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 2023

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB7,252.27 million (2022: RMB5,855.84 million), representing an increase of 24%.
- Revenue from Power AMI increased by 29% to RMB2,650.36 million as compared with 2022.
- Revenue from Communication and Fluid AMI increased by 11% to RMB2,116.98 million as compared with 2022.
- Revenue from ADO increased by 31% to RMB2,484.93 million as compared with 2022.
- Net profit for the year attributable to owners of the Company increased by 61% to RMB521.23 million (2022: RMB323.80 million).
- Basic earnings per share for the year amounted to RMB52.7 cents (2022: RMB32.9 cents).
- The board of directors has proposed a final dividend of HK$0.28 (equivalent to RMB0.258) per share for the year ended 31 December 2023.

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 2023, together with the comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Revenue	*3*	**7,252,272**	5,855,844
Cost of sales		**(4,671,521)**	(3,926,620)
Gross profit		**2,580,751**	1,929,224
Other income, gains and losses, net	*4*	**142,484**	162,675
Selling expenses		**(649,479)**	(512,914)
Administrative expenses		**(327,358)**	(215,652)
Research and development expenses		**(681,375)**	(577,443)
Impairment losses on financial assets and contract assets, net		**(73,517)**	(94,191)
Finance costs		**(131,530)**	(112,500)
Share of profits of an associate		**756**	3,235
Profit before tax	*5*	**860,732**	582,434
Income tax expense	*6*	**(100,139)**	(71,274)
PROFIT FOR THE YEAR		**760,593**	511,160
Profit for the year attributable to			
— Owners of the parent		**521,233**	323,797
— Non-controlling interests		**239,360**	187,363
		760,593	511,160
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*8*	**RMB52.7 cents**	RMB32.9 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**760,593**	511,160
OTHER COMPREHENSIVE INCOME/(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	**(3,519)**	(14,082)
Tax effect	**(246)**	982
	(3,765)	(13,100)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**56,835**	(20,207)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**53,070**	(33,307)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**813,663**	477,853
Attributable to:		
Owners of the parent	**574,749**	289,947
Non-controlling interests	**238,914**	187,906
	813,663	477,853

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,958,179**	1,615,569
Investment properties		**15,019**	14,370
Right-of-use assets		**183,838**	191,627
Goodwill		**330,636**	330,636
Other intangible assets		**523,826**	546,483
Investment in a joint venture		**—**	—
Investment in an associate		**9,151**	8,395
Equity investments designated at fair value through other comprehensive income		**65,771**	66,670
Financial assets at fair value through profit or loss		**26,149**	218,000
Loan receivables		**85,000**	85,000
Prepayments, other receivables and other assets		**73,489**	61,560
Deferred tax assets		**119,564**	91,464
		3,390,622	3,229,774
CURRENT ASSETS			
Inventories		**1,205,919**	1,080,835
Trade and bills receivables	*9*	**4,550,227**	4,395,215
Contract assets	*10*	**404,953**	552,693
Prepayments, other receivables and other assets		**802,606**	907,226
Financial assets at fair value through profit or loss		**200,000**	—
Structured deposits		**120,000**	70,000
Pledged deposits		**560,896**	762,384
Cash and bank balances		**2,644,896**	2,027,928
		10,489,497	9,796,281
CURRENT LIABILITIES			
Trade and bills payables	*11*	**3,938,543**	3,641,627
Other payables and accruals		**453,131**	408,992
Financial liabilities at fair value through profit or loss		**49,939**	37,940
Interest-bearing bank borrowings		**1,679,302**	1,714,799
Lease liabilities		**5,221**	9,291
Tax payable		**101,575**	100,053
		6,227,711	5,912,702
NET CURRENT ASSETS		**4,261,786**	3,883,579
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,652,408**	7,113,353

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 31 DECEMBER 2023

	2023	2022
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**835,144**	946,843
Lease liabilities	**3,795**	4,535
Deferred tax liabilities	**36,848**	33,499
Total non-current liabilities	**875,787**	984,877
Net assets	**6,776,621**	6,128,476
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**9,906**	9,906
Reserves	**5,156,730**	4,645,998
	5,166,636	4,655,904
Non-controlling interests	**1,609,985**	1,472,572
Total equity	**6,776,621**	6,128,476

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2023

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 Units 706–7, 7/F Harcourt House, 39 Gloucester Road, Wan Chai, 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") 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, life insurance at fair value through profit or loss 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have a significant impact on the Group's financial statements.

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

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 2023

	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	**2,650,357**	**2,116,982**	**2,484,933**	**7,252,272**
Intersegment sales	**20,200**	**97,788**	**4**	**117,992**
Total segment revenue	**2,670,557**	**2,214,770**	**2,484,937**	**7,370,264**
Reconciliation:				
Elimination of intersegment sales				**(117,992)**
				7,252,272
Segment results	**286,724**	**462,769**	**172,132**	**921,625**
Reconciliation:				
Elimination of intersegment results				**28,777**
Interest income				**68,119**
Dividend income and unallocated gains				**6,613**
Corporate and other unallocated expenses				**(33,408)**
Finance costs (other than interest on lease liabilities)				**(130,994)**
Profit before tax				**860,732**

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
Total segment revenue	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

Geographical information

Revenue from external customers

	2023 ***RMB'000***	2022 *RMB'000*
PRC	**5,653,017**	4,621,154
America	**1,024,268**	671,957
Africa	**285,467**	404,932
Asia, except for the PRC	**238,287**	139,544
Europe	**51,233**	18,245
Others	**—**	12
Total revenue	**7,252,272**	5,855,844

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

4. OTHER INCOME, GAINS AND LOSSES, NET

	2023	2022
	RMB'000	*RMB'000*
Other income		
Bank interest income	**40,895**	36,747
Interest income from structured deposits	**7,686**	12,593
Interest income from loan receivables	**7,942**	10,386
Interest income from consideration receivable for disposal of a subsidiary	**4,131**	4,421
Interest income from financial assets at FVTPL	**7,465**	14,878
Dividend income from equity investments designated at FVTOCI	**3,955**	464
Refund of value-added tax*	**68,504**	59,755
Government grants#	**52,120**	30,989
Gross rental income	**2,395**	1,431
Sale of scrap materials	**6,881**	6,104
Others	**6,540**	3,014
Total other income	**208,514**	180,782
Gains and losses, net		
Impairment of goodwill	**—**	(7,681)
Foreign exchange (losses)/gains, net	**(3,523)**	29,188
(Loss)/gain on disposal of items of property, plant and equipment	**(5,271)**	595
Fair value loss on financial instruments at FVTPL	**(34,717)**	(40,209)
Customer penalty paid for delay of product delivery	**(22,519)**	—
Total gains and losses, net	**(66,030)**	(18,107)
Total other income, gains and losses, net	**142,484**	162,675

* 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 research and development projects and the continuous technological advancements of the Group in its products. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. 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):

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**4,526,902**	3,847,245
Cost of service rendered	**100,984**	46,032
Depreciation of property, plant and equipment	**105,373**	86,225
Depreciation of investment properties	**342**	865
Depreciation of right-of-use assets	**14,759**	14,778
Amortisation of other intangible assets (excluding the deferred expenditure amortised)*	**16,098**	15,529
Impairment of goodwill	**—**	7,681
Lease payments not included in the measurement of lease liabilities	**19,139**	10,286
Research and development costs:		
Research and development expenses	**640,012**	551,601
Less: Capitalised development costs	**(98,877)**	(123,760)
	541,135	427,841
Amortisation of capitalised development costs	**140,240**	149,602
Total	**681,375**	577,443
Auditor's remuneration	**4,247**	3,810
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**756,115**	649,790
Equity-settled share award expenses	**7,396**	2,104
Pension scheme contributions***	**83,014**	71,951
Total	**846,525**	723,845
Provision/(reversal of provision) of impairment losses, net:		
Trade receivables	**75,007**	79,600
Contract assets	**(1,694)**	(609)
Other receivables	**204**	15,200
Total	**73,517**	94,191
Fair value losses/(gains), net:		
Derivative instruments — transactions not qualifying as hedges	**34,866**	40,209
Financial assets at FVTPL	**(149)**	—
	34,717	40,209
Loss/(gain) on disposal of items of property, plant and equipment	**5,271**	(595)
Write-down of inventories to net realisable value**	**43,635**	33,343
Foreign exchange losses/(gains), net	**3,523**	(29,188)

* 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 2023 and 2022.

Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% (2022: 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 three consecutive years from years 2018 to 2021, years 2020 to 2023 or years 2021 to 2024.

In addition, according to relevant laws and regulations promulgated by the State Administration of Tax of the PRC, certain 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% (2022: 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.

	2023	2022
	RMB'000	*RMB'000*
Current		
Charge for the year	**122,956**	94,641
(Overprovision)/underprovision in prior years	**(1,529)**	2,942
	121,427	97,583
Deferred tax	**(21,288)**	(26,309)
Total tax charge for the year	**100,139**	71,274

7. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Final — HK23 cents per ordinary share for 2022 (2022: HK20 cents per ordinary share for 2021)	**206,262**	168,526

A final dividend of HK28 cents (2022: HK23 cents) per share amounting to approximately HK$278,846,000 (equivalent to RMB256,455,000) (2022: HK$229,052,000 (equivalent to RMB206,262,000)) in respect of the year ended 31 December 2023 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 988,628,251 (2022: 985,255,264) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022 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.

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**521,233**	323,797

	2023	2022
	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	**988,628,251**	985,255,264

9. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**4,644,367**	4,258,163
Bills receivable	**251,701**	407,886
	4,896,068	4,666,049
Less: Impairment loss on trade receivables	**(345,841)**	(270,834)
Net carrying amount	**4,550,227**	4,395,215

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 RMB48,009,000 (2022: RMB75,573,000), 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:

	2023	2022
	RMB'000	*RMB'000*
0–90 days	**1,892,469**	1,805,130
91–180 days	**1,084,690**	1,015,106
181–365 days	**877,920**	827,117
1–2 years	**482,165**	456,416
Over 2 years	**212,983**	291,446
Total	**4,550,227**	4,395,215

10. CONTRACT ASSETS

	2023	2022
	RMB'000	*RMB'000*
Contract assets	**408,494**	557,928
Less: Impairment loss on contract assets	**(3,541)**	(5,235)
Net carrying amount	**404,953**	552,693

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 RMB9,458,000 (2022: RMB8,112,000), which will be repayable on credit terms similar to those offered to the major customers of the Group.

11. TRADE AND BILLS PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**2,354,548**	2,192,822
Bills payable	**1,583,995**	1,448,805
Total	**3,938,543**	3,641,627

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:

	2023	2022
	RMB'000	*RMB'000*
0–90 days	**2,268,112**	1,954,308
91–180 days	**1,266,595**	1,072,247
181–365 days	**294,702**	484,563
Over 1 year	**109,134**	130,509
Total	**3,938,543**	3,641,627

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 RMB7,135,000 (2022: RMB6,310,000) 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

In 2023 ("**year under review**"), the global economy was under the persistent influence of geopolitical tensions, natural disasters, inflation, and soaring interest rates, leading to an overall slowdown in economic growth, with developed countries experiencing generally lower growth rates. In the domestic market, weakened global economic recovery and decelerated growth in external demand imposed continuous pressure on net exports. However, with society resuming normal operations and effective consumption-boosting policies, consumption's role in driving economic growth became more pronounced. China has been dedicated to expanding its domestic demand, actively increasing foreign trade scale and optimizing its structure, achieving positive strides in its dual-circulation development strategy. According to the accounting results released by the National Bureau of Statistics, China's GDP in 2023 was RMB126.0582 trillion, a 5.2% year-on-year ("**YoY**") at constant prices. The new energy vehicle sector remained in a high prosperity cycle, with annual sales rising by 37.9% YoY and new public charging pile installations growing by 43% YoY. As for the energy market, during the year under review, power generated from clean energy reached 2.7 trillion kWh, representing a 3.1% increase YoY; the installed capacity of renewable energy hit a new record, surpassing 1.4 billion kW and accounting for over 50%. Overall, despite the complexities of the global economy, the Chinese government continued to actively tackle challenges and strove to unlock both domestic and international market demands.

Review of the Power Grid Industry

During the year under review, China's overall electricity consumption was 9.224 trillion kWh, representing a 6.7% increase YoY. Industry data indicate that the national green electricity trading market witnessed an overall growth trend. Green electricity sold in the regional market of the State Grid Corporation of China ("**State Grid**") has increased YoY, with photovoltaic accounting for 52.65% of the total sold green electricity. In the regional market of China Southern Power Grid Company Limited ("**Southern Grid**"), the green electricity sold in 2023 reached up to 8.12 billion kWh, representing a 120% increase YoY. During the year, there was 44,900 km of grid infrastructure (of 110kV and above) of the State Grid commenced production, totalling 279 million kVA, achieving 105.2% of its annual plan, while 49,900 km of infrastructure commenced construction, totalling 313 million kVA, marking 100.5% completion of its annual plan. In terms of smart power meter tenders, State Grid invited tenders for a total value of RMB23.29 billion in two batches during the year under review, representing a 9.2% decrease YoY. However, 2024 will be another peak year for meter replacement. According to the CITIC Securities research report, State Grid plans to increase smart power meter tenders to three batches in 2024, with units and total value significantly increased.

Review of Major Policies for the Power Grid Industry

Green low-carbon transformation and the development of digital power grids remained key directions for the power grid industry in 2023 and beyond. During the year, State Grid and Southern Grid released several reports and policies to further detail industry transformation goals.

In June, State Grid issued the "Green Procurement Guidelines" to vigorously promote environmental protection, resource conservation, safety and health, recycling and low-carbon practices, and recovery and promotion and to establish a system for recycling and reusing of old and waste power materials. In September, State Grid released the "New Power System and Emerging Energy System" in Beijing, highlighting that the form of the grid will evolve towards a diversified, bidirectional, and hierarchical network with hybrid layers while its operation will shift towards source-network-load-storage multi-source, collaborative interaction. In November, State Grid attended the 28th meeting of the Conference of the Parties to the UNFCCC and released the "State Grid Corporation of China Report on Promoting the Action for Green-oriented Transition of Energy" in Dubai. This was the first report on green low-carbon energy transition released by China's central enterprise at the United Nations Climate Change Conference. It showcased the company's innovative measures, practices and cases, and achievements and performance in five areas: "Broad Area Energy Allocation", "Clean Energy Production", "Electrification of Energy Consumption", "Integration of Energy Innovation", and "Digitalization of Energy Business Formats".

The world's first megawatt-scale floating wave energy generation device "Nankun", with Southern Grid leading in its R&D and manufacture, began trial operation in June. It has achieved world-leading performance in the indices of installed capacity, power generation, and resilience to extreme sea conditions. In addition, during the year under review, Southern Grid released China's first electric power IoT operating system "Power Harmony OS" and independently developed a power grid AI innovation platform as well as the first autonomous, controllable, large-scale model "Big Watt" in the power grid industry. These provided an example of Southern Grid's practices for accelerating the construction of new power systems.

Regarding the new energy sector, State Grid has become the global leader in transmission capacity and new energy grid integration. The installed capacities of new energy, such as wind and solar within State Grid's operational zones, all ranked first worldwide. It has established the largest "New Energy Cloud" platform connected to over 3.5 million new energy stations with a utilization rate above 97%. The "Southern Power Grid New Power System Development Report (2021–2023)" stated that the installed capacity of new energy in the southern five provinces has surpassed 120 million kW with the installed capacity of non-fossil energy accounting for over 60%, and that the basic framework of a clean power supply system has been established. In addition, it is estimated that by 2025, Southern Grid will support the connection and consumption of an additional 100 million kW of new energy, helping the five provinces together with Hong Kong and Macao to achieve the carbon peak and carbon neutrality goals.

Review of the Group's Overall Performance

As an expert in managing energy metering and energy efficiency, the Group recorded a total turnover of RMB7,252.27 million (2022: RMB5,855.84 million) in its three main business segments during the year under review, representing a 24% increase YoY; and a gross profit of RMB2,580.75 million (2022: RMB1,929.22 million), representing a 34% increase YoY. The Group's overall gross profit margin was 36% (2022: 33%), representing an increase of 3 percentage points YoY. Net profit attributable to the Company's owners was RMB521.23 million (2022: RMB323.80 million), representing a 61% increase YoY.

Business Review

Power Advanced Metering Infrastructure ("Power AMI")

Business Overview

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

Review of Business

During the year under review, the Group's Power AMI business recorded a turnover of RMB2,650.36 million (2022: RMB2,059.25 million), representing an increase of 29% YoY, accounting for 37% of the Group's total turnover (2022: 35%). Gross profit margin was 43% (2022: 39%). The Group's power grid and non-power grid customers which included overseas customers accounted for 36% and 64% of turnover, respectively (2022: 38% and 62%).

Order Data in the Year under Review

During the year under review, the Group's Power AMI business secured domestic orders totaling approximately RMB1,672 million (2022: RMB1,838 million), representing a 9% decrease YoY. Of this total, bids from power-grid customers were worth approximately RMB1,206 million (2022: RMB1,411 million), representing a 15% decrease YoY. This was a result of the decline in bid winning rates from domestic power-grid companies due to changes in market regulations. Bids from non-power grid customers were worth approximately RMB465 million (2022: RMB427 million), representing a 9% increase YoY, mainly due to the growth of demand in package business and breakthroughs made in the performance of non-power grid business. During the year under review, the Group won contracts worth RMB527 million in centralized tenders organized by State Grid, ranking ahead in the industry. With its outstanding strength, the Group also won contracts worth RMB268 million in centralized tenders from Southern Grid. The Group's share in the domestic power grid market remains among the best.

Review of Development of Power AMI Business and Relevant Policies

During the year under review, the Group's revenue from the centralized tenders by State Grid and Southern Grid decreased due to the change in the division of tender packages and less tender invitations by State Grid. However, the Group continues to maintain its industry-leading position by gaining a total value of contracts of about RMB795 million. During the year, the Group achieved steady development in new products for its power business, such as storage equipment, online testing devices for capacitor voltage transformers (CVT) and IoT meter modules that have won considerable contracts from provincial grid companies, among which testing devices have recorded sales in ten provinces. In terms of metering products, both traditional products and new products have fully covered State Grid and Southern Grid, as well as local power grid companies. The Group won contracts in the first tender invitation for power meters by China Telecom Headquarters, which increased the performance in the telecom operator market and the industrial and commercial market by 10 times. Gateway power meters have won contracts from a number of provincial power companies and maintained a leading market share. In addition, with the benefits of a good brand image, deep industry experience, and rising market demand due to the transition to renewable electricity, the Group's performance in large-scale equipment manufacturing plants increased by 38% YoY. The dealer business also maintained a growth trend, and the business scope covered 20 provinces across the country.

In terms of government policies, the National Energy Administration issued the "Blue Book on the Development of New Power Systems" in June last year, implementing the "three-step" development strategy to promote the construction of new power systems. In the accelerated transformation period from this year to 2030, renewable electricity as the main power source will be at the peak of construction, which will have a favorable impact on the Group's metering products, especially high-precision gateway meters. In October, the National Development and Reform Commission and the National Energy Administration jointly issued the "Guidelines on Strengthening the Stability of Power Systems under the New Situation," which put forward various requirements for the planning and construction of new power systems from three aspects, including physical foundation, management system and scientific and technological innovation. The Guidelines will have a favorable impact on the development of IoT meters and help increase the unit price of products to a certain extent. On this basis, the Group has successfully developed electric carbon meters and maintained good cooperative relations with provincial branches of State Grid and Southern Grid.

Prospects for Power AMI Business

For the power grid market, as meter status assessment is being carried out widely in the market, the Group expects that this year's demand for power meters from the State Grid and Southern Grid will be stable as compared with last year. With the continuous promotion of renewable electricity and the support of domestic substitution policy, the market demand for high-end products will continue to increase. Thanks to the construction of new power systems, the market demand for IoT meters is expected to increase further in 2024. The increased demand of power grid companies for domestically produced key metering devices will further improve the market share of the Group's high-end products. In addition, after the transition phase of purchasing and using metering products based on new technical standards in 2023, the demand of local power companies this year is expected to be mainly meters based on new standards.

For the non-power grid market, based on the national "Dual Carbon" and energy dual control strategies, high-energy consumption enterprises are rapidly increasing their demand for the construction of energy consumption monitoring systems, and other enterprises are also attaching more importance to energy efficiency management, energy saving and carbon reduction, which can effectively stimulate the market demand for metering products. Besides, the government will be stricter in monitoring high-energy consumption enterprises, which will directly drive the demand of relevant enterprises for energy consumption monitoring products and systems. From a macro perspective, other non-power industries also need to take refined energy consumption management and green development as an important development direction and assessment criterion. With the gradual opening of the power market and continuous adjustment of energy structure, the market demand will be more diversified and personalized, and customers' requirements for power metering products will gradually transition from functional to intelligent, personalized and overall solutions. Concurrently, customers will pay more attention to product quality and after-sales service, which will inevitably raise the market competition threshold. In the future, the package metering market of non-power industries is still the direction of long-term development.

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 integrated solutions of energy AIoT platform technologies and products, 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 electricity, charging, water services, water conservation, gas, heat, fire protection, buildings, and other applications and promotes their digital upgrading, 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 urban development. 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. Driven by the "Dual Carbon" policy and virtual power plants, the Group is conducting comprehensive research on source-network-load-storage interactive technology and developing core devices.

The Group's Communication and Fluid AMI business, Willfar Information Technology Company Limited (stock code: 688100, a 58.56% 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 RMB2,116.98 million (2022: RMB1,901.85 million), representing an 11% increase YoY and accounting for 29% of the Group's total turnover (2022: 33%). Gross profit margin recorded 41% (2022: 38%). The Group's power grid customers and non-power grid customers which included overseas customers accounted for 57% and 43% of turnover, respectively (2022: 52% and 48%).

Order Data in the Year under Review

As of 31 December 2023, the value of signed contracts on hand for the Communication and Fluid AMI business reached RMB3,483 million, representing a 38% YoY increase, strongly underpinning the Group's future performance.

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

During the year under review, the National Energy Administration introduced its "Several Opinions on Accelerating the Development of Digitalization and Intelligentization in Energy" in March, outlining core principles of "demand-driven approach, digital empowerment, synergetic efficiency, and integrated innovation". These opinions emphasize systematic digitalization and intelligent pilot tasks across key application scenarios, including smart power plants, integration of new energy and storage with power grids, intelligent patrol inspection and disaster monitoring of power transmission lines, intelligent substations, self-healing distribution networks, intelligent micro-grids, intelligent regulation of distributed energy, virtual power plants, power-carbon data real-time monitoring, comprehensive energy services, the industry big data center, and creation of comprehensive service platforms. In May, the National Development and Reform Commission issued its "Power Demand-Side Management Measures (Consultation Draft)" and "Power Load Management Measures (Consultation Draft)", highlighting demand response as a pivotal approach in utilizing demand-side resources and facilitating source-load interaction in the construction of new power systems. In June, the "Blue Book on the Development of New Power Systems" was jointly formulated by 11 research institutions under the coordination of the National Energy Administration. According to the Blue Book, new energy will become a main contributor to the increase in electricity generation by 2030, accounting for more than 40% of the total installed capacity, and new power systems will be an important part of the new energy system and the key to achieving the "Dual Carbon" goals. Furthermore, in July, the Central Committee for Deepening Reform reviewed and passed the "Guiding Opinions on Deepening Power System Reform and Accelerating the Building of a New Power Industry", which proposes deepening the power system reform and expediting the construction of new power systems that are clean and low-carbon, safe and adequate, economical and efficient, and flexible and intelligent with supply-demand synergy. These systems are envisioned to better promote change in energy production and consumption, underscoring the prevailing trend of power-energy integration. In October, the National Data Administration was officially unveiled to improve the governance system of China's digital economy and push forward the planning and building of a digital society.

In view of the above, the Group continued to expand its presence within its leading sectors, intensified efforts in innovation and R&D, and consistently improved the business operating environment. Noteworthy developments include (I) Power IoT: The Group maintained its leadership position in the tenders of power grid companies during the year under review while striving to further enhance the informatization of power systems, improve the utilization efficiency of power system infrastructure, and provide all-level integrated solutions, spanning from data sensing and communication networking to data management. (II) Smart cities: The Group applies multiple technologies, including big data analysis, cloud computing, edge computing and IoT communication, to offer solutions for IoT smart cloud platforms, smart fire protection, smart water services and comprehensive energy management. The AIoT smart fire protection platform independently developed by the Group has successfully entered the market. The Group also continues to develop smart fire protection projects in the financial industry, and the smart park management platform systems it provided have passed the acceptance inspection. (III) Overseas markets: The Group has been actively participating in the economic development and energy Internet construction projects in countries and regions along the Belt and Road and increasing its investment in R&D and sales in overseas markets. With "IoT + digitalization + chips" as its core competitiveness, the Group has successfully provided a complete set of AMI system solutions for Southeast Asian countries such as Laos and Myanmar. In the future, the Group will actively expand other markets in Southeast Asia and along the Belt and Road while promoting product certification in the Americas and Europe.

Prospects for Communication and Fluid AMI Business

The rapid development of the digital economy is promoting the comprehensive construction of digital-intelligent cities. During the year under review, the total investment in water conservancy construction across the country reached a record high of RMB1,199.6 billion. In 2024, the construction of the national water network will be fully promoted, which may benefit the Group's water meter and other relevant businesses. Smart fire protection is an integral part of smart cities, and its market demand is increasing year by year, together with the growing demand for comprehensive energy services. According to Qianzhan Industrial Research Institute, it is estimated that by 2025, China will have an industrial energy efficiency service market of nearly RMB100 billion and a fire protection market of RMB120 billion, which may create various industry opportunities and promote the rapid development of the Group's business for digital-intelligent cities.

As the construction of new power systems and the digital and intelligent transformation of power grids continue to accelerate, the Group's digital power grid business is increasingly aligning with the construction of new power systems. The Group will focus on distribution networks and the load side, providing customers with comprehensive solutions for various power scenarios through energy IoT application technology, chip design and communication technology, and artificial intelligence technology. The intelligent construction of the energy IoT has become a key direction of development and investment in various countries, and the integration of green energy and digital transformation has become a new opportunity for the Group's sustainable development. The Group provides integrated energy management products covering power, water, gas and heating, communication solutions and distributed energy management systems for cities, parks, enterprises and other infrastructures around the world, aiming to maintain the leading position in the domestic market while taking internationalization as a core strategy. The Group will actively seize the development opportunities of global energy IoT construction, better participate in the construction of power IoT in overseas markets, such as Latin America, the Middle East, Africa and other countries along the Belt and Road with high demand for infrastructure investment, and further increase overseas market share.

Advanced Distribution Operations ("ADO")

Business Overview

In February 2023, Wasion Electric Limited, a subsidiary of the Group officially changed its name to Wasion Energy Technology Co., Ltd. In addition to continuous focus on advanced distribution products and solutions, the Group also accelerates the expansion of ADO business into new energy, energy storage, and green travel products and solutions in four areas, namely 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, rail transport, power generation groups and other new energy investors) and overseas customers (including power distribution networks, new energy, and data centers for major overseas markets).

Review of Business

The Group's ADO business recorded a turnover of RMB2,484.93 million (2022: RMB1,894.74 million) during the year under review, representing an increase of 31% YoY, and accounting for 34% of the Group's total turnover (2022: 32%). Gross profit margin was 24% (2022: 22%). The Group's power grid customers and non-power grid customers which included overseas customers accounted for 31% and 69% of turnover, respectively (2022: 32% and 68%).

Order Data in the Year under Review

During the year under review, the Group's ADO business secured orders worth RMB3,539 million (2022: RMB3,152 million), representing a 12% YoY increase. Of these, contracts won from the power grid market had a combined value of RMB1,544 million (2022: RMB1,417 million), representing an 9% YoY increase. This upswing in orders was mainly due to the Group keeping up with customer demand, and key products such as integrated primary and secondary distribution system and low-voltage components recorded an increase in the total number of orders. Of these, the value of orders from Southern Grid increased by 15% YoY, and the value of orders from State Grid increased by 5% YoY, covering 18 provinces.

Contracts won from the non-power grid market had a combined value of RMB1,995 million (2022: RMB1,736 million), an 15% YoY increase. This growth was mainly attributable to multiple drivers: (I) The Group's ADO business continued to win bids in overseas markets and successfully developed key demonstration projects in the end markets, resulting in an increase of 521% YoY in order value. (II) Following the national path of new infrastructure development, the Group achieved breakthroughs in orders secured from both the headquarters and local branches of key industry customers such as China Mobile and China Unicom during the year under review, and the order value of key industry customers increased by 9% YoY.

Review of Development of ADO Business and Relevant Policies

During the year under review, in the power grid market, the Group saw steady growth in the number, range, and product coverage of its successful bids, indicating an increasingly strong brand impact. The Group ranked second in Southern Grid's bid share, with its overall share at the industry's forefront. In August, for Southern Grid's centralized procurement, the Group secured six bid packages with a total amount of RMB208 million and ranked first in the smart switch industry. Regarding key industry clients, in addition to a breakthrough in orders from the communications industry, the Group maintained its momentum in the lithium battery industry with steady, continuous orders. The Group effectively secured clients in the data center market, including Alibaba and ByteDance, and collaborated with major domestic clients through the "expanding business overseas" approach to actively explore overseas markets.

As for the new energy sector, the Group deepened partnerships with enterprises that participate in power investment and general contracting, such as State Power Investment Corporation Limited, CHN Energy, Guangdong No. 2 Hydropower Engineering Company, Towngas Smart Energy, and Power Construction Corporation of China, acquiring a sizeable amount of orders. On the other hand, the Group continued to expand its client base and achieved collaboration with state-owned enterprises in power investment including China Resources Power, China National Nuclear Corporation, and Beijing Energy during the year, making breakthroughs and securing new orders. In addition, the Group saw an increase in the source-network-load-storage and integration projects and their implementation. As for green travel, the Group's high-quality services won bids in China Tower's headquarters and its provincial branches, leading to the successful implementation of customized projects in multiple provinces including Qinghai, Guangxi, and Hunan. This enabled further development of the Group's battery-charging and swapping business in the telecommunications operator sector.

As for overseas markets, the Group has built key demonstration projects in American countries and regions with products such as industrial and commercial energy storage, grid-side storage, residential storage inverters, medium-voltage reclosers, and switch gear cabinets. Its 1,500-volt air-cooled and liquid-cooled energy storage products have received certifications from Underwriter Laboratories Inc. in the U.S. and Conformité Européenne in Europe, enhancing the Group's global reputation.

As for industry policies, State Grid announced at its 2024 annual work conference that it will increase its investment in the power grid to RMB500 billion this year to maintain the power grid's high investment cycle. Last November, the National Energy Administration released the "Notice on Promoting New Energy Storage Integration and Dispatching and Allocation (Consultation Draft)", which seeks to promote the allocation of new energy storage through market-based approaches and proposes a "multi-purpose, time-sharing multiplexing" business model. The China Photovoltaic Industry Association forecast that in 2024, the installed capacity of photovoltaic power worldwide will hit 420–455 GW and that in China will reach 205–215 GW with an 8 to 13% increase YoY. According to QYResearch, the global power distribution digital market will hit USD75.23 billion by 2029, with a compound annual growth rate of 11.9%. It indicates a robust overseas demand and the potential for large-scale transaction growth. BloombergNEF forecast in its research reports that there might be a significant uptick in the energy storage market and that the investment in energy storage systems will increase sixfold to USD8.2 billion in 2024 compared to 2016.

Prospects for ADO Business

In 2024, for the power grid market, the Group will comprehensively expand the breadth and depth of business on the basis of conventional power distribution products, ensure the continuous growth of performance of primary and secondary integration switches, high- and low-voltage switch cabinets, box-type transformers, and low-voltage circuit breakers, focus on exploring new development opportunities of new power systems, and strive to maintain its leadership position in the tenders of power grid companies this year. In terms of key industry customers, the Group will expand sales channels and enhance brand advantages in key provinces such as Guangdong, Hunan, Jiangsu and Zhejiang. For the telecommunication industry, the Group will continue to focus on the three major domestic operators, maintain the steady growth of operator complete service business, and achieve new breakthroughs in the power supply business. For the lithium batteries, water services, water conservation and hydropower, chemical, and rail transport industries, the Group will better understand customer needs and come up with industry solutions with its brand characteristics.

The new energy market remains the Group's main direction of development. The Group will continue to consolidate cooperation with central and state-owned enterprises to ensure continuous orders from existing customers, while expanding its presence in the fields of power generation, power grid, and power construction to achieve breakthroughs in orders from new customers. On the user side, the Group will actively promote the application of microgrids in industrial parks and areas that lack or have inadequate power supply and take photovoltaic and energy storage as the core in industries such as steel, cement, petrochemicals, new materials, and water environment governance to develop source-network-load-storage integration system with "new energy + energy storage" integration to different degrees. As green travel is a derivative industry of new energy development, the Group will further consolidate the electric travel business, and provide innovative and high-quality services for China Tower headquarters and provincial branches and electric vehicle companies, while expanding business to market-leading operators and local operators and striving to rank among the top three providers of charging and battery swapping equipment. Besides, the Group will also develop its power supply business and strive to build brand awareness in the industry.

The Group will continue to closely follow the national strategy of the Belt and Road Initiative, actively seize development opportunities in key markets, and fully anticipate market opportunities and challenges according to customer needs in different countries. The Group will leverage its market channels and product advantages, establish differentiated competitive strategies, rapidly expand its market share, and achieve substantial growth of overseas business.

International Markets

Global Smart Power Meter Information

IMARC Group's data reveals that the global smart power grid market has reached USD53.2 billion in 2022 and is expected to increase to USD149.2 billion in 2028, with a compound annual growth of 18.58% from 2023 to 2028. The global smart power meter market has reached USD22.8 billion in 2022 and is expected to increase to USD37.9 billion in 2028, with compound annual growth of 8.84%. At present, power meters retain robust growth in overseas power equipment markets and are also among the most secure products for domestic manufacturers to expand overseas markets, and therefore the demand in overseas markets for power meters is expected to keep growing.

Review of Business

During the year under review, overseas business turnover was RMB1,599.26 million (2022: RMB1,234.69 million), representing a 30% YoY increase.

Order Data in the Year under Review

During the year under review, the Group secured approximately RMB2,758 million worth of overseas orders, representing an increase of 38% YoY.

Market Developments in Each Country

In Asian markets, as among Bangladesh's main suppliers, the Group continued to engage in integration, pilot and delivery projects of intelligent system transformation for the country's four major power distribution companies. In Indonesia, the Group remains as a leading supplier of power meters, and completed the first-phase large-scale delivery of AMI smart meters to the national power company. In Malaysia, the Group continued working steadily with Tenaga Nasional Berhad ("**TNB**") to secure its role as a key supplier while delivering projects smoothly. In Southeast Asian countries such as Singapore, Vietnam, and the Philippines, the Group won numerous power meter contracts in key markets, actively developed new markets, expanded its business scope, and completed market certification procedures for key products. The Group's ventures in the Middle East, particularly Saudi Arabia and the United Arab Emirates ("**UAE**"), have resulted in significant strategic cooperation with local companies and positive progress in technology promotion and product certification.

In Africa, the Group's Tanzanian factories were recognized as qualified suppliers for smart meters, continuously secured procurement orders from power companies, and completed deliveries of power meters worth RMB180 million during the year under review. As among Egypt and Côte d'Ivoire's main suppliers of power metering, the Group continued to increase its market share while acquiring customer recognition for its intelligent transformation pilot projects. In the rest of West Africa, the Group remained active in market expansion, and continued to secure power meter orders in major markets such as Morocco, Ghana and Cameroon where it also maintained steady development in product sectors such as water meters. The Group was also actively participating in the bidding for important projects in Nigeria. Turning to the South African market, one of the important directions of the Group's development efforts, the Group secured its first bulk order for smart meters and conducted product promotion during the year.

In South America, the Group's Brazilian subsidiary accelerated business development, continued improving product quality, enhancing delivery capabilities and optimizing operating environment. For further expansion of its market share, the Brazilian subsidiary achieved a market breakthrough in new energy products during the year under review, with products delivered worth up to RMB140 million. Besides, the Group secured power meter orders worth more than RMB30 million in Ecuador, Chile and other countries. In Colombia, the Group continued to promote its AMI products and technologies and carry out pilot projects. The Group has been actively engaged in the development of local markets in Peru, Argentina, and other South American countries. In North America, the Group focused on the Mexican market while gaining access to adjacent markets. The 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 Group delivered power meters worth more than RMB800 million in North America and completed the delivery of new energy storage products while developing new projects simultaneously.

In Europe, the Group maintained its partnership with Siemens in the Austrian market and delivered power meters worth more than RMB45 million. The Group also completed the registration of its European subsidiary and factories and will actively explore new market opportunities in the future.

Future Development of International Markets

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

In Southeast Asia, the Group focuses on Indonesia as a base from where it can develop adjacent markets, including Malaysia, Singapore, Vietnam, Thailand and the Philippines, while Bangladesh as another base for expanding to Nepal, Pakistan and India. In the Middle East, with Saudi Arabia as its hub, the Group is steadily penetrating markets in the UAE, Jordan, Iraq and Oman. The Group aims to stabilize business development in new markets and continuously increase market share, while achieving performance growth in surrounding new markets or less developed countries.

In Africa, 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, Nigeria, Ghana and Morocco, gradually expanding into neighboring countries such as Benin, Niger, Mali, Mauritania, and Sierra Leone. In Southern Africa, with South Africa as its hub, the Group aims to expand into Botswana and other neighboring markets.

In South America, the Group's Brazilian subsidiary will continue to consolidate and further expand its operations to serve the local market while actively developing the neighboring markets of Ecuador, Colombia, Chile, Peru, Argentina, and other countries in the south and Costa Rica, Dominica and El Salvador in the north. In North America, the Group's Mexican subsidiary will maintain stable operation and strive to serve the local market while actively exploring development opportunities in other North American countries.

In Europe, the Group will utilize its European subsidiary for laying its regional footprint. In addition to stabilizing the existing market, the Group will actively expand into new markets and provide new products to meet the European market needs, laying a solid foundation for the business development of its European subsidiary.

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 period under review, the Group was granted 230 patents, including 58 patents of invention, and authored 94 software copyrights, boosting the total number of valid patents to 1,941, software copyrights to 1,707, and intellectual property rights to 3,648.

Power AMI Business

During the year under review, several of the Group's key collaborative projects won awards and demonstrated industry recognition. For example, the "Key Technologies for Reliable Operation and Cooperative Optimization of Complex Electrical Systems", a project in which the Group participated, received the Gold Medal at the 48th International Exhibition of Inventions Geneva. The Group participated in Southern Grid's "Key Technologies for Power System Terminal Security Protection Based on China's Self-developed Power-dedicated Chip" project and won the First Prize for China's Power Technology Innovation. The cooperation project "Research and Engineering Application of Key Technologies for Smart Electricity Consumption" with Guangdong Power Grid Metering Center won the Second Prize of Southern Grid Science and Technology Progress Award. The Group's "National High-tech Industry Standardization Pilot Project of Power Metering and Energy Management" was listed as one of the National High-tech Industry Standardization Pilot Demonstration Projects. Lastly, the Group's project "Key Technologies and Demonstration Application of Smart Charging for New Energy Logistics Vehicles" in cooperation with Central South University and Nanjing University of Aeronautics and Astronautics has been included in the "Database of Major Transport Science and Technology Achievements" by the Ministry of Transport.

Communication and Fluid AMI Business

During the year under review, the Group achieved breakthroughs in the development of smart cloud platform technologies. Regarding the communication gateway in the network layer, the Group developed a new intelligent communication gateway with the following technologies as the core: an embedded software real-time operating system, edge computing and intelligent monitoring technologies, substation topology recognition technologies, technologies of fault analysis and troubleshooting through big data, and comprehensive energy management terminal design technologies. In the field of new power systems, the Group carried out the electricity information collection management business and the advanced power distribution comprehensive management business. The "Project of Constructing Smart Manufacturing Workshops for Industrial Internet-Based IoT Products" was included in the "Key Projects of the 2023 Digital Hunan Construction Plan for Ten Application Scenarios". The WTZ30 dual-mode communication chip developed by the Group is a dedicated SoC communication chip that meets the requirements of the power grid IoT business. Complying with State Grid's dual-mode communication series protocol, the WTZ30 chip can be widely used in different fields of smart cities. The Group's virtual power plant solution, powered by the world-leading intelligent metering technology in the perception layer, can obtain operation information of distributed "source-network-load-storage", thus realizing the transition from "source following load" to "source-load interaction". In addition, the Group participated in the R&D of the "Key Technologies and Applications for New-Generation Electricity Information Collection System" which can achieve perception from automatic meter reading to energy interconnection. The Group's self-developed "Power Edge Monitoring Platform Based on Cloud-Edge Collaboration" is a lightweight platform that supports efficient coordinated processing between cloud-edge collaboration, edge-edge collaboration, and edge-side multitasking. The platform employs China's leading blockchain technologies to put key data of power grids on the chain. In addition, the Group once again secured the ML5 certification, the highest level in the international software maturity model CMMI, which provides technical assurance for the Group's expansion into overseas markets.

During the year under review, the Group continued to advance the development of the industries, including digital power grids, communication and chips, and smart cities. It further explored the potential of advanced power distribution and intelligent energy business, and established presence in new areas such as virtual power plants and new energy storage. While actively building a comprehensive ecology spanning from digital power grids to overall solutions of Energy Internet in smart cities, the Group strived to develop digital energy systems that can be sensed, observed, measured, and controlled.

ADO Business

During the year under review, the Group developed a new generation of primary and secondary integrated environmentally-friendly gas-insulated ring network cabinets and normal-pressure sealed ring network cabinets, as well as miniature smart box-type transformers, integrated intelligent sensor, edge computing, data analysis and other technologies, to achieve accurate sensing and fault prediction for power distribution networks, and further improve the reliability, safety and management efficiency of power distribution systems. For low-voltage power distribution, in the face of large-scale distributed new energy grid connections, the Group provides digital distribution zone solutions with "intelligent gateway + intelligent measurement" circuit breakers as the core. They can realize energy monitoring and effective protection and management of new energy grid connections and adapt to multi-scenario applications such as new energy grid connections, distribution zone energy storage, flexible and direct interaction, and new load control, so that new low-voltage power distribution network can be observed, measured, controlled and adjusted.

In the field of new energy, the Group better understands the source-network-load-storage integration application scenarios of enterprises and parks to improve the efficiency and income of power stations and combines industrial and commercial energy storage with distributed photovoltaic and charging stations to achieve low-carbon green energy use in enterprises and parks and reduce electricity costs. 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, multilevel battery management systems ("**BMS**"), power conversion systems ("**PCS**"), photovoltaic-storage integration inverters and energy management systems ("**EMS**"). Battery energy storage cabins and energy storage cabinets cover multiple technical bases, which have been applied in many projects at home and abroad. In addition, the Group independently developed a source-network-load-storage integration EMS to fully realize the layout of a full series of local EMS control systems, EMS cloud platforms, and mobile EMS, and explore the industrial and commercial energy storage market on the basis of large-scale centralized energy storage business.

For intelligent charging and battery swapping, the Group has launched products with independent intellectual property, including intelligent charging and battery swapping products and two core control systems. Based on a better understanding of market demand and development trends, the Group created standardized charging and battery swapping products to reduce cost and increase efficiency. The Group also participated in the development of battery swapping technical standards, and continued to rely on the technical advantages of the China Tower series of battery swapping products to build its leadership position in the battery swapping sector. In addition, the Group accelerated the R&D of core components of charging and battery swapping devices, created smart power supply products from scratch, and enriched its product offering of 5G integrated power supplies, portable power supplies, and charging-storage integration products.

For overseas markets, the Group focuses on power conversion and control technologies and has independently developed photovoltaic-storage integrated machines and core components for household usage and independently developed distribution network products such as reclosers. All of the above have been sold and provided services in key overseas markets. So far, the Group has set up local factories in Brazil to quickly respond to overseas demands and seize more market opportunities.

International Markets

During the year under review, under the guidance of the Group's "Fifth Five-Year Plan" strategy, the Group continuously advanced the layout of overseas factories. During the year under review, in addition to the investment and construction of a fully automated smart metering factory in Hungary, the Group achieved excellent results in enhancing product quality and in the production and delivery of products from overseas factories in Mexico, Brazil, and Tanzania. Currently, the Group's smart metering product line targeted at the global market has been further expanded to meet the demands of the European market. The product line has achieved the EU Restriction of Hazardous Substances Directive (RoHS) and the EU Measuring Instruments Directive (MID) certifications. The Group has continued to improve smart metering devices that comply with the Brazilian National Standards Organization (ABNT) protocols, actively promoting them in the South American market. The development of the Suite1 security suite based on the Distribution Line Messaging Specification/Energy Metering Companion Specification (DLMS/COSEM) has been completed and successfully implemented in smart power meters in Brazil and the European Union. In the Asian market, the Group has finalized the development of an automatic testing system platform for smart meters. Over 80 automated test scripts in accordance with the Intelligent Device Interface Specification (IDIS) and the Standard Transfer Specification (STS) have been developed, reducing the probability of operational issues and increasing testing efficiency by 22%. In the years to come, the Group will continue to expand the global application of the AMI system comprehensive solutions.

Financial Review

Revenue

During the year under review, revenue increased by 24% to RMB7,252.27 million (2022: RMB5,855.84 million).

Gross Profit

The Group's gross profit increased by 34% to RMB2,580.75 million for the year ended 31 December 2023 (2022: RMB1,929.22 million). The overall gross profit margin is 36% in 2023 (2022: 33%).

Other Income

The other income of the Group amounted to RMB208.51 million (2022: RMB180.78 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 2023 amounted to RMB66.03 million (2022: RMB18.11 million) which comprised mainly of net foreign exchange losses, fair value losses on forward currency contracts, not designated at hedging and customers penalty paid for delay of product delivery.

Operating Expenses

In 2023, the Group's operating expenses, including selling expenses, administrative expenses and research and development expenses amounted to RMB1,658.21 million (2022: RMB1,306.01 million). Operating expenses accounted for 23% of the Group's revenue in 2023, representing an increase of 1% as compared with 22% in 2022.

Finance Costs

For the year ended 31 December 2023, the Group's finance costs amounted to RMB131.53 million (2022: RMB112.50 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 2023 amounted to RMB992.26 million (2022: RMB694.93 million), representing an increase of 43% 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 2023 increased by 61% to RMB521.23 million (2022: RMB323.80 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 2023, the Group's current assets amounted to approximately RMB10,489.50 million (2022: RMB9,796.28 million), with cash and cash equivalents totaling approximately RMB2,644.90 million (2022: RMB2,027.93 million).

As at 31 December 2023, the Group's total borrowings amounted to approximately RMB2,514.44 million (2022: RMB2,661.64 million), of which RMB1,679.30 million (2022: RMB1,714.80 million) will be due to repay within one year and the remaining RMB835.14 million (2022: RMB946.84 million) will be due after one year. In 2023, the interest rate for the Group's bank borrowings ranged from 0.90% to 8.59% per annum (2022: 1.55% to 4.80% per annum).

The gearing ratio (total borrowings divided by total assets) decreased by 2% from 20% in 2022 to 18% in 2023.

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 amount of USD52.50 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 2023, 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 and leasehold land are pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 31 December 2023, 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 RMB113.45 million (2022: RMB63.37 million) and RMB64.00 million (2022: RMB74.40 million), respectively.

Contingent Liabilities

As at 31 December 2023, 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 2023:

	Intended use of net proceeds	**Net proceeds** *RMB'000*	**Amount utilised from date of listing to 31 December 2022** *RMB'000*	**Amount utilised during the year ended 31 December 2023** *RMB'000*	**Amount utilised from date of listing to 31 December 2023** *RMB'000*
(1)	Expansion of production capacity and technological upgrade of monitoring equipment applied in the perception layer of IoT	60,292	32,703	29,861	62,564
(2)	Expansion of production capacity and technological upgrade of fluid sensing equipment applied in the perception layer of IoT	62,940	20,909	19,147	40,056
(3)	Expansion of production capacity and technological upgrade of products applied in the network layer of IoT	204,873	157,940	48,657	206,597
(4)	Construction of comprehensive research and development centre for IoT	146,951	67,207	47,179	114,386
(5)	Replenishment of working capital	135,778	133,864	1,996	135,860
		610,834	412,623	146,840	559,463

The net proceeds were used in accordance with the intentions previously disclosed by Willfar Information Technology. The above fundraising project items (1) to (4) were completed and achieved the planned usable status in 2023. The board of directors of Willfar Information Technology has reviewed and approved the closure of the aforementioned fundraising project items (1) to (4) on 16 August 2023. The remaining raised funds (including interest income) of approximately RMB79.90 million will be used to permanently supplement working capital and the corresponding fundraising special accounts will be cancelled.

Employees and Remuneration Policies

As at 31 December 2023, the Group had 4,929 (2022: 4,521) 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$0.28 (2022: HK$0.23) per share to shareholders of the Company (the "**Shareholders**") whose name appear in the register of members of the Company on Thursday, 23 May 2024 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 11 June 2024.

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, 10 May 2024 ("**AGM**"), the register of members will be closed from Tuesday, 7 May 2024 to Friday, 10 May 2024, 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, 6 May 2024.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members will be closed from Wednesday, 22 May 2024 to Thursday, 23 May 2024, 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 Tuesday, 21 May 2024.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2023, 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 2023, 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.

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 2023.

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 2023.

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 2023 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 2023 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 2023 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, 15 March 2024