authorities, Siemens' industrial chains, and Tencent's ecological partners, the Group provided smart solutions for different scenarios to help customers achieve their "Dual Carbon" goals. (III) Overseas markets: the Group's smart water metering solutions include high-security prepaid solutions which have received security certifications in multiple countries. The Group's independently-developed Wi-SUN communication module offers core functionality for wireless smart mesh networking and can replace similar imported products. The Group has focused on countries along the Belt and Road, leveraged its comprehensive advantages in products, technologies and system applications, and continuously expanded its businesses in energy IoT across the globe.

Prospects for Communication and Fluid AMI Business

The "Dual Carbon" goals will transform new power systems, and accelerate the development of power IoT, energy Internet and smart distribution networks. The Group will maintain its leading market share by continuously innovating key technologies for new power systems. In January 2022, the General Office of the Ministry of Housing and Urban-Rural Development, and the General Office of the National Development and Reform Commission, jointly issued their "Notice on Strengthening the Leakage Control of Public Water Supply Pipeline Networks". It seeks to reduce the leakage rate from public water supply pipeline networks in cities across the country to below 9% by 2025. Government policies promoting water and energy conservation will drive the water supply pipeline network leakage control business, creating a period of rapid growth for the digital water service industry. Information technologies such as big data and IoT will empower the water service industry. Investment in smart water services across China is estimated to reach RMB25.1 billion in 2023, with a compound annual growth rate of 25.83%. In addition, the total market for China's smart fire-protection services in 2022 is expected to reach RMB18.84 billion. The entire industry is experiencing constant expansion, with an annual growth rate of over 30%. The Group will establish a multi-energy resource, multi-level energy IoT platform from both the energy consumption and energy supply side. It will also continue developing IoT technologies for water, electricity, gas, heating, and digital smart cities, and create a digital energy system that is perceptible, observable, measurable and controllable. 2023 is set to be the International Year for the Group, during which the Group will actively develop the energy Internet in countries along the Belt and Road, and increase its investments in overseas R&D and sales. Moreover, using AMI overall solutions as the foundation, the Group will participate in power IoT construction in overseas regions to further increase its market share.

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 technologies, products and solutions to meet the "Peak Emissions" and "Carbon Neutrality" national goals. Customers primarily fall into three categories: power grids (including State Grid and Southern Grid), key industries (including data centers, electronic chips manufacturers and rail transport) and renewable energy and energy storage (including 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 RMB1,894.74 million (2021: RMB1,156.94 million), representing an increase of 64% YoY, and accounting for 32% of the Group's total turnover (2021: 25%). Gross profit margin was 22% (2021: 28%). The Group's power grid customers and non-power grid customers accounted for 32% and 68% of turnover, respectively (2021: 31% and 69%).

Order Data in the Year under Review

During the year under review, the Group's ADO business secured orders worth RMB3,152 million, representing a 50% increase YoY. Among these, a breakthrough was achieved in the new energy storage business with relevant contracts signed during the year worth over RMB500 million. Representative contracts were also signed for new-energy business including the Loudi Shuangfeng County Distributed Project for China Power, the Group's first whole-county distributed photovoltaic project; and the Source-Network-Load-Storage Integration Micro-Grid Project in the Three-River-Source Protection Station, Hoh Xil, Qinghai by China Three Gorges Corporation, China's largest new energy off-grid system project with the highest altitude. During the year under review, contracts won from the power-grid market had a combined value of RMB1,417 million (2021: RMB991 million), representing a 43% increase YoY. This increase in orders was mainly due to: (I) Contracts won in the centralized procurement of Southern Grid increased significantly YoY. (II) In-depth expansion of multi-product and multi-business dimensions was realized in the power grid base market, and the proportion of contracts from the power-grid primary market continued to increase. (III) The Group actively developed high-margin business models such as provincial management and e-commerce, and successfully developed new markets including Liaoning, Fujian and Chongqing. Contracts won from the non-power grid market including the new energy and energy storage markets were worth RMB1,736 million (2021: RMB1,112 million), representing a 56% increase YoY. This increase was mainly due to securing a substantial increase in business orders from energy storage and new energy businesses focused on core customers and optimized layouts.

Review of Development of ADO Business and Relevant Policies

During the year under review, State Grid's power IoT business and Southern Grid's digital power grid business both had clear transformation strategies. To meet increasing distribution demand from new power systems, the Group continued launching intelligent power distribution products for primary, secondary, and integrated primary and secondary distribution as well as intelligent power distribution solutions, achieving steady growth in terms of the number of winning bids and product coverage. It now covers five provinces served by Southern Grid and ranks among the industry's top players in terms of total market share. The Group also achieved a breakthrough in its box-type transformer business, gaining new high-quality customers in key industries. In the lithium battery and new energy sector, the Group entered into a collaboration with China Aviation Lithium Battery, signing contracts worth over RMB100 million. In the new infrastructure field, the Group won the Wanzhou Airport project, its largest airport construction order to date. In the data center field, the Group continued working with Global Data Solutions, maintaining steady growth. In the field of water conservancy and water services, the Group won several projects during the year and continued securing orders from important customers.

A report to the 20th National Congress of the Communist Party of China specifies the need to develop a system for new energy sources. New policies at the national, provincial and municipal levels were issued, driving rapid growth in the new energy market. In particular, the new energy storage market represented by electrochemical energy storage surged in 2022. The Group promptly seized opportunities in new energy and energy storage, quickly launching energy storage products and solutions, and comprehensively upgrading its production and project-delivery capabilities. During the year the Group's product development and practical applications covered various application scenarios including centralized distribution and storage of new energy on the power generation side, shared energy storage on the grid side, energy storage for industrial and commercial users, and an independent off-grid photovoltaic-storage integration system. On the power-generation side, the Group began construction of multiple large-scale energy storage power stations with a capacity of 100 MKh or higher. These included projects for China Resources in Inner Mongolia; Guangdong No. 2 Hydropower Engineering Company in Xinjiang, Hainan province; and POWERCHINA in Hubei. The Group also successfully bid for the power supply facility project from the Hoh Xil Management Office of the Three-River-Source National Park, the Group's first national park project. This can serve as a reference solution for supplying green power in mountainous nature reserves and remote areas across China. During the year, the Group achieved breakthroughs in distributed photovoltaics for entire counties, sewage treatment plants, and the iron & steel sector, as well as in integrated solutions for energy sourcing, networking, loading and storage. For the battery-charging and swapping sector, the Group focused on the development and expansion of the low-speed battery charging and swapping industry, becoming the only service provider in the industry to offer equipment and solutions to Tower Energy, electric vehicles of State Grid and Southern Grid, major Internet companies, regional battery charging and switching operators, and overseas markets. The Group won bulk orders from China Tower headquarters and Jiangxi, Hunan, Shaanxi, and Anhui provinces.

During the year under review, State Grid's subsidiaries began construction of a safety monitoring information platform for a national electrochemical energy storage power station that combines energy sourcing, networking, loading and storage. It also released the world's first international standard for "blockchain + carbon trading", and obtained approval to build China's first provincial/ministerial-level key laboratory for metaverse in the power industry. In terms of energy storage, Southern Grid plans to add 2 million kW of independent energy storage on the grid side during the "14th Five-Year Plan" period, 3 million kW during the "15th Five-Year Plan", and 5 million kW during the "16th Five-Year Plan" to meet the connection and consumption needs of 300 million kW of new energy. The CPC Central Committee and the State Council issued their "Outline of the Strategic Planning for Expanding Domestic Demand (2022–2035)". This proposes greatly improving clean energy utilization and building a multi-energy source clean energy base. The document also calls for accelerating the construction of large wind-power and photovoltaic bases in the Gobi desert, and clearly states that constructing large wind-power and photovoltaic bases will be the top energy infrastructure priorities over the next 13 years. In November 2022, the National Energy Administration issued its "Basic Rules of Electricity Spot Market (Consultation Draft)", which for the first time proposes constructing a national spot electricity market. Emerging market entities such as energy storage, distributed power generation, virtual power plants and new energy micro-grids will be encouraged to trade. A national capacity-compensation mechanism is also proposed for the first time. During the "14th Five-Year Plan" period, the combined amount of power generated from renewable energy will account for more than 50% of the total electricity consumption of society, and power generated from wind power and solar power will double. New energy storage will be applied on a large scale, the energy storage business model will be updated, and a price mechanism for energy storage formulated.

Prospects for ADO Business

In 2023, the Group will focus on State Grid's and Southern Grid's centralized procurement as well as agreement inventory/annual framework bidding and procurement for provincial grids. The Group will strive for full coverage of the market and products while continuously focusing on primary and secondary integration products. While remaining committed to providing products that offer maximum cost-effectiveness, the Group will improve its usability and maintenance technologies, thereby cementing its position as one of the industry's top three players in terms of business scale. Through connecting massive distributed energy to the grid, the Group is also looking to develop core products for low-voltage distribution networks such as intelligent photovoltaic circuit breakers and measurement switches. In the non-power grid market, the Group will provide additional products and services, upgrading from traditional distribution devices to digital power distribution and integrated energy-efficiency solutions. The Group will also continue collaborating with customers in key industries to deliver stable business performance while optimizing its customer base to ensure sustainable growth.

In the new energy sector, the Group will continue expanding into domestic and overseas markets, including the power generation, industrial & commercial, and overseas household energy storage markets and striving to make progress in the power generation and user sides through channels and sales. The Group will pursue new collaborations with SOEs which participate in power investment and general contracting such as China Power and POWERCHINA, acquire new customers and gear up business development to achieve rapid growth in new energy and energy storage sectors. On the user side, for high-polluting and energy-consuming industries such as steel and cement, as well as industries like water treatment and pharmaceutical logistics, the Group will focus on photovoltaics and energy storage. It will also create integrated solutions for energy sourcing, networking, loading and storage, and expand its business in multiple directions. In the battery charging and swapping sector, the Group will focus on the smart charging and swapping business, and strive to become an industry leader. The Group will also grow its smart power supply business, and retain customers such as Tower Energy, power grids, internet companies and telecom operators. The Group will enhance its R&D capabilities and provide solutions in core components such as battery-swapping cabinets and power supplies to enhance business value.

International Markets

Global Smart Power Meter Information

Smart power metering is an important offering of Advanced Metering Infrastructure ("**AMI**"), and the core sensing unit of power grid data collection. Despite the impact of the pandemic, the global smart power meter industry has been developing steadily and its global application will be continued to be widely adopted. According to data released by Bonafide Research, the global smart meter market will grow at a compound annual growth rate ("**CAGR**") of 8.71% between 2022 and 2027, with the software and service segments expected to grow at a CAGR of 13.41%. In 2021, Asia-Pacific accounted for 38% of the global smart power meter market. Market demand for smart power meters shows strong momentum. Regions across the world vary widely in terms of their power meter development stage, yet all need metering equipment that complies with local standards and specifications.

Review of Business

During the year under review, overseas business turnover was RMB1,234.69 million (2021: RMB712.45 million), representing a 73% increase YoY.

Order Data in the Year under Review

During the year under review, the Group secured approximately RMB2,003.37 million worth of overseas orders, representing a 74% increase YoY.

Market Developments in Each Country

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

In Africa, the Group's Tanzania factories has improved its efficiency and quality, continuously securing procurement orders from power companies. Through organizing annual customer visits, the Group improved its brand image and local service capability and was added to the list of qualified local suppliers for smart meters. The Group has also worked hard to expand into East African markets and has delivered its first bulk order to Uganda during the year. As one of Egypt's main suppliers of power metering, the Group continued to deliver products while at the same time gaining customer recognition for its intelligent transformation pilot projects, laying a foundation for subsequent market expansion. Turning to West Africa, the Group maintained stable delivery of products in Côte d'Ivoire, where it is one of the three main suppliers, and has increased its market share. In addition, the Group has steadily secured orders in major adjoining markets such as Morocco, Ghana and Cameroon where it has expanded into new product sectors such as water meters. The Group has secured its first bulk order for smart meters and conducted product promotion in the South African market, and will steadily expand its market share going forward. In the Nigerian market, the Group participated in key biddings as one of the smart meter suppliers.

In South America, the Group's Brazilian subsidiary continued strengthening its productive, operational and delivery capabilities, and was committed to further expanding its overall market share in Brazil. During the year under review, the Group won contracts for smart AMI meters totalling over RMB200 million, and produced and delivered over 2 million units of various types of meters, achieving a breakthrough in the Brazilian market. The Group's Mexican subsidiary has completed the capacity expansion of its plant which is now put into operation, further enhancing its output and delivery capabilities. During the year under review, the Mexican subsidiary delivered more than 1.8 million smart power meter units with the output value exceeding RMB500 million. At the same time, the Mexican subsidiary has consolidated its position in the industrial and commercial high-end meter market, becoming the largest meter supplier in this market. The Mexican subsidiary also won the contract for Latin America's largest photovoltaic project, achieving a breakthrough in its energy storage business for overseas markets. In Ecuador, the Group maintained its share of the power meter market. In Colombia, the Group actively promoted its products and secured bulk orders for smart power meters. In Chile, the Group secured a bulk order for smart power meters worth over RMB77 million. In Peru, Argentina and other South American markets, the Group collaborated on key projects and carries out in-depth market layout.

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

Future Development of International Markets

The Group will focus on stabilizing its market share in key markets and pursue a strategy of building factories with local subsidiaries, enhancing its on-the-ground capabilities and infrastructure to access adjacent markets. To better understand customer needs in existing markets and improve product quality and service levels, the Group will maintain stable operations in core markets and further expand market share while actively exploring new markets and achieving business breakthroughs.

In Southeast Asia, the Group has chosen Indonesia as a base from where it can develop new markets including Malaysia, Singapore, Vietnam, Thailand and the Philippines; while Bangladesh has been chosen as another base for expanding to Pakistan and India. In the Middle East, with Saudi Arabia as its hub, the Group aims to steadily penetrate markets in the UAE, Kuwait, Iraq, Oman, and Yemen. In the Russian-speaking region, given the regional instability, the Group will continue to monitor market changes in Russia and actively minimize risks, while developing surrounding markets such as Kazakhstan and Mongolia.

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

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

In Europe, the Group has chosen Austria as a hub for laying its regional footprint which covers Czech Republic, Poland, Hungary and other European countries.

Research and Development ("R&D")

To drive innovation, the Group invests substantially in R&D, cooperating with the national "Dual Carbon" development policy, and harnessing new technologies to construct digital power grids, digital smart cities and new energy businesses. While focusing on customer needs, the Group also champions new technologies. During the year under review, the Group was granted 325 patents including 41 invention patents and authored 113 software copyrights, boosting the total number of valid patents to 1,870 and software copyrights to 1,592.

Power AMI Business

During the year under review, the Group's newly-developed CVT product successfully addressed various technical challenges, obtained authoritative certification, set a new technology standard for the industry, won bids from provincial-level power grid companies and delivered products. At the same time, the Group launched innovative products such as its small IoT 4G power meter and high-precision gateway power meter. The Group's single-phase power meter that meets State Grid's new technical standards was the first to receive State Grid's reliability test report, satisfying the requirement for power metering devices to have a life span of more than 16 years. Actively engaged in R&D for intelligent IoT power meter operating systems, the Group built its own software platform for power meter operating systems, greatly enhancing the competitiveness of its AMI products. During the year under review, the Group participated in Southern Grid's research project for core technology and independently-developed chip applications for power equipment, winning the Southern Grid Science and Technology Progress Award. The Group was the only power meter manufacturer to participate in "Key Technologies of Multi-parameter Wide-area Sensing Measurement for Mass Power Users", a national key research project. The Group also worked with the Guangdong Institute of Metrology to jointly develop a next-generation smart power meter integrated with carbon footprint monitoring.

Communication and Fluid AMI Business

As for software development, the Group possesses the international software maturity model CMMI-ML5 certifications, becoming one of the few companies in the world that can provide high-quality software integration for the global market. During the year under review, the Group participated in the key national research project, "Digital Power Grid Key Technologies" as the only non-power grid enterprise, and led the research program of "Digital Grid Edge Computing Control Devices for Multi-service Collaboration" which achieved a significant progress of being recognized by a team of academic experts as meeting global leading standard. The Group also developed a new power load management system solution. Adopting the "acquisition system + specialized terminal + extension module + branch monitoring device + load switch" load control structure to cover complete levels, this can support the efficient interaction of source, network, load and storage to meet the majority of new energy power generation and loads. Currently, trial operations in several places. The Group also adopted proprietary intelligent hardware devices such as intelligent sensing and i-communications to build an integrated energy service platform based on blockchain technology. This fills a gap in security interaction technology for combining comprehensive energy data with computing privacy in China, establishing a comprehensive digital green energy credit-evaluation system and creating an "energy + carbon" map.

ADO Business

Based on the demand for "digitalization, modularization and integration" from power distribution networks, key industries and the new energy sector, the Group accelerated R&D into core products and technologies, improving the capabilities of standardized design, and creating energy digitalization solutions. For medium-voltage power distribution, the Group's single-phase grounding technology passed the real model tests of State Grid's Wuhan High Voltage Research Institute and Henan Luohe Test Site. It has been successfully applied to primary and secondary integrated products based on State Grid's new standards. Through combining operational and maintenance projects, a practical application for single-phase grounding technology has been realized. Intelligent distributed control devices for primary and secondary integrated ring network cabinets based on GOOSE communications have been successfully mass-produced and comprehensively applied in the five provinces managed by Southern Grid. The Group is intensively researching new technologies such as miniaturized ring network cabinets, digital pole-mounted circuit breakers, traveling wave ranging, and feeder automation under distributed new energy connection. These will improve the reliability of power supply in the grid while protecting the environment, and helping the construction of new distribution networks. In the low-voltage components sector, the Group made breakthroughs in new-generation photovoltaic anti-islanding protection technology. These have been successfully applied to intelligent photovoltaic circuit breakers after being tested by the China Academy of Electronics and Information Technology and achieved bulk delivery to the State Grid Hunan Electric Power Company. Moreover, the Group completed R&D into intelligent plastic-case, leakage protection, and microcircuit breakers enabling it to provide complete intelligent-component solutions for low-voltage distribution systems. In the high and low-voltage complete sets equipment sector, the Group completed R&D into a medium-voltage intelligent cabinet prototype. This was promoted to the market as an integrated holographic-sensing application for power grids offering one-button sequential control, intelligent five-prevention and double-confirmation of circuit breaker positions. Currently, the Group has integrated intelligent low-voltage cabinets and digital information collection platforms, representing a key element in complete solutions for the intelligent power distribution industry. In terms of industrial automation, the Group's technical team is studying core algorithms for an asynchronous motor based on a universal frequency converter, and has established a frequency-converter testing laboratory. The Group has also completed R&D into a 5.5 kW high-performance multifunctional frequency converter that successfully completed internal testing as it strives to provide automated industrial solutions and develop capacity for producing frequency converter components.

In the new energy sector, the Group is collaborating with universities to research technologies such as inverter circuit topology design, core control algorithms and battery management system (BMS) active balancing. For its energy storage business, the Group developed a series of products and key components for multi-scenario applications. These embrace technologies such as energy storage battery PACKs, battery energy storage cabins, multistage battery-management systems, power conversion systems (PCS), photovoltaic-storage integration inverters and energy management systems (EMS). The Group also conducted in-depth research into fluorine pump double-cycle air conditioning systems and ultra-reliable fire protection systems for energy storage equipment. The Group independently developed a source-network-load-storage integration energy management system to achieve flexible and reliable power control and coordination in various application scenarios including on-grid energy storage, off-grid energy storage, on-grid and off-grid energy storage, and on-grid and off-grid photovoltaic-storage integration. These make "new energy + energy storage" the Group's main focus in the new energy sector. In terms of charging and battery swapping, the Group introduced a 3.0-4.0 version optimization scheme for Tower Energy to enhance the technical advantages of its battery swap products series. Looking ahead, the Group will give priority to independently-developed standardized products for power grids, the Internet and other markets. It will strive to meet the requirements of the application scenarios of battery swap solutions for takeaway and express delivery markets, shared delivery personnel and residential users while maintaining the advantage of sustainable iteration of innovative technologies. The Group will continue its in-depth study of the national and local policies for different charging and battery swapping markets, and enhance exchanges and cooperation with new energy vehicle enterprises and battery enterprises. The Group aims to enrich its product offering of charging, battery swapping and power supply by taking "integration of vehicle, electricity and cabinet" as comprehensive system products, to maintain its leadership position in the intelligent charging and battery swapping industry.

International Markets

The Group believes that technology can drive sales and business expansion. Facing the twin pressures of chip shortages and COVID-19 during the year under review, the Group replaced key imported components with domestic components, effectively alleviating raw material shortages. Benefiting from production in its Mexico, Brazil, and Tanzania factories, the Group completed AMI system optimization for the Wi-SUN program in the Brazilian market, as well as developing smart meters to meet the Brazilian national standards agency (ABNT) agreement. It also completed the optimization design of bulk products in Mexico, obtaining LAPEM certification. Furthermore, the Group completed the optimization design of AMR single-phase and three-phase platforms for the Indonesian market; completed the design and development of hardware and software structures for several products in Vietnam, the Philippines and other markets; and completed pilot operations of an AMI system based on BPLC technology integrated with a customer system in Indonesia and for the Companhia de Electricidade de Macau. Looking ahead, the Group will actively develop its charging and battery-swapping business in overseas markets starting with Kenya.

Financial Review

Revenue

During the year under review, revenue increased by 28% to RMB5,855.84 million (2021: RMB4,590.76 million).

Gross Profit

The Group's gross profit increased by 29% to RMB1,929.22 million for the year ended 31 December 2022 (2021: RMB1,498.77 million). The overall gross profit margin is 33% in 2022 (2021: 33%).

Other Income

The other income of the Group amounted to RMB180.78 million (2021: RMB190.54 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 2022 amounted to RMB18.11 million (2021: RMB8.13 million) which comprised mainly of impairment of goodwill, foreign exchange gains, net and fair value loss on financial instruments at FVTPL.

Operating Expenses

In 2022, the Group's operating expenses, including selling expenses, administrative expenses and research and development expenses amounted to RMB1,306.01 million (2021: RMB1,039.59 million). Operating expenses accounted for 22% of the Group's revenue in 2022, representing a decrease of 1% as compared with 23% in 2021.

Finance Costs

For the year ended 31 December 2022, the Group's finance costs amounted to RMB112.50 million (2021: RMB99.27 million). The increase was mainly attributable to the increase of bank borrowing interest rate during the year.

Operating Profit

Earnings before finance costs and tax for the year ended 31 December 2022 amounted to RMB694.93 million (2021: RMB572.00 million), representing an increase of 21% 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 2022 increased by 21% to RMB323.80 million (2021: RMB268.08 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 2022, the Group's current assets amounted to approximately RMB9,796.28 million (2021: RMB9,588.34 million), with cash and cash equivalents totaling approximately RMB2,027.93 million (2021: RMB2,578.95 million).

As at 31 December 2022, the Group's total borrowings amounted to approximately RMB2,661.64 million (2021: RMB2,836.90 million), of which RMB1,714.80 million (2021: RMB2,046.57 million) will be due to repay within one year and the remaining RMB946.84 million (2021: RMB790.33 million) will be due after one year. In 2022, the interest rate for the Group's bank borrowings ranged from 1.55% to 4.80% per annum (2021: 1.18% to 5.22% per annum).

The gearing ratio (total borrowings divided by total assets) decreased by 2% from 22% in 2021 to 20% in 2022.

Exchange Rate Risk

Most of the businesses of the Group are settled in Renminbi while businesses in foreign currencies are mainly settled in USD and EUR. 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 amounts of USD77 million and EUR1.58 million with a commercial bank to minimise the exposure to fluctuations in foreign currency exchange rates of USD and EUR revenue received from overseas customers.

Charge on Assets

As at 31 December 2022, 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 2022, the capital commitments in respect of the acquisition of property, plant and equipment and investments in financial instruments contracted for but not provided in the consolidated financial information amounted to RMB63.37 million (2021: RMB51.51 million) and RMB74.40 million (2021: Nil), respectively.

Contingent Liabilities

As at 31 December 2022, 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 2022:

	Intended use of net proceeds	Net proceeds *RMB'000*	Amount utilised from date of listing to 31 December 2021 *RMB'000*	Amount utilised during the year ended 31 December 2022 *RMB'000*	Unused proceeds *RMB'000*
(1)	Expansion of production capacity and technological upgrade of monitoring equipment applied in the perception layer of IoT	60,292	14,948	17,755	27,589
(2)	Expansion of production capacity and technological upgrade of fluid sensing equipment applied in the perception layer of IoT	62,940	11,157	9,752	42,031
(3)	Expansion of production capacity and technological upgrade of products applied in the network layer of IoT	204,873	91,399	66,541	46,933
(4)	Construction of comprehensive research and development centre for IoT	146,951	28,839	38,368	79,744
(5)	Replenishment of working capital	135,778	132,134	1,730	1,914
		610,834	278,477	134,146	198,211

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

Employees and Remuneration Policies

As at 31 December 2022, the Group had 4,521 (2021: 3,578) 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$0.23 (2021: HK$0.20) per share to shareholders of the Company (the "**Shareholders**") whose name appear in the register of members of the Company on Tuesday, 23 May 2023 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 12 June 2023.

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 Friday, 12 May 2023 ("**AGM**"), the register of members will be closed from Tuesday, 9 May 2023 to Friday, 12 May 2023, 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 Monday, 8 May 2023.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members will be closed from Monday, 22 May 2023 to Tuesday, 23 May 2023, 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 Friday, 19 May 2023.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2022, 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 2022, save for Code Provision C.1.6, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code as set forth in Part 2 of Appendix 14 of the Listing Rules.

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

Save as disclosed, there has been no deviation from the code provisions of the Corporate Governance Code as set forth in the Appendix 14 of the Listing Rules for the year ended 31 December 2022.

Model Code for Securities Transactions

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

Specific enquiry has been made with all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2022.

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

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 2022 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 2022 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 opinion or assurance conclusion 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 2022 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
Kat Chit
Li Hong
Zheng Xiao Ping
Tian Zhongping

Non-executive Director
Cao Zhao Hui

Independent non-executive Directors
Chan Cheong Tat
Luan Wenpeng
Wang Yaonan

By order of the Board
Wasion Holdings Limited
Ji Wei
Chairman

Hong Kong, 27 March 2023