Wasion Holdings Limited
威勝控股有限公司

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

ENERGY METERING & ENERGY SAVING EXPERT

Annual Report 2023

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Ji Wei *(Chairman)*
Mr. Kat Chit
Ms. Li Hong
Ms. Zheng Xiao Ping
Mr. Tian Zhongping

NON-EXECUTIVE DIRECTOR

Ms. Cao Zhao Hui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Cheong Tat
Mr. Luan Wenpeng
Mr. Wang Yaonan

COMPANY SECRETARY

Mr. Choi Wai Lung Edward *FCCA, FCPA*

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

Mr. Chan Cheong Tat *(Chairman)*
Mr. Luan Wenpeng
Mr. Wang Yaonan

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

Mr. Chan Cheong Tat *(Chairman)*
Mr. Luan Wenpeng
Mr. Wang Yaonan
Mr. Kat Chit
Ms. Li Hong

PRINCIPAL BANKERS

In Hong Kong:

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

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

China Construction Bank
Bank of Communications

LEGAL ADVISER

Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Units 706–7, 7/F, Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman
KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Link Market Services (Hong Kong) Pty Limited
Suite 1601, 16/F, Central Tower
28 Queen's Road Central
Hong Kong

COMPANY WEBSITE

www.wasion.com

STOCK CODE

3393

CORPORATE PROFILE

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

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

Wasion Holdings has long been focusing on the research and development, production and sales of total solutions relating to energy metering and energy efficiency management, the products and services of which have been extensively applied in energy supply industries for electricity, water, gas and heat, and large energy-consuming units of large-scale public infrastructure, petroleum and chemical, transportation, 5G communication, machine manufacturing, metallurgical and chemical fields and residents.

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

The products and solutions of advanced distribution and energy efficiency management business of the Group covers new energy storage system solutions for comprehensive scenarios such as large energy storage, industrial and commercial energy storage, household photovoltaic-storage integration and mobile energy storage, high- and low-voltage complete equipment, primary and secondary integration complete equipment, smart low-voltage components, tower energy and communication products and services, EMS system application, hydrogen production, new energy connection, industrial automation, battery swap and preparation, sales of power and supply-side management, etc. The Group is devoted to becoming the leading total solution provider for advanced distribution system in China.

In January 2020, the Group's "Communication and Fluid AMI" business — Willfar Information Technology Co., Ltd. (Stock Code: 688100), a 58.56% owned subsidiary of the Group — received approval from the China Securities Regulatory Commission to become the first company in Hunan Province to list on the STAR Market, and was included in the "STAR 50 Index" in August 2020. The Communication and Fluid AMI business mainly focuses on reshaping the energy management methods of electricity, water, gas and heat with the IoT technology, and provides a full-level integrated solution for the IoT of energy from data perception, network transmission to application management, with communication technology from basic chip design, data perception and data acquisition to high-speed data transmission and stable connection, as well as the capability to provide users with such digital solutions as software management.

The goals of “Carbon Neutrality” and “CO_2 Emission Peak” are driving substantial changes in energy production and energy consumption mode in China and even the world. Amidst the material social responsibility and development opportunities arisen from energy saving and carbon reduction as well as the substantial demand arisen from the transformation and upgrading of smart power grids to the internet of energy, Wasion Holdings will adhere to its corporate motto “Energy Metering and Energy Saving Expert” while upholding its core value “Perfect Work with Passion, and Success Achieved with Integrity” by continuous innovation and improvement in order to become the pioneer in smart power grids and smart metering in China, one of the major international smart power grids and smart metering provider and a well-known international brand.

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

QUALIFICATIONS, AWARDS AND MILESTONES






January

The Intelligent Electricity Consumption Cloud Platform Management System V1.0 (智慧用電雲平台管理系統 V1.0) of Wasion Group Limited ("Wasion Group") was recognised as "Outstanding Product — Hunan Software and Information Technology Service Industry 2022" (2022年湖南省軟件和信息技術服務業名品).

Wasion Group won four Science and Technology Progress Awards from China Instrument Manufacturers Association for its "Research and Application on Autonomous Intelligent Power Operation System, Chip, Equipment Key Technology" (自主化智能用電操作系統、芯片、裝備關鍵技術研究與應用), "Key Technology of Precise Positioning of Low-Voltage Irregular Electricity Consumption and Intelligent Monitoring and the Related Application" (低壓異常用電精準定位、智能監控關鍵技術及應用), "Research on Key Technology of Intelligent Regulation of Multi-Consumer Electricity Consumption and Development of Relevant Equipment" (多元用戶用電智慧調控關鍵技術研究和設備研製) and "Technology for Accurate and Reliable Quality Control of Massive Smart Energy Meters and its Application" (海量智能電能表準確可靠質量控制技術及應用).

Willfar Information Technology Co., Ltd. ("Willfar Information") and its subsidiary Hunan Weiming Technology Co., Ltd received CMMI-ML5 rating, the highest rating level of Capability Maturity Model Integration.

Wasion Energy Technology Co., Ltd. ("Wasion Energy") was included in the list of National Enterprise Technology Centres accredited by the National Development and Reform Commission.

February

The "Key Technology and Application of China-Made Electricity-Specific Control Chip 'Fuxi'" ('伏羲'國產自主電力專用芯片關鍵技術與應用) in which Wasion Group was involved won the special prize of the Science and Technology Progress Award of China Southern Power Grid.

March

Southern Grid's "Key Technology of Power System Terminal Security based on China-Made Electricity-Specific Control Chip" (基於國產自主電力專用芯片的電力系統終端安全防護關鍵技術) in which Wasion Group was involved won the first prize of China Electric Power Science and Technology Innovation Award.

Wasion Energy was awarded the "National Green Factory" by the Ministry of Industry and Information Technology.

Wasion Energy was announced by the Ministry of Industry and Information Technology as one of the seventh batch of national demonstration enterprises for power demand side management in the industrial sector.

April

Wasion Group won the third prize of Hunan Invention Patent for its "Rapid Wireless Meter Reading Method for Metering Instruments" (計量儀表的無線快速抄表方法).

Zhuhai Zhonghui Microelectronics Co., Ltd, a subsidary of Willfar Information, won the first prize of the Science and Technology Progress Award of State Grid Hunan Electric Power Company Limited for its "Key Technology and Application of Low-Voltage High-Speed Power Line Carrier Communication"(低壓高速電力線載波通信關鍵技術及深化應用).

May

Wasion Group's "Smart Metering Cloud Platform Solution for Electricity Meters" (電表智能計量雲平台解決方案) won the Green Energy Star Excellent Solution Award, and its "High-Accuracy Gateway Power Meter" (高準確度結算關口電能錶) was selected as a typical case.

June

The "Key Technology of Reliable Operation and Synergistic Optimisation of Complex Power Grids" (複雜電網的可靠運行與協同優化關鍵技術) in which Wasion Group was involved won a golden award at the 48th International Exhibition of Inventions Geneva.

Wasion Group won the second prize of the Science and Technology Progress Award of Southern Grid for its "Research and Engineering Application of Key Technology of Smart Electricity Consumption" (智慧用電關鍵技術研究及工程應用).

Wasion Group's "Key Technology and Demonstrative Application of Smart Charging for New Energy Logistics Vehicles" (新能源物流車輛智慧充電關鍵技術及示範應用) has been included in the "National Database of Major Transport Science and Technology Achievements 2022" (2022年度國家交通運輸重大科技創新成果庫入庫成果) and won the "Second Prize of Outstanding Achievements in Higher Education Scientific Research (Science and Technology) 2022" (2022年度高等學校科學研究優秀成果獎(科學技術)二等獎).

July

Willfar Information won the first prize in the Science and Technology Progress Award of State Grid Corporation of China for its "Key Technology and Applications of New-Generation Electricity Information Collection System" (新一代用電信息採集系統關鍵技術及應用).

September

For the first time, Wasion Group was awarded the ISO9001 Quality Management System Certificate for the new product category of warehousing and storage equipment.

October

Wasion Group won the second prize of the Science and Technology Progress Awards of China Instrument Manufacturers Association 2023 for its "Research, Equipment Development and Application of Key Technology Supporting Quality Improvement of New Generation Customer-Side Metering Products" (支撐客戶側新一代計量產品質量提升的檢測關鍵技術研究、裝備研製與應用).

November

Wasion Energy was awarded the "National Intellectual Property Model Enterprise" (國家知識產權示範企業).

Wasion Energy was awarded the "National Service-oriented Manufacturing Model Enterprise" (國家服務型製造示範企業) by the Ministry of Industry and Information Technology.

At a press conference held by the Ministry of Foreign Affairs and Trade of Hungary, Wasion officially announced its investment plans in Hungary and Europe.

For the European market, Wasion Group's newly-developed single-phase and three-phase smart meters received Rohs and MID certificates.

December

Willfar Information won the Electric Power Science and Technology Innovation Award 2023 for its "Measurement and Control System for Automated Power Distribution Terminal and its Measurement and Control Module" (用於配電自動化終端的測控系統及其測控模組).

Wasion Energy's Intelligent Green Microgrid Project in Miluo Circular Economy Industrial Park was selected as a Typical Application Scenario and Study Case for Industrial Green Microgrids 2023 (2023年度工業綠色微電網典型應用場景與案例).

CORPORATE SPIRIT:

BE COHESIVE, AMBITIOUS, DOWN-TO-EARTH AND CREATIVE

CHAIRMAN'S STATEMENT

TO ALL SHAREHOLDERS,

On behalf of the board of directors of Wasion Holdings Limited (the "**Group**"), I am pleased to present the operating results of the Group for the financial year ended 31 December 2023.

During the year under review, the Group recorded revenue of approximately RMB7,252 million, representing an increase of 24% over last year. Net profit attributed to the owners of the parent amounted to approximately RMB521 million, representing an increase of 61% year-on-year ("YoY"). Basic earnings per share stood at RMB0.527, representing an increase of 60% YoY. The board of directors proposed to pay a final dividend of HK$0.28 per share, representing an increase of 22% over last year.

Last year, the Group continued to optimise its product mix by increasing the proportion of high-margin products and adopted effective cost efficiency measures. Together with a sustained increase in sales revenue, the Group recorded growth in revenue from all three major business segments during the year: revenue from the Power AMI business increased by 29% YOY; revenue from the Communication and Fluid AMI business increased by 11% YOY; and revenue from the ADO business increased by 31% YOY. Although the industry was affected by the domestic and international economic cycles, the Group's overseas business maintained high growth, with overseas revenue up by 30% YOY during the year.

Under the continuous guidance of national policies, State Grid stated in its 2024 working conference that it would continue to increase its investment in grid network construction to over RMB500 billion this year in a bid to maintain the boom period of power grid investment. Last year, many documents were issued successively by various state organisations to promote the construction of new power systems, new energy systems and new energy storage systems. The support of the relevant policies is likely to enable the Group to develop clearer development directions and market expansion strategies.

Looking forward, in respect of the Power AMI business, the Group expects the demand for power meters from State Grid and Southern Grid to be stable this year as compared to last year, as the market is currently undergoing a wide-range assessment of the condition of power meters. Demand for IoT power meters in the market is expected to further increase in 2024, driven by the construction of new power systems. Following a transitional period for the purchase and use of metering products with new technical standards in 2023, local power companies are expected to focus on the new-standard meters to meet their needs this year. In the non-power grid market, with the gradual opening up of the power market and the continuous energy restructuring, the market demand tends to be more diversified and personalised, and the power metering products to be provided by the Group to its customers will gradually evolve from being function-oriented to intelligent, customised products and integrated solutions.

In respect of the Communication and Fluid AMI business, the government underscores the need to deepen the reform of the power system. In line with the policy, the Group will focus on the power distribution network and the load side, and provide customers with integrated solutions applicable for various scenarios through the combined application of various technologies, including IoT for energy, chip design and communication, and artificial intelligence. The intelligent construction of IoT for energy is becoming the key direction of development and investment in various countries, and the integration of green energy and digital transformation emerges as a new opportunity for the sustainable development of the Group. In addition, economies along the "Belt and Road" now involve 70 countries, with strategic investments primarily focusing on energy and electricity, which, as a whole, accounts for 46%. The Group will seize the opportunity to actively participate in the construction of IoT for power in overseas regions, such as Latin America, the Middle East, Africa and other countries along the "Belt and Road" that have a high demand for infrastructure investments.

In respect of the ADO business, which is based on the integrated application of energy sourcing, networking, loading and storage for clean energy, smart grids, electric transportation and energy storage industrialization, in 2024, the Group will expand business both horizontally and vertically on the basis of regular power distribution products to ensure the sustainable performance growth of integrated primary and secondary switch, high and low-voltage switchgear, cubicle-type transformer substation and low-voltage circuit breakers. For customers in key industries, the Group will broaden its sales pipeline around key provinces such as Guangdong, Hunan, Jiangsu and Zhejiang, while identifying the needs of customers in key industries such as lithium battery, water, water conservancy and hydropower, chemical industry and rail transport to develop industrial solutions with distinct brand characteristics. In the area of new energy, the Group will forge closer ties with central and state-owned enterprises and actively promote the micro-grid applications in industrial parks and areas without power supply or facing power shortage on the user-side to facilitate the integrated application of energy sourcing, networking, loading and storage of “new energy + energy storage” at varied levels. In addition, the Group will further consolidate the electric mobility business, aiming to become one of the top three service providers in the industry by EV charging and switching equipment supply.

In the international market, the Group will maintain its focus on core markets and adopt an expansion strategy that improves localisation and extends to neighbouring markets, with a view to steadily developing existing markets and actively exploring new markets. As the global demand for smart power grids and power distribution networks continues to rise, the Group will keep an eye on market trends and policy changes, and adjust development strategies as appropriate.

The Group will keep abreast of the new policies and investment trends of power grid customers to research and develop high-quality products that meet the needs of the industry and provide flexible and competitive solutions. In addition to power grid customers, the Group will also seize the development opportunities of domestic and overseas customers in key industries, and strive to play to its strengths as an industry leader in the areas of product research and development, distribution channels and strategies, and customer development.

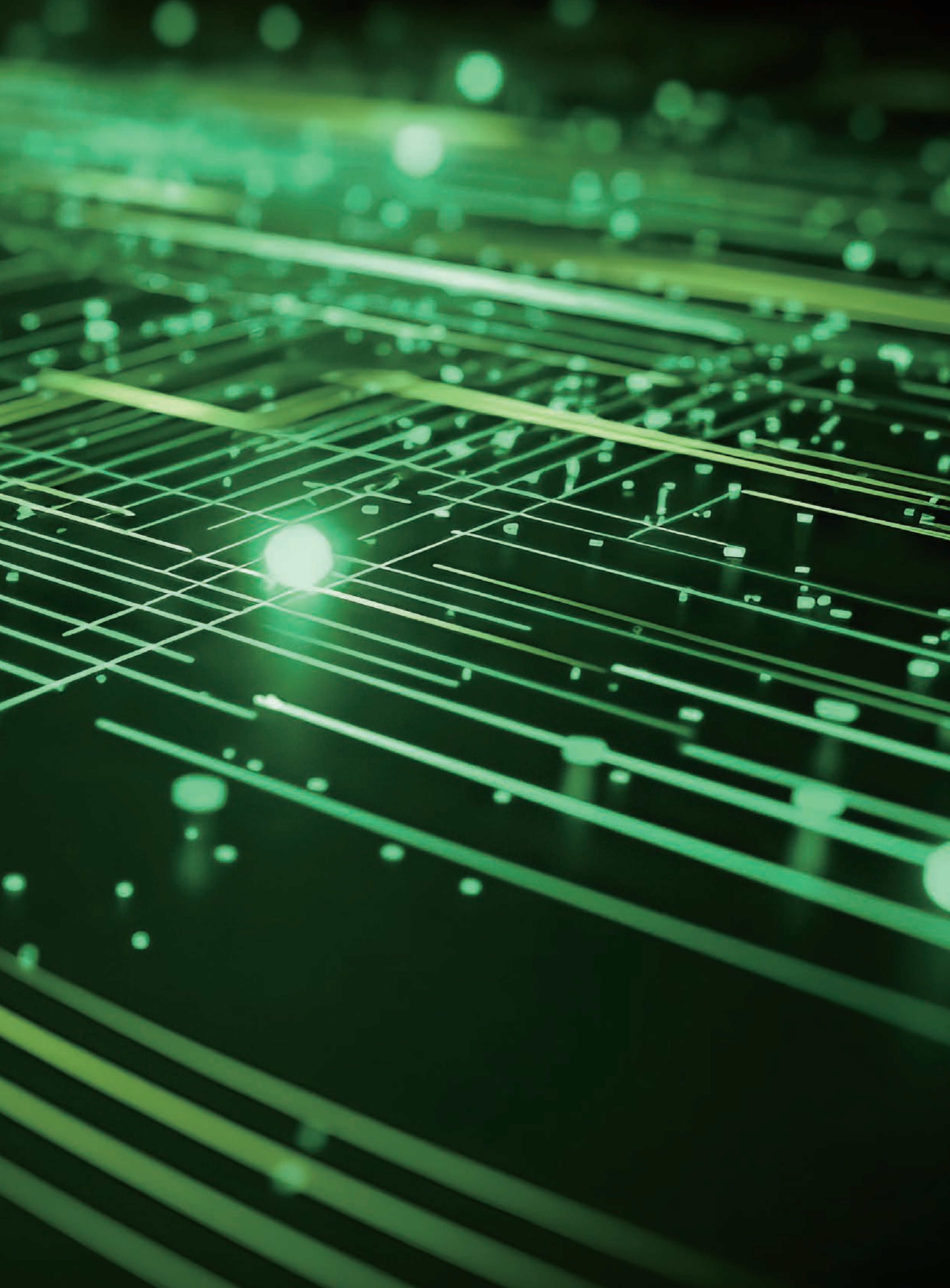
Last but not least, adhering to the principle of “Aggressive with Keen Determination and Achieving Growth through Innovation”, the Group will capitalise on market opportunities arising in the new business environment by tapping into existing markets and expanding into new ones to maintain our leading position in the industry, as an expression of our commitment to becoming a first-class energy metering and energy saving expert in China and even the world.

Yours faithfully,
Ji Wei
Chairman

Hong Kong, 15 March 2024

MOTTOS OF OPERATION :

PERFECT WORK WITH PASSION AND SUCCESS ACHIEVED WITH INTEGRITY



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

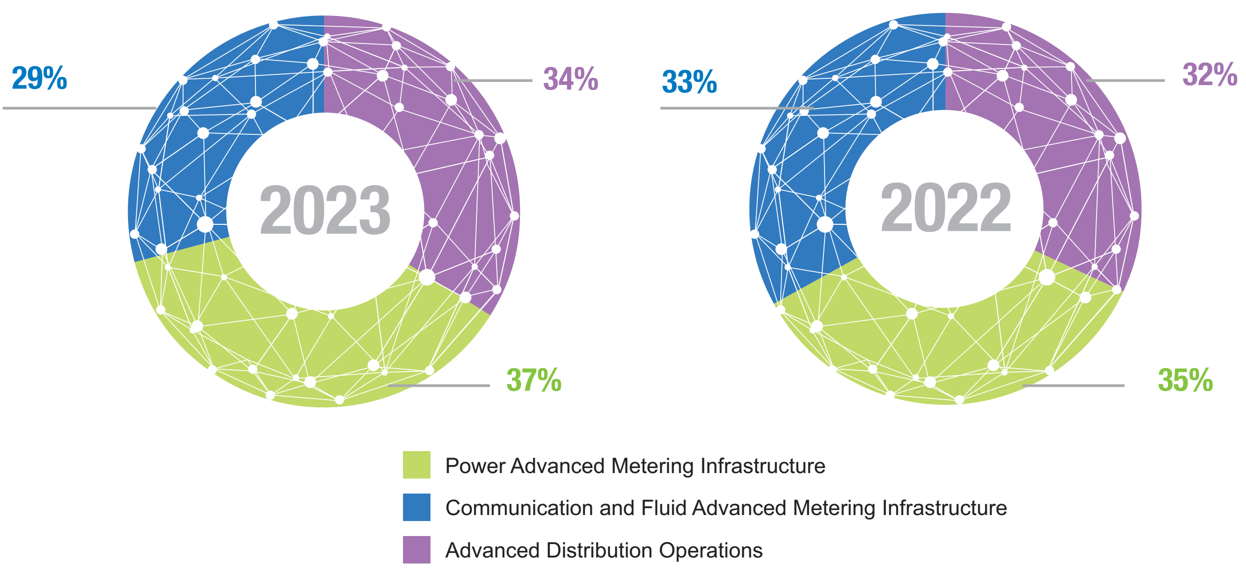
Financial Highlights

	2023 RMB'000	2022 RMB'000
Revenue	**7,252,272**	5,855,844
Gross profit	**2,580,751**	1,929,224
Profit attributable to owners of the Company	**521,233**	323,797
Total assets	**13,880,119**	13,026,055
Equity attributable to owners of the Company	**5,166,636**	4,655,904
Basic earnings per share (RMB)	**0.527**	0.329
Diluted earnings per share (RMB)	**0.527**	0.329

Key Financial Indexes

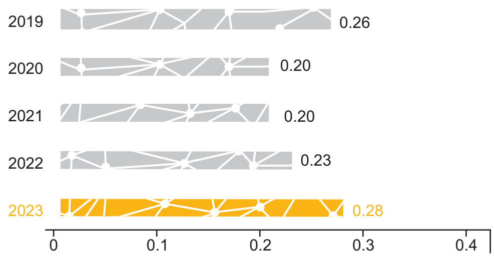
	2023	2022
Gross profit margin	**36%**	33%
Operating profit margin	**14%**	12%
Net profit margin	**10%**	9%
Return on equity of the shareholders (Note)	**10%**	7%
Current ratio	**1.68**	1.66
Quick ratio (Current assets excluding inventories divided by current liabilities)	**1.49**	1.47
Inventory turnover period (Days)	**89**	96
Trade receivable turnover period (Days)	**225**	265
Trade payable turnover period (Days)	**296**	323
Gearing ratio (Total borrowings divided by total assets)	**18%**	20%
Interest coverage (Operating profit divided by finance costs)	**7.54**	6.18

Note: Profit attributable to owners of the parent divided by equity attributable to owners of the parent.



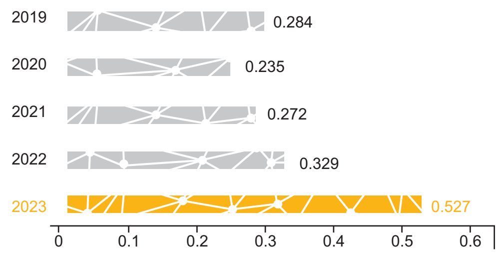
Dividend (HKD)

Year



EPS (RMB)

Year

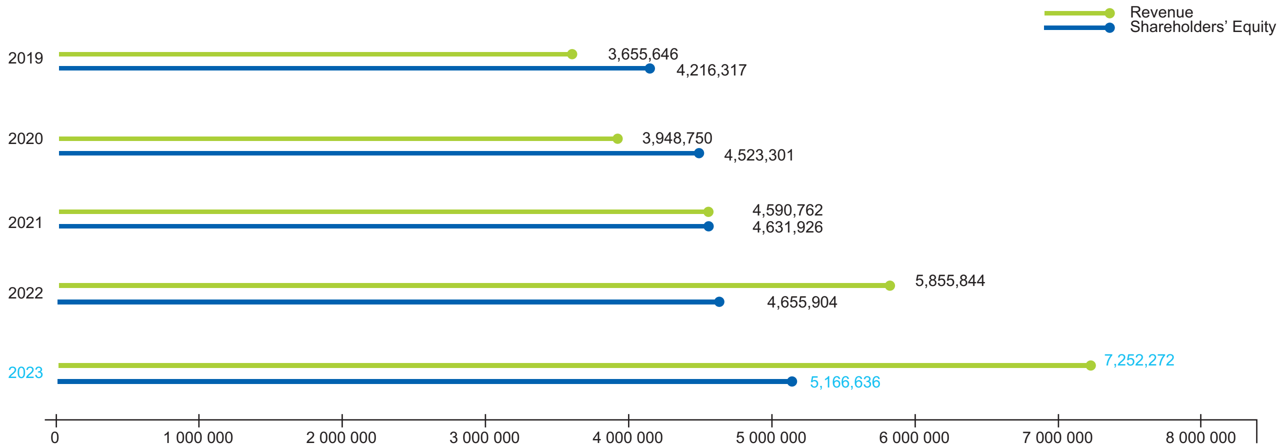


FIVE YEARS' FINANCIAL SUMMARY

Five Years' Financial Information

Year

RMB'000



Revenue Breakdown by Business Segments

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	**7,252,272**	5,855,844	4,590,762	3,948,750	3,655,646
Profit for the year attributable to owners of the Company	**521,233**	323,797	268,084	231,190	280,567
Total assets	**13,880,119**	13,026,055	12,672,139	11,270,083	10,096,774
Total liabilities	**7,103,498**	6,897,579	6,592,277	5,593,625	5,250,374
Equity attributable to owners of the Company	**5,166,636**	4,655,904	4,631,926	4,523,301	4,216,317

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.

Emolument Policy

As at 31 December 2023, the Group had 4,929 (2022: 4,521) staff members. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB846.53 million (2022: RMB723.85 million) in 2023. Employee remuneration is determined on performance, experience and prevailing market conditions of the employees, with compensation policies being reviewed on a regular basis. The aggregate amount of the emoluments of the Company's directors was RMB6.41 million (2022: RMB4.99 million) in 2023.

The Group's employees in the PRC have enrolled in the mandatory central pension scheme operated by the State. The Group also provides housing allowances and benefits for medicine, employment injury and retirement for its staff in the PRC in accordance with the relevant PRC rules and regulations. The directors of the Company (the "Directors") confirm that the Group has fulfilled its obligations under the relevant PRC employment laws. The Group also set up the Mandatory Provident Fund Scheme for the employees in Hong Kong.

Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 16 May 2016 whereby the Directors are authorised, at their discretion, to invite eligible participants, including directors of any company in the Group, to take up options to subscribe for ordinary shares in the Company.

The exercise price of options granted, as specified in the rules governing the Share Option Scheme, is to be not less than the highest of the official closing price of the ordinary shares of the Company on the Stock Exchange on the date of the offer of grant of the options, the average of the official closing price of the ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the options and the nominal value of an ordinary share of the Company. For acceptance of options granted by the Company, an eligible participant is required to duly sign the duplicate offer document constituting acceptance of the options and remit HK$1 to the company within 30 days from the date of receiving the offer of the options.

The movements in the Company's share options during the year are as follows:

Name and category of participants	Number of share options As at 1 January 2023	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 December 2023	Date of grant of share options	Vesting period of share options	Exercise period of share options	Exercise price of share options* HK$	Share price of the Company as at the date of the grant of share options** HK$
Other employees	9,000,000	—	—	—	9,000,000	10 February 2014	10 February 2014 to 9 February 2016	10 February 2016 to 9 February 2024	4.680	4.680
Other employees	9,000,000	—	—	—	9,000,000	10 February 2014	10 February 2014 to 9 February 2017	10 February 2017 to 9 February 2024	4.680	4.680
Total	18,000,000	—	—	—	18,000,000					

* The exercise price of share options is subject to adjustment made in respect of the alteration in capital structure of the Company.

** The share price of the Company as at the date of the grant of share options was the closing price as quoted on the Stock Exchange of the trading day on the date of the grant of share options.

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

Grant date	10 February 2014	10 February 2014
Fair value per share option	HK$1.846	HK$1.927
Expected volatility	52% per annum	52% per annum
Expected life	6.14 years	6.93 years
Expected dividend	3.3% per annum	3.3% per annum
Risk-free rate of interest	2.23% per annum	2.23% per annum
Rate of leaving service	8% per annum	8% per annum

The binomial model was developed to value option plans which contain vesting and performance conditions. Such option pricing model requires input of highly subjective assumptions, including the expected volatility of the Company's share price which was determined with reference to the historical movements of the share prices of the Company and its comparators. Changes in subjective input assumptions could materially affect the fair value estimate. The binomial model does not necessarily provide a reliable measure of the fair value of share options.

Share Award Scheme

The Company adopted a share award scheme (the "Share Award Scheme") on 3 May 2016. The purpose of the Share Award Scheme is to recognise the contribution by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and also to attract suitable personnel for further development of the Group. The Share Award Scheme became effective on 3 May 2016 and, unless otherwise terminated or amended, will remain in force for 10 years.

The Share Award Scheme is administered by a trustee which is independent of the Group and its connected persons through the purchase of secondary shares. The maximum number of shares subject to the Share Award Scheme shall not exceed 10% of the total number of shares in issue.

No new shares would be allotted and issued to satisfy the awards granted under the Share Award Scheme. As at 31 December 2023, 9,694,000 (2022: 10,894,000) ordinary shares of the Company were held by the trustee for the Share Award Scheme.

Details of movements of awarded shares of the Group ("Awarded Shares") during the year ended 31 December 2023 are as follows:

	Number of Awarded Shares				
Name and category of participants	**As at 1 January 2023**	**Granted during the year**	**Vested during the year**	**Lapsed/ forfeited during the year**	**As at 31 December 2023**
Employees	—	2,970,000	—	—	2,970,000
Total	—	2,970,000	—	—	2,970,000

The following grants were made during the year ended 31 December 2023:

Date of grant:	16 February 2023
Grantees:	89 employees of the Group, being eligible participants under the Share Award Scheme
Number of Awarded Shares granted:	2,700,000 share awards ("Awards")
Purchase price:	Each Award represents a conditional right upon vesting to obtain one share of the Company ("Share") at nil purchase price
Closing price of the Shares immediately before date of grant:	HK$2.94 per Share
Vesting period:	Twelve months from date of grant
Performance target:	There is no performance target attached to the Awards granted
The fair value of the Awards at the date of grant:	HK$7,911,000

Date of grant:	31 August 2023
Grantees:	4 employees of the Group, being eligible participants under the Share Award Scheme
Number of Awarded Shares granted:	270,000 Awards
Purchase price:	Each Award represents a conditional right upon vesting to obtain one Share at nil purchase price
Closing price of the Shares immediately before date of grant:	HK$3.25 per Share
Vesting period:	Twelve months from date of grant
Performance target:	There is no performance target attached to the Awards granted
The fair value of the Awards at the date of grant:	HK$907,200

The fair value of services received in return for a share award granted is measured by reference to the fair value of the share award granted by the Group. The fair value of the share award granted is measured as the market value at the grant date and expensed over the relevant vesting period. The expected dividends during the vesting period had been taken into account when assessing the fair value of these awarded shares.

No Awarded Shares granted to the employees were cancelled or lapsed in accordance with the terms of the Share Award Scheme during the year ended 31 December 2023.

The number of Shares available for grant under the Share Award Scheme as at 1 January 2023 and 31 December 2023 were 95,287,968 and 92,317,968 respectively. The number of Shares that may be granted under the Share Award Scheme during the year ended 31 December 2023 divided by the weighted average number of shares in issue for the year ended 31 December 2023 was 9.27%.

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.

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 Co., Ltd. (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.

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 Co., Ltd. ("**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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUMMARY

The report is an annual Environmental, Social and Governance ("ESG") report released by Wasion Holdings Limited ("Wasion", the "Group" or "We"). With a focus on the approach, commitment and efforts made by the Group in implementing environment and social policies by complying with sustainable development strategy, and prepared in accordance with the reporting principles of materiality, quantification, balance and consistency, the report discloses our performance in social responsibility governance and in fulfilling its responsibility in both environmental and social aspects in 2023, as well as our undertaking to commitment in 2024.

(1) Scope of organization

Taking account of the "financial significance" and the "extent of substantial ESG impact", the report covers Wasion Holdings Limited and its subsidiaries in China, whose businesses scopes are described in the section headed "About Us".

(2) Time period

The report covers a period from 1 January 2023 to 31 December 2023.

(3) Release cycle

The release cycle of this report synchronizes with that of the Company's annual report.

(4) Data clarification

If there is any discrepancy in the economic performance data of 2023 disclosed in the report, the financial report shall prevail.

(5) Reference standard

The report complies with the requirements under the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and has been prepared in accordance with the Global Reporting Initiative (GRI) Sustainable Development Reporting Guidelines, CASS-CSR5.0 the Guidelines for the Preparation of Corporate Social Responsibility Reports in China and GB/T36001-2015: Guideline on the Compilation of Corporate Social Responsibility Report.

(6) Statement of verification

The Board attaches great importance to the normative and consistent disclosure of ESG-related information. In order to continuously improve the credibility and quality of the report, the preparation of the report has been directed by the Board and verified by internal auditors. Subsequently, the plan is to gradually seek independent verification, if conditions permit.

(7) Statement of change

The scope and other category of the report have no significant change to the 2022 Social Responsibility Report of Wasion Holdings Limited.

For further information of Wasion, please visit http://website.wasionholdings.wisdomir.com/

To obtain the hard copy of 2023 Social Responsibility Report of Wasion Holdings Limited, please contact us at:

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Postcode: 410205
Tel: 0731-8861 9888

1. ABOUT US

Wasion Holdings Limited is a leading provider and operating service provider of IoT solutions for smart energy metering, smart power distribution and energy efficiency management and smart utilities, with its products covering metering products for electricity, water, gases and heat, electrical devices and system solutions. Listed on the Main Board of Hong Kong in 2005, the Group became the PRC's first professional group on energy metering and energy efficiency management being listed on the Main Board of Hong Kong Stock Exchange.

Wasion Holdings has long been focusing on the research and development, production and sales of total solutions relating to energy metering and energy efficiency management, the products and services of which have been extensively applied in energy supply industries for electricity, water, gas and heat, and large energy-consuming units of large-scale public infrastructure, petroleum and chemical, transportation, 5G communication, machine manufacturing, metallurgical and chemical fields and residents.

The advanced smart metering business of the Group mainly comprises of comprehensive smart meters, smart water meters, smart gas meters and ultrasonic calorimeters; various meters and power quality monitoring devices; comprehensive energy data collection terminals, load management terminals and user management devices; measurement automation systems and various application systems, services and energy data mining.

The Group's Communication and Fluid AMI business mainly focuses on reshaping the energy management methods of electricity, water, gas and heat with the IoT technology, and provides a full-level integrated solution for the IoT of energy from data perception, network transmission to application management, with communication technology from basic chip design, data perception and data acquisition to high-speed data transmission and stable connection, as well as the capability to provide users with such digital solutions as software management.

The products and solutions of advanced distribution and energy efficiency management business of the Group mainly covers new energy storage system solutions for comprehensive scenarios such as large energy storage, industrial and commercial energy storage, household photovoltaic-storage integration and mobile energy storage, high- and low-voltage complete equipment, primary and secondary integration complete equipment, smart low-voltage components, tower energy and communication products and services, EMS system application, hydrogen production, new energy connection, industrial automation, battery swap and preparation, sales of power and supply-side management, etc.

The Group, with more than 20% of the domestic market share of high-end metering products, has built up its leading position in China and is the only professional manufacturer in China which provides various advanced energy metering products, systems and services for electricity, water, gas and heat, as well as satisfies the demand of the whole process from energy production, transmission and distribution to consumers.

The goals of "Carbon Neutrality" and "CO_2 Emission Peak" are driving substantial changes in energy production and energy consumption mode in China and even the world. Amidst the material social responsibility and development opportunities arisen from energy saving and carbon reduction as well as the substantial demand arisen from the transformation and upgrading of smart power grids to the internet of energy, Wasion Holdings will adhere to its corporate motto "Energy Metering and Energy Saving Expert" while upholding its core value "Perfect Work with Passion, and Success Achieved with Integrity" by continuous innovation and improvement in order to become the pioneer in smart power grids and smart metering in China, one of the major international smart power grids and smart metering provider and a well-known international brand.

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

2. STATEMENT OF THE BOARD ON ESG

The facts that a sound reform requires driving force from the top level and an effective environmental, social and corporate governance (ESG) demands strong leadership of an enterprise in integrating ESG element particularly demonstrate the application of the sustainable development concept in corporate practice, and are highly consistent with the new development philosophy of "innovation, coordination, green, development, and shared benefits" and the essential requirement of promoting high-quality development intensified at the 20th National Congress of the Communist Party of China.

Wasion deepens its development in energy metering and energy efficiency management area to be actively involved in the overall development of the world, and is also committed to creating green value and social value to empower social development and boost economic growth. We operate effectively based on our strategy by planning, deploying, organizing and coordinating various resources, adhering to integrated innovation as well as placing importance on the development of new-energy industry and the protection of ecological environment, with a focus on providing Chinese wisdom, Chinese solution and Chinese strength which continuously contribute to high-quality development, so as to eventually realize the great mission of "becoming a global energy metering and energy saving expert".

2.1 Promoting shared development and prosperity through cultural empowerment

Corporate culture serves as the prime impetus for enterprise sustainable development, is the sum of common values, behavioral pattern and cultural atmosphere formed during the process of business operation and is taken as the soul and essence of an enterprise.

By keeping up with the latest trend of innovation and development, Wasion has been constantly updating, enriching and condensing in practice, thus developing corporate values and codes of conduct featuring Wasion elements. By relying on value and behavior orientation, spiritual motivation, restriction of ethics and other methods, we promote mutual growth of all the Company's staff, while striving for the first place in enhancing corporate management level and product quality, shaping the corporate into a good image and facilitating long-term and steady development of the corporate with concerted efforts.

In 2023, every Wasion person focused on implementing Wasion's corporate culture of the "Five 'One' Programme", to earnestly promote the practice and implementation of the new interpretation and further extension content of Wasion Values and Principles and core value. Wasion has organized "Corporate Culture Propaganda Tour (企業文化大巡講)", "Corporate Culture Forum (企業文化座談會)", "Five-minute Lecture of Corporate Culture (五分鐘講企業文化)" and other activities, through which it targets to cultivate the reading literacy and improve the productivity of the Group. Wasion highly values the importance of practicing corporate culture by adhering to the cultural consensus that "a single spark can start a prairie fire", thereby benefiting itself in striving for excellence in the construction of corporate culture.

"Culture" empowerment enables agglomerating efforts and taking a lead in the future

Corporate Culture Propaganda Tour

In 2023, Wasion organized propaganda tours focused on the General Situation of Development and Corporate Culture of Wasion, An Analysis of the "5th Five-year Plan" Strategy of Wasion, Practices of Corporate Culture: Internal Control Management and Risk Prevention and Control of Business and other themes.

Corporate Culture Forum

In 2023, Wasion successively organized three corporate culture forums specially for functional personnels, staff and mid-low management cadres, at which it underwent in-depth discussion and communication in respect of how to practice, implement and promote corporate culture.

Five "One" Programme

Making determination, reading a bible, correcting a mistake, fulfilling filial duty and doing a good deed everyday (立一個志、讀一本經、改一個過、行一次孝、日行一善).

2.2 Making progress together through co-governance under the guidance on Party building

Wasion firmly focuses the two main lines of Party organization and corporate governance. Centered on implementing new development philosophy, fostering new development paradigm and promoting high-quality development mentally, politically and in deed, Wasion incorporates the leadership of the Party into each working process of the Group with unremitting efforts.

Wasion insists on combining Party building with business operation and development. On one hand, the guidance on Party building facilitates high-quality development of the Group, which in turn consolidates Party building. On the other hand, Wasion integrates with social welfare through multiple channels and at various levels to give full play to the core leading role as a Party organization and the vanguard role of Party members, while proactively participating in public welfare and charity to explore further possibility of Party building practice. In addition, Wasion helps its staff to constantly improve knowledge, skills and professional competence by developing talent cultivation system and carrying out featured activities, which enables the staff to make progress and achieve development together with the Group. Through these efforts, Wasion has delivered outstanding performance in innovation of Party building through warm-heart activities covering extensive areas.

2.3 Integrating and creating together based on strategic planning

With the changes of the times, we have once again reached the crossroad of development. Leading scientific and technological progress and driving industrial upgrading are strategic choices for cultivating new productive forces. As green economy and new energy system are thriving just like a big flowing river and the rising sun, Wasion keeps up with the development pace and the orientation of the times, firmly grasps the opportunity of a new round of scientific and technological revolution and industrial reform, accelerates the development of future industries around the main battlefield of manufacturing industry, supports and promotes new industrialization, and speeds up the pace of integration into industrial reform.

Green and low carbon is not only the common mission of China and the world, but also the biggest and most certain historical opportunity for the world in the next 30 years. Riding on the trend, Wasion newly revised its "5th five-year plan", which focuses on the energy changes that will support the prosperity of human society in the long run, concentrates on the modern new energy system, and redefines the internationalization strategy, accelerating deep transformation of Wasion from partial exploration and ice-breaking breakthrough to comprehensive expansion.

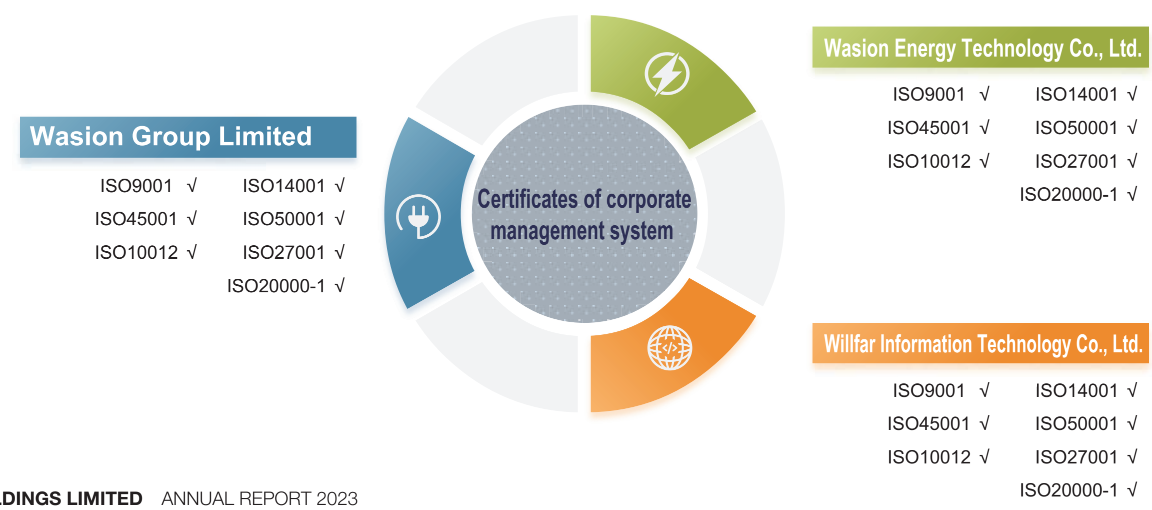
Wasion implements the development goal of "being innovation-driven, taking green development path, and achieving China-class company with energy metering and energy efficiency management", refines green development path, focuses on the development trend of "Six Wasion (六個威勝)", continuously builds a green and low-carbon science and technology park as well as a green and low-carbon supply chain management system, empowers energy conservation and emission reduction in the whole value chain, and contributes to the overall green transformation of economic and social development by providing low-carbon, efficient and green products and services.

2.4 Mechanism-driven promotion and sharing

With focus on the cultivation, improvement and implementation of our concepts of management of corporate social responsibility, Wasion always concerns progress of implementation of management of corporate social responsibility. It integrates the ESG concept into its corporate development strategy and daily operation activities, continuously improves the ESG management system and structure, and establishes an ESG management mechanism which is mainly driven by the Board and fully participated by stakeholders, in order to promote the Company's sustainable development. The Company has set up the Strategy and ESG Committee to make decisions, supervise and manage ESG-related work of the Company, and the management of the Company is responsible for specific implementation.

- Focusing on the stakeholders' interests to clarify core elements of "Wasion Value"
- Realizing the three communities as our core driver to help enterprises accelerate the realization of the "Six Wasion" development plan
- Continuing to improve capability of members of ESG team by training and cultivation
- Encouraging innovation to promote the corporate sustainable development and spread the development concept of corporate social responsibilities

Wasion adheres to the idea of ecological civilization as the guide and unswervingly takes the road of green and low-carbon development. We run the concept of "low energy consumption, low pollution, high efficiency and high responsibility" through the whole process of research and development, procurement, production, packaging, transportation, storage, use and scrapping. We improve the top-level design of system construction, promote the systematization, normalization and standardization of system management, and establish an integral comprehensive management system in respect of quality management, environment management, occupational health and safety management and energy management. Meanwhile, we actively promote enterprises to participate in carbon emission inventory and carbon footprint verification, and accelerate the green transformation of enterprise development mode.



2.5 Consulting and building together on brand operation

As an important symbol of company quality, service and reputation, brand is an important medium to enhance the competitive advantage and sustainable development ability of enterprises in the market, and a nuclear weapon to help enterprises open up the market.

Wasion actively optimizes the market layout, creates high-quality projects with ingenuity, adheres to customer first, insists on practicing industry first, takes culture as traction, respects the market, studies customers, continuously improves product quality, and outputs Wasion brand.

Wasion Group won the title of "Famous Products of Hunan" in 2023

Hunan Provincial Administration for Market Regulation announced the **List of Famous Products of Hunan (湖南名品名單)** in 2023, on which the **three-phase smart power meter** of Wasion Group Limited was successfully listed.
The three-phase electronic power meter of Wasion Group was awarded the title of "Single Champion Product (單項冠軍產品)" by the Ministry of Industry and Information Technology as early as 2019 and its business scope has already covered most of the provinces in China. Wasion Group has obtained international certifications such as KEMA, MID, and IDIS for such power meter, which has been exported to more than 50 countries and regions around the world such as Asia, Africa, and the Americas, and has established business connections with more than 100 countries and regions.

Wasion Energy won the Award of Top Ten Industrial and Commercial Energy Storage Brands of the Year (年度工商業儲能十大品牌獎)

In 2023, the second energy storage list was released, and Wasion Energy won the award of "Top Ten Industrial and Commercial Energy Storage Brands of the Year".
The Three-River-Source Photovoltaic-storage Integrated Micro-grid Project is a typical application of Wasion Energy's Source-Network-Load-Storage integration solution in high altitude and extremely cold scenarios.
Wasion Energy pushes Hoh Xil into the era of electrification and protects with green micro-grid the Three-River-Source, “water tower of China”.

Since the establishment of Wasion brand, we embraced the social responsibility of “Precise energy consumption and effective energy saving for a better world” and gradually developed into a leading brand in China’s energy metering device, system and service sector. Wasion will take the responsibility of helping customers in green and low-carbon transformation, and jointly assist in the construction of new energy systems towards “3060”.

Branding is a comprehensive manifestation of the competitiveness of an enterprise or even a country, and it is also an important resource to participate in global competition. In the future, Wasion will continue to take the road of innovation development, increase investment in research and development, strictly abide by the quality control, and provide more and better products for global customers. Based on the creation of “China Precision” as a new business card, it will continue to move forward on the road of developing into a world-class expert in energy metering, and go to the world on behalf of China’s brands with a more active, confident and proactive attitude.

2.6 Interconnection, consensus and mutual benefit

Guided by "Perfect Work with Passion, and Success Achieved with Integrity", Wasion pays attention to the interests of stakeholders, focuses on green development, and demonstrates the value factors of "Wasion Public Welfare and Wasion Responsibility". Wasion regards stakeholders' concerns and requirements as one of the important drivers of ESG management and integrates them into the Company's ESG management strategy to share value with stakeholders.

Creating value through communication

All consensus decisions are made through communication

2.6.1 Stakeholders

Wasion is committed to creating long-term value for stakeholders, actively adopting opinions and suggestions of stakeholders by improving stakeholder communication mechanism and optimizing evaluation procedures, working together to reach consensus, analyzing the relevance of key issues from the perspective of product lifetime cycle, jointly promoting social development and sharing development achievements.

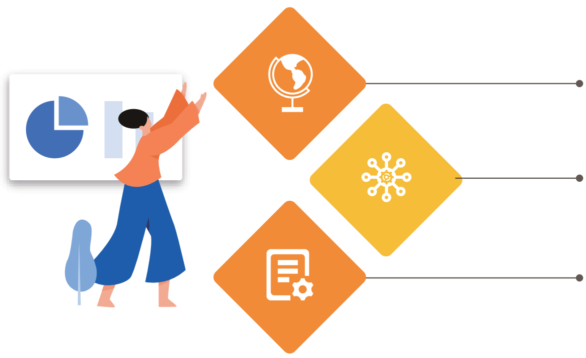
Stakeholders

In view of the importance of stakeholders' support in formulating and implementing short-and long-term sustainability strategies, the Group has established appropriate communication channels for stakeholders to provide important advice for continuous improvement of the Group's ESG management.

Main stakeholders	Expectations and concerns	Primary communication channels
Country	Double carbon and double control, clean government construction, compliance operation	Supervision and inspection, regular information disclosure, and benchmarking competition
Society	Energy saving and consumption reduction, green low carbon, social welfare	Public media publicity, volunteer/voluntary activities, and charitable donations
Users	Quality service, product reliability, integrity operation	Customer satisfaction surveys, customer service hotlines, and social media platforms
Employees	Career development, compensation and welfare, health rights	Employee satisfaction survey, employee training and promotion, and recreational/sports activities
Shareholders	Return on investment, information transparency, corporate development	Regular general meeting of shareholders, regular information disclosure, and publicity by public media
Suppliers	Mutual benefit and win-win, legal compliance, and innovative marketing	Supplier conference, bidding evaluation, strategic cooperation, and electronic information platform
Community	Information disclosure, environmental protection, green public welfare	Public media publicity, public welfare/charitable activities, and product performance publicity
Industry	Industry innovation, low-carbon environmental protection, fair competition	Trade fairs, industry exchanges and learning, workshops and industry forums

2.6.2 Key issues and key performance indicators

With reference to the requirements of the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange of Hong Kong and the issues listed in the substantive list of the Global Reporting Initiative (GRI) Sustainable Development Reporting Guidelines, Wasion identifies, prioritizes and verifies key issues upon comprehensive consideration of the results of stakeholder communication. Wasion categorizes the key substantial issues for sustainable development in terms of responsibility, impact, strategic purpose, proximity, reliance and representation, etc., so as to realize comprehensive responsibility communication between corporate brand and stakeholders.

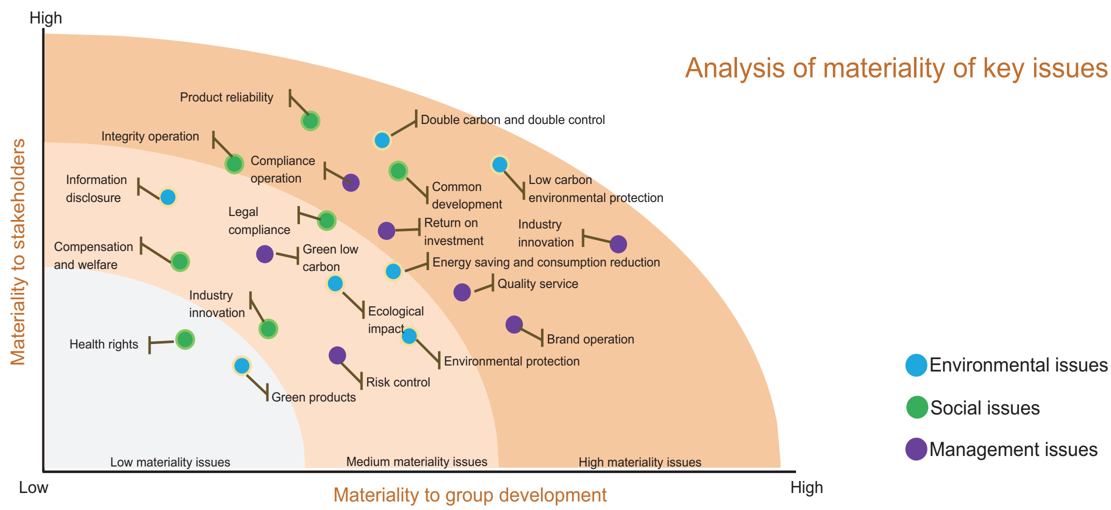


Environmental
Double carbon and double control, energy saving and consumption reduction, low carbon environmental protection, green products

Social
Product reliability, integrity operation, information disclosure, return on investment

Governance
Compliance operation, green low carbon, industry innovation, corporate development

Wasion actively practices its corporate social responsibility, formulates an analysis list of materiality of ESG key issues in combination with the Company's sustainable development strategic planning, stakeholders' expectations and common concerns of the industry, and identifies ESG issues that have an important impact on the Company to carry out substantive analysis, so as to ensure comprehensive response to the key issues concerned by the Company's stakeholders.



Following the principle of combination of comprehensiveness and foci, consideration of systematic and practical work, connection of reference and creativity as well as uniformity and differentiation, Wasion clarifies the key performance indicators of main aspects of environment, society and governance in 2023 from four perspectives of materiality, quantification, balance and consistency with participation of main stakeholders.

Key performance indicators of main aspects

Environment

Control of energy consumption: Low-carbon operation, green development

Emission: Greenhouse gases, wastewater, waste gas

Environmental protection: Double carbon and double control, energy saving and consumption reduction

Climate change: Risk control, response policies

Society

Employment: Anti-discrimination, diversification, occupational health

Green supply chain: Green procurement, strategic mutual success

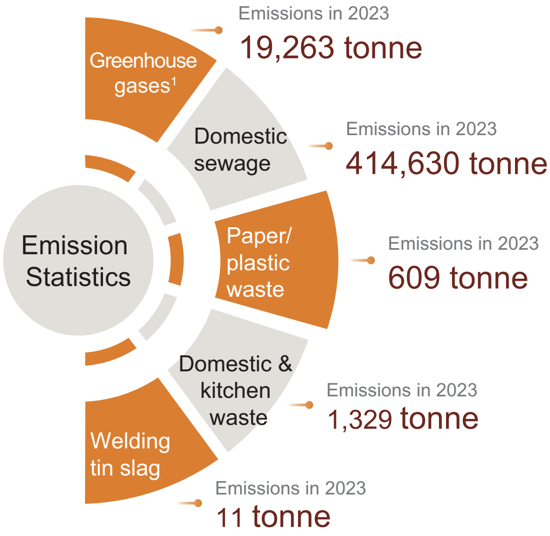
Product responsibility: Innovative driver, intellectual property management, quality of products and services

Social contribution: Welfare undertakings, clean government construction

2.6.3 Emission

Wasion continuously monitors emissions in the industrial park and identifies the types and sources of emissions, which is necessary for enhancing the Company's sustainability and promoting low-carbon environmental operations. It also collects and analyzes total annual emissions.

Types of emissions	Main sources	Main control measures
Greenhouse gases	Greenhouse gases generated by electricity and seasonal natural gas consumed for temperature control in the operating environment	• Do a good job in monitoring and management of energy consumption, and reduce energy consumption of production equipment • Establish and improve energy-saving system and vigorously advocate energy-saving office
Wastewater	Domestic wastewater and a small amount of production water discharged from a non-washable clean production process	• Ensure that the discharge meets standards, the water belongs to Class IV water body, and the water quality meets the Class IV standard in the Environmental Quality Standard for Surface Water (GB3838-2002) (《地表水環境質量標準》(GB3838-2002))
Waste gas	Waste gas from welding in the production process and waste gas from catering in the staff canteen	• Continue to promote the use of new processes and materials to fundamentally reduce emissions • Purify, concentrate and discharge at high altitude according to standards to improve welding environment and prevent air pollution • Waste gas from catering in the staff canteen is treated by fume purification devices and then discharged at high altitude according to emission standards
Solid wastes	Outer packaging of raw and auxiliary materials and small amount of waste packaging materials generated from the packaging of production products for storage, as well as waste plastics, employee domestic waste, canteen kitchen waste, etc. According to the definition and classification of National Catalogue of Hazardous Wastes (《國家危險廢物名錄》), the hazardous solid wastes are mainly produced in the welding process and also contain a small amount of waste electronic components and tin slag	• Continue to promote low-carbon logistics and green packaging, adopt recyclable packages for supplying goods, and reduce the use of paper packaging • Formulate hazardous solid waste management policies, standardize the collection, storage and treatment of hazardous solid waste, set up separate sites for storage in accordance with the requirements of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢棄物污染環境防治法》), and regularly recycle and treat hazardous waste by qualified suppliers



Types of emissions	Goal of 2023	Average consumption per million of annual turnover in 2023
Greenhouse gases (tonne)	<3.6	2.7
Domestic sewage (tonne)	<78	57.2
Paper/plastic waste (tonne)	<0.5	0.1
Domestic & kitchen waste (tonne)		0.2
Welding tin slag (tonne)	-/- (full recycling)	0.002

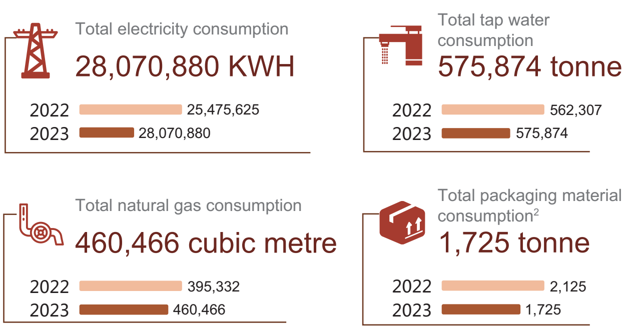
Goal setting principle: 2%~5% reduction based on the average value of actual consumption in historical years

2.6.4 Resource usage

Wasion earnestly implements the general requirements of international energy saving, emission reduction and low-carbon development, energetically builds the high-end green manufacturing, and promotes the low-carbon green transformation. Considering the characteristics of our industry and its practical situation, Wasion has set its energy saving and emission reduction goals for 2023. We also collected and analyzed data to assess our fulfilment, discovering that energy consumption and emission per unit of annual turnover showed declining trend in general as compared with last year.

The Group has made reasonable use of water obtained adequately from the municipal water supply system, hence no problem had been found in seeking for water source.

During the reporting period, no case has been identified constituting a breach of laws and regulations in relation to environment.



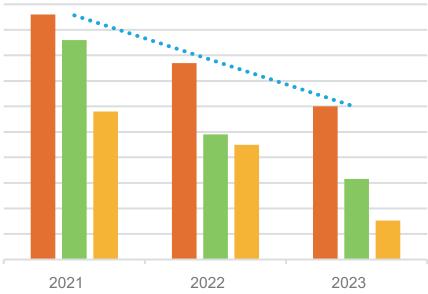
Types of resource consumption	Goal of 2023	Average consumption per million of annual turnover in 2023
Electricity (KWH)	<4,966	3,870.6
Tap water (tonne)	<125	79.4
Natural gas (cubic metre)	<102	63.5
Packaging material (tonne)	-/- (recyclable)	0.2

Goal setting principle: 2%~5% reduction based on the average value of actual consumption in historical years

1 The carbon emission shall be calculated in accordance with GHG Protocol released by World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI), Reporting Guidance on Environmental Key Performance Indicators released by Hong Kong Stock Exchange, and China Regional Power Grid Baseline Emission Factors and Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions from Electronic Equipment Manufacturing Enterprises (Trial) released by the Department of Climate Change under National Development and Reform Commission (NDRC).

2 The packaging materials are mainly cartons and a small amount of wood.

Average comprehensive energy consumption trend in recent three years



Types of consumption / Year of statistics	2021	2022	2023
Electricity (KWH/million of annual turnover)	4,840	4,350	3,870.6
Tap water (tonne/million of annual turnover)	136	99	79.4
Natural gas (cubic metre/million of annual turnover)	108	95.02	63.5

Electricity Tap water Natural gas

In addition to taking practical actions to ensure strict compliance with relevant legislation and contractual requirements, Wasion also adopts the principles and provisions of the international standard ISO14001 Environmental Management System and strives to promote and implement all reasonably practicable environmental protection measures to prevent pollution and other adverse environmental impacts that may result from the Company's operations.

2.6.5 Environment and natural resources

Since the Paris Climate Agreement was reached in December 2015, a new phase of global cooperation on climate change has begun, with countries, cities and enterprises taking measures to push the world toward a low-carbon, climate-resilient future. China also formally announced at the UN General Assembly in September 2020 that it will adopt more powerful policies and measures to reach a peak by 2030 and strive to achieve carbon neutrality by 2060.

The more you know, the more diligently you act. Under the era background of "double carbon" strategic goal and "One Belt and One Road", as a leading energy metering and power IoT enterprise in China, Wasion has always closely integrated its own development with the national strategy, implemented green development from research and development, process, production, products, supply chain and other aspects, and strived to contribute to the healthy, green and sustainable development of the national society and economy.

Based on the Group's green and sustainable development strategy and relying on the digital intelligent management platform, we coordinated our planning, further promoted the construction of the Group's green and low-carbon system and continuously improved management efficiency. We have actively complied with requirements of various management system standards and obtained corresponding system certificates. We have effectively invested the resources required for system construction, continuously exerted efforts in energy conservation, environmental protection and low-carbon operation, and established a green and low-carbon management system pattern by taking a quality management system as the criterion and a measurement management system as the technical means and integrating multiple systems such as ISO14001 environmental management system, ISO50001 energy management system, ISO45001 occupational health and safety management system, IECQ QC 080000 hazardous substance process management system, and the integration of two modernizations management system, so as to promote the sustainable and high-quality development of the Group.

Management and actions taken to minimize the impact of business activities on the environment and natural resources are described in Part 3 of this report, "Responsibility Fulfilment".

3. RESPONSIBILITY FULFILMENT

3.1 Responding to climate change

For a long time, under the combined influence of human activities and natural factors, climate change, characterized by global warming, has been underway around the world. Global warming has triggered multiple knock-on effects, and climate crises and extreme weather events have become global problems. In June 2022, 17 departments, including the Ministry of Ecology and Environment, the National Development and Reform Commission and the Ministry of Science and Technology, jointly issued the "National Climate Change Adaptation Strategy 2035" (《國家適應氣候變化戰略2035》), which makes coordinated planning and deployment of the work on adapting to climate change from now on to 2035.

Climate change is not only an environmental issue, but also a development issue, which not only has a serious adverse impact on the natural ecosystem, but also has a profound impact on the socio-economic system and the sustainable development of enterprises, and tends to be one of the important factors leading to the reshaping of the formation or layout of the global industrial structure. The mitigation and adaptation of climate change has multifold relationships with the sustainable development of enterprises. Against the backdrop of severe global climate change, achieving "Carbon Peak" and "Carbon Neutrality" has become a consensus for mitigating climate change.

3.1.1 Identification of major risks and countermeasures

Wasion actively complies with the “Double Carbon” strategy, implements “Double Carbon” actions and responds to climate change. Referring to the recommendations in the “Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)” (June 2017), Wasion identifies climate change-related risks based on scenarios and in a scientific and systematic manner, accesses the potential impact of climate change on its business, community and stakeholders, formulates risk management measures, integrates climate change risk management into the overall risk management process of the enterprise, continues to improve climate-related risk prevention capacity building, and insists on green and high-quality development by promoting the concept of sustainability throughout all phases of product, research and development, production and operation.

Risk 1

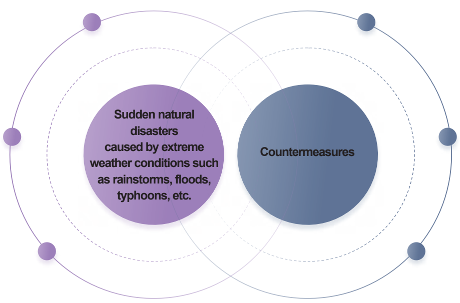
Damage to various infrastructure in the production parks, resulting in direct economic loss and additional facility operation and maintenance costs

Risk 2

Impact on the Company’s normal production and operation, resulting in delays in contract delivery

Risk 3

Impact on upstream and downstream supply chain, product transportation, etc., resulting in production delays



Measure 1: Strengthen business continuity management (BCM)

Continuously improve the Company’s business continuity management mechanism with reference to the international standard ISO 22301 to enhance risk resistance; identify potential threats to key businesses and design a business continuity plan (BCP) to guide the resumption of business operations; regularly evaluate the implementation results of the plan and continuously improve and update the plan if necessary

Measure 2: Awareness development and practical exercises

Design business continuity training courses for staff to develop awareness and skills; organize regular practices on the operability and time coordination of the BCP and improve emergency response to disasters

Measure 3: Promote modernized infrastructure construction

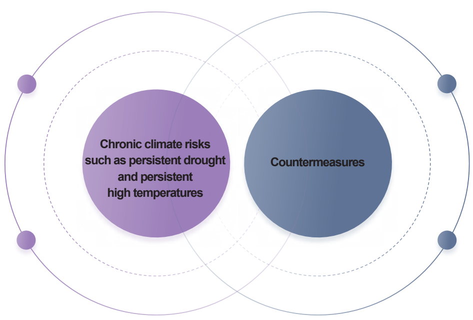
Utilize advanced technological means such as digitalization and intelligentization to enhance the adaptability of infrastructure to climate change; proactively monitoring extreme weather events, conducting equipment safety inspections, and strengthening the investigation of hidden dangers to secure the Company’s production and operation

Risk 1

Seasonal shortage of supply or demand of energy sources such as electricity and natural gas, which may result in disruptions in energy supply and affect the normal production of the Company and its upstream and downstream supply chains, resulting in failure to safeguard the continuous operation of the Company’s business

Risk 2

Persistent high temperature will lead to an increase in production costs. The adjustment of temperature in the operating environment will lead to an increase in the cost of electricity; persistent high temperature may also decrease the productivity of labors and increase labor cost; affect the normal production of the Company’s upstream supply chain, hence increasing the cost of raw materials



Measure 1: Continuously enhance production process automation

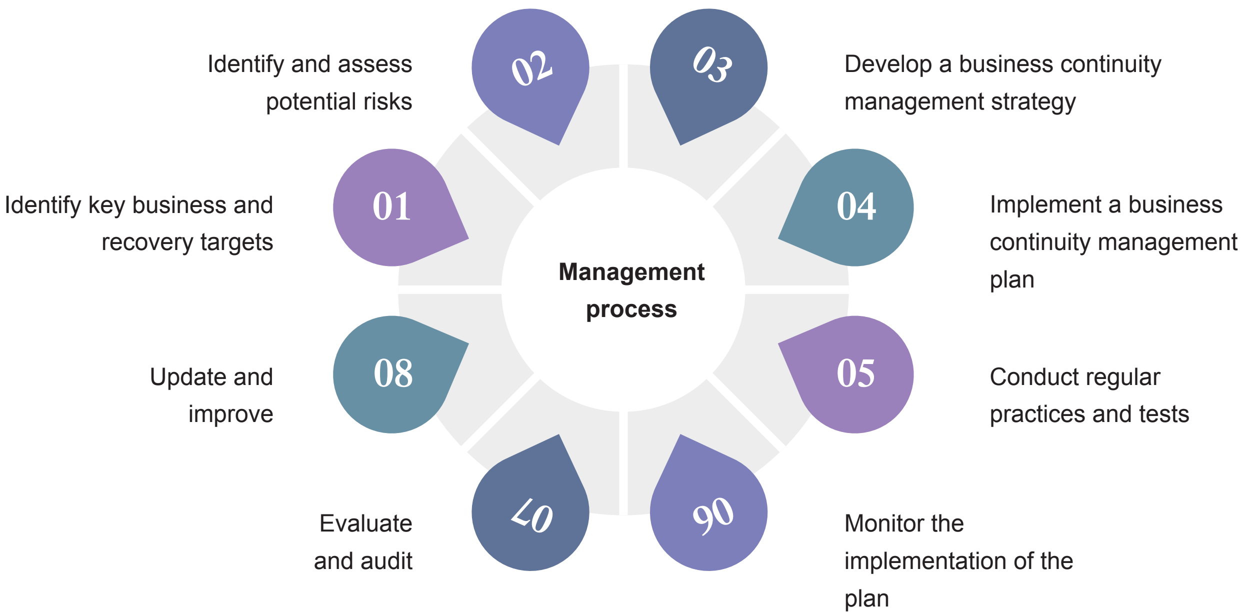
Promote the automation of production processes, improve production workflows, and adopt automated and digitalized equipment, to reduce the impact of human and natural factors on production efficiency

Measure 2: Application of intelligent energy management system

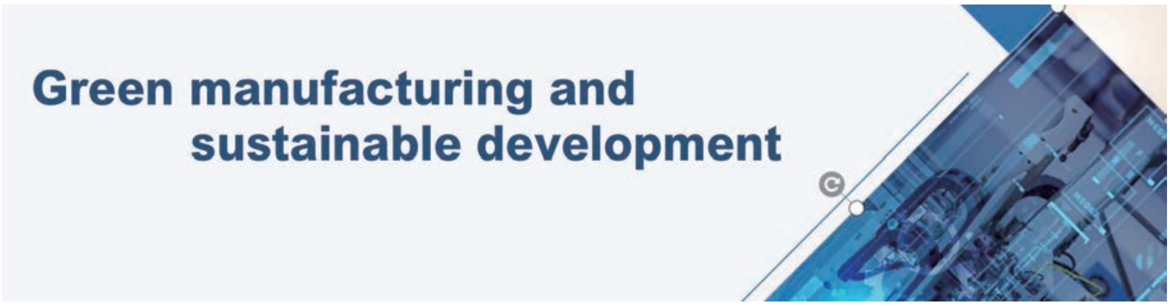
Monitor energy use online, identify and solve energy wastage problems in a timely manner, and enhance the efficiency of energy use in the industrial park; attach importance to the development and application of energy-saving and emission reduction technologies, and focus on promoting the application of energy-saving and emission reduction measures to reduce operating costs

	Identification of major risks of climate change	Countermeasures
Transition risks	**Risk of policies and laws and regulations** Under the constraints of the Carbon Peak and Carbon Neutrality targets, changes in national laws and regulations related to industrial circular economy, green product design, pollution control in production and use of clean energy may increase the Company's compliance costs	**Continuously follow policies and regulations** Continuously monitor "Dual Carbon"-related regulations and policy documents, conduct trainings to learn and understand the contents of regulations, organize regular compliance reviews, and implement green and low-carbon strategies
	Technology risk Energy saving and environmental protection technology research, and energy saving technology transformation may increase the Company's research and development costs; technological change and technological innovation in respect of green product design may impact the Company's core competitiveness	**Increase scientific and technological innovation research and development** Strengthen green technology research, green standard formulation, enhance the Company's green product innovation capability and green process innovation capability; deepen the integration of industry, academia and research, and continue to improve the incentive mechanism for innovation to build its ability to make core technology breakthroughs and lead the industry
	Market risk As the promotion of sustainability deepens, the consumer market's awareness of and demand for green products rises. If the Company fails to follow the direction of this shift, it may lose market share	**Develop green and low-carbon technologies** Strengthen investment in green and sustainable strategies and promote research on green products and green technology standards to meet the growing green consumption needs of the market and modern consumer groups
	Reputation risk Stakeholders are becoming increasingly aware of climate risks and opportunities. If the Company takes a wait-and-see attitude towards climate change or fails to respond to stakeholder demands, the Company's reputation will be affected	**Improve disclosure transparency** Establish a diversified disclosure mechanism, make climate change a core issue, and communicate with stakeholders through different channels and platforms; strengthen compliance building to ensure information disclosure compliance

3.1.2 Business continuity management



3.2 Green manufacturing and sustainable development



The establishment of green manufacturing systems is a modern manufacturing pattern and industrial economy development pattern with low consumption, low emission, high efficiency and high benefit in harmony with the construction of ecological civilization, which is the key to promoting green production mode and building a new pattern of sustainable development with resource conservation, environmental protection, health and safety, and is also an inevitable choice for enterprises to achieve high-quality development. The Group actively responds to the National "14th Five-Year Plan", accelerates the establishment of green manufacturing systems, develops it as a green and low-carbon technology enterprise, and promotes the transformation and development of traditional power systems to newer ones in a bid to help the country realize the "Dual Carbon" goals.

Positioning

- Adhere to the dual positioning of being an active **practitioner** and **service provider** of the "Dual Carbon" strategy

Internally

- Promote green production through intelligent manufacturing, develop green parks and promote energy-saving reforms
- Achieve significant results in intelligent manufacturing, energy saving and emission reduction, and green manufacturing

Externally

- Proactively empower to establish a green supply chain
- Continuously strengthen technological innovation and product innovation in specialized areas, and promote and participate in the formulation of industry technical standards

Contribution

- Follow the development trend of cleaner electricity and integrate diversified technological means and strategies to develop intelligent solutions
- Contribute to the clean, low-carbon, safe and efficient use of energy and the development of an energy powerhouse

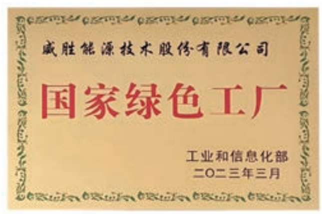
We strictly observes the “Law of the People’s Republic of China on Energy conservation” (《中華人民共和國節約能源法》), “Law of the People’s Republic of China on Environmental Protection” (《中華人民共和國環境保護法》), “Law of the People’s Republic of China on Prevention and Control of Air Pollution” (《中華人民共和國大氣污染防治法》), “Law of the People’s Republic of China on the Prevention and Control of Solid Waste Pollution” (《中華人民共和國固體廢物污染環境防治法》) and other national laws and regulations. Based on the PLM product lifecycle management systems, SAP enterprise resource planning systems, MES manufacturing execution systems and other information systems, and capitalizing on green innovative technologies and green innovative products, we strive to write a “melody of green” from the aspects of research and development, process, production, products, supply chain, etc., and endeavor to contribute to the healthy, green and sustainable development of the national society and economy.

3.2.1 Green, the distinctive background color of Wasion’s high-quality development

Green factory is one of the important measures taken by the Ministry of Industry and Information Technology of the PRC to implement the “14th Five-Year Plan” in respect of the green industry development, the core meaning of which is to guide and promote the industrial enterprises to realize intensive land use, harmless raw materials, clean production, waste recycling, and low-carbon energy. Wasion always values green and low-carbon development and actively explores the development mode of green manufacturing with industrial characteristics. It has rooted the concept of green development in every process and aspect, for example, building two-type parks, promoting energy saving and emission reduction by various measures, and playing an industry-leading role in continuing to build an advanced green manufacturing enterprise, accelerating the establishment of a green manufacturing system, and promoting the low-carbon transformation and high-quality development of the industry.

Wasion Group Limited

Willfar Information Technology Co., Ltd.



Wasion Energy Technology Co., Ltd.

Wasion Group Limited Listed among "Lead Geese of Energy Management"

The energy efficiency selection campaign named "Lead Goose" (頭雁) has been launched for three consecutive years in Hunan province, which evaluates from three aspects: energy use efficiency, water use efficiency and energy management level, aiming to promote "Carbon Peak" and "Carbon Neutrality" and related work in industry. The selection is a full affirmation of Wasion Group's insistence on the path of green, low-carbon, energy-saving and environmental protection development

.....				
4	Wasion Group Limited	Electricity meter	Energy Management Evaluation Score	95
.....				

Willfar Information won two ESG awards consecutively

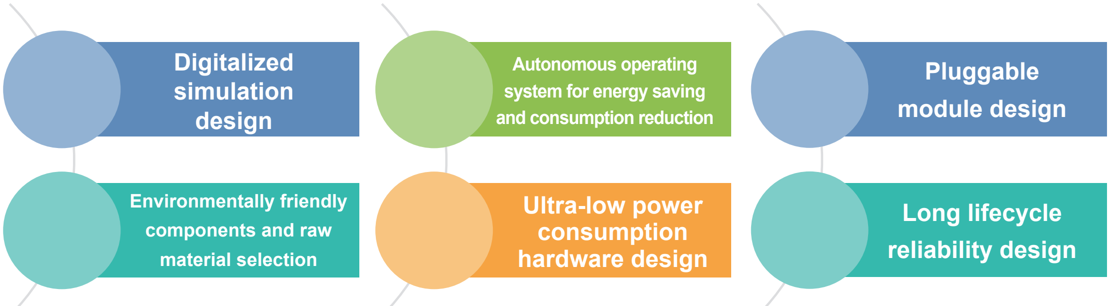
In recent years, with the introduction of the "Dual Carbon" goals, ESG as an important investment concept, evaluation method and corporate action guideline has increasingly become a consensus among the government, society and the public. Willfar Information won the "Outstanding Case of Carbon Peak and Carbon Neutrality" of Xinhua Credit Jinlan Cup (新華信用金蘭杯) and the "Best ESG Award" of the CLS.CN (財聯社) for its outstanding performance in social responsibility, corporate governance and technological innovation

Best ESG Award			
Company short name	**Award – winning secretary's name**	**Company short name**	**Award – winning secretary's name**
.....			
.....	.....	Willfar Information	Zhong Xiyu
.....			

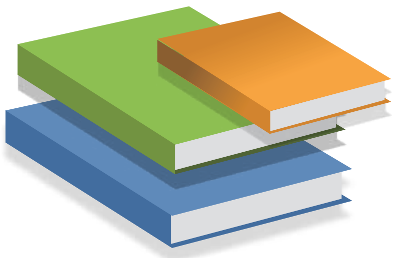
Applying green technology firstly in research and development

Since the early stage of its research and development, Wasion has been focusing on the assessment of the environmental benefits of the whole life cycle of its products. Following the ecological design principles, i.e., energy-conservative, material-saving, efficient, harmless, and recycling, and referring to the requirements under the ISO14040 "Environmental Management Life Cycle Assessment Principles and Framework", ISO14044 "Environmental Management Life Cycle Assessment Requirements and Guidelines", and ISO14067 "Greenhouse Gases Carbon Footprint of Products Requirements and Guidelines for Quantification", as well as the IECQ QC 080000 Hazardous Substance Process Management (HSPM) System Requirements, the Company selects environmentally friendly components and raw materials with low energy consumption and adopts advanced technologies and equipment to reduce pollution at source and improve resource use efficiency. By integrating the green development concept and management requirements throughout the entire life cycle of product design, manufacturing, use, recycling and remanufacturing, Wasion aims to forge a new competitive edge in realizing the targets under the digitalized green and low-carbon development strategy of the Company.

Green product research and development framework



Instruct and participate in the formulation of the Technical Specifications for Green-Design Products Assessment after a comprehensive consideration of resources, energy, environment, quality and other factors



Wasion Group won the title of national Industrial Product Green Design Demonstration Enterprise

.....			
12	Wasion Group Limited	Power meter	Industry and Information Technology Department of Hunan Province
.....			

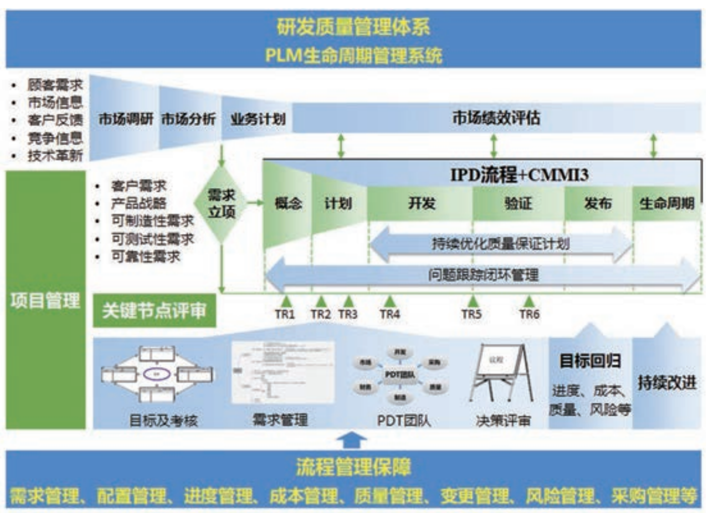
Wasion Group Won "Green Energy Star" Excellent Solution

On 6 May 2023, the first "510 China Brand Day - Energy Industry Brand Promotion Week" was launched in Beijing. Wasion Group won the Green Energy Star Excellent Solution Award for its independently-developed "Smart Metering Cloud Platform Solution for Electricity Meters", and its "High-Accuracy Gateway Power Meter" was selected as a typical case.

Wasion Group was selected as a key "San Hua" (三化) project in Hunan Province in 2023

.....		
2	IPD-based PLM System Implementation Project	Wasion Group Limited
.....		

Key "San Hua" project in Hunan Province — "Wasion Group's IPD-based PLM System Implementation Project"



- Build an intelligent product design process with cross-business collaboration throughout lifecycle
- Enhance the supporting role of data to further improve the information level of data management
- Optimize and improve product management from demand, project, design, quality, qualification and other aspects

Deepening green manufacturing

In constructing ecological civilization, Wasion, as a representative of energy-saving, emission reduction and "Dual Carbon" development among the "Hunan Force", always implements the spirit of the important discussion on "Carbon Peak" and "Carbon Neutrality" as well as the requirements from governments at all levels to practice the concept of energy saving and consumption reduction, focus on the green intelligent energy industry and explore a "zero-carbon future" with practical actions.

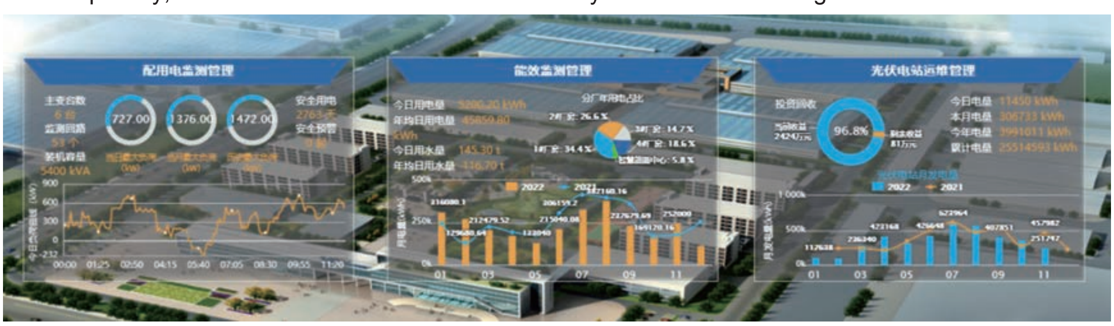
With its advanced research and development and manufacturing technology park for energy metering and energy efficiency management products, and an energy industrial park with leading capabilities in the research and development and manufacturing of intelligent power distribution business, Wasion works hard on the new track of building parks with "Five Goods" (五好), promotes the implementation of the "Three Highs and Four News" (三高四新) strategic positioning and missions in a high sense of social responsibility and high-quality enterprise development, empowering Hunan to become a highland of intelligent manufacturing industry based in China and facing the world.

Green parks: Distributed photovoltaic solar power generation systems

Distributed photovoltaic power generation systems have been installed on the roofs of the plants and other buildings in Wasion's science & technology park and energy industrial park, utilizing renewable energy sources such as solar power

- Wasion's science & technology park has an annual power generation capacity of approximately 2 million kWh, which is self-generated and self-consumed, saving approximately 12% of the annual electricity cost for the park

- Based on the aggregation and coordinated management of distributed photovoltaic, customer-side energy storage, intelligent power distribution, adjustable power load and other flexible source-network-load-storage resources, as well as shared energy storage resources within the incremental distribution network, the energy industrial park greatly enhances its demand-side response capability, and becomes a role model for electricity demand-side management



Green Parks: Energy consumption data collection and efficiency management

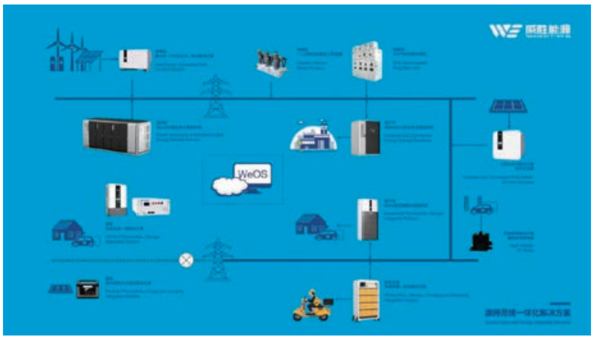
- Refine digital management to quickly identify energy-saving operation problems
- Support various types of energy media for the sharing and interaction of all kinds of data
- Perform real-time monitoring, high-consumption alerting and intelligent energy-saving potential analysis

Wasion Energy was awarded a "Typical Case of Hunan's Ecological Civilization Construction 2022–2023" (2022–2023年湖南生態文明建設典型案例)

As an exemplar and leader of smart energy services, Wasion actively explores new ideas of "green and low-carbon" operation in its own parks, and develops the first batch of "Smart Energy Zero Carbon Future" carbon-neutral demonstration parks in the province by applying new energy sources, new power distribution, new energy storage, and new loading technologies and leveraging its strengths.

- Build a 4.86MWp distributed photovoltaic power station using idle resources available, such as the plant roofs and parking sheds in the park, which significantly enhances the park's ability to supply green electricity independently and realize operation with "Carbon Neutrality"
- Set up an independent carbon emission reduction account to monitor and analyze the new energy consumption, energy saving and efficiency, employee emission reduction, green planting and carbon sinks, and other carbon reduction and emission reduction behaviors independently implemented by the enterprise, and provide timely feedback on the carbon reduction effect so as to make each emission reduction act meaningful

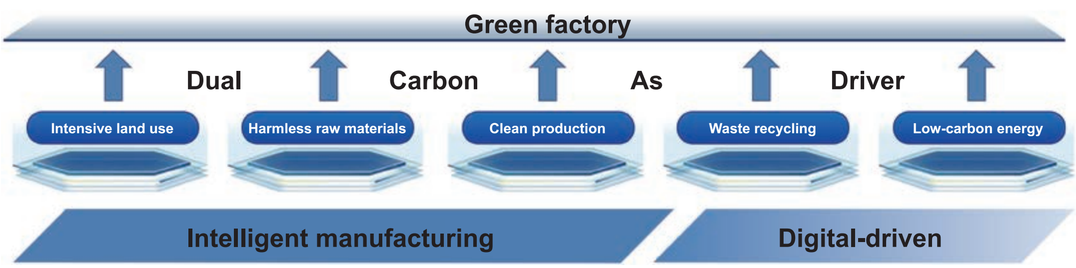
Implementing the "Dual Carbon" Action to build a green and low-carbon demonstration park. According to the characteristics of power consumption in the park, Wasion Energy has established 300KW/300KWh micro-power grid with integration of intelligent solar power and storage to provide security power for critical loads in the park.



- The modular construction of 2.5MW/5MWh scalable shared energy storage power station provides energy storage capacity for all parks along Hongdong line of the incremental distribution network in Xiangtan Economic and Technological Development Zone, reduces electricity demand, and deals with the grid curtailment pressure during the consumption peak hours in summer

- Battery replacement centers for low-speed electric vehicles have been established to provide expedient charging services for the electric vehicle owners in the park

Under the guidance of the "Dual Carbon" goals, Wasion is aimed to build a new model of green manufacturing through the combination of digital-driven and green transformation based on intelligent manufacturing technologies. With focus on the "five aspects" construction of intensive land use, harmless raw materials, clean production, waste recycling and low-carbon energy, Wasion promotes its transformation and reform to green factory. Driven by intelligent operation, smart management and efficient service, Wasion has realized the integration of application models, the transparency of production process, the real-time collection of quality data, and the traceability of production process cycle, enabling the acceleration of high-end, intelligent and green evolution and upgrading of enterprises.



Green manufacturing with technology as the driver

By making full use of modern information technologies such as artificial intelligence and digital twins based on the industrial internet and IoT with integration of business scenarios and application of business data to realize the interconnection with client information systems and build an enterprise digital platform based on unified data sources

Promote the application of intelligent components such as sensors and advanced controllers, upgrade and transform production and test equipment, continue to build, operate and improve the new capabilities of real-time monitoring, rapid perception and linking disposal of automated smart factories to constantly improve the innovation capability of manufacturing equipment

Implement lean production, excellent production technology, and develop a complete and controlled production process to realize the traceability of the entire manufacturing process; continue to conduct process technology innovation, improve the coverage of the intelligent production process, and integrate the concept of energy saving and environmental protection into the entire production process

Wasion Group was recognized as Excellent Scenarios of Smart Manufacturing Demonstration Factories in 2023(2023年度智能製造示範工廠優秀場景)

关于2023年度智能制造示范工厂揭榜单位和优秀场景名单的公示

发布时间：2023-10-26 15:02　来源：装备工业一司

.....			
324	Wasion Group Limited	Flexible production line configuration	Industry and Information Technology Department of Hunan Province, Development and Reform Commission of Hunan Province
.....			

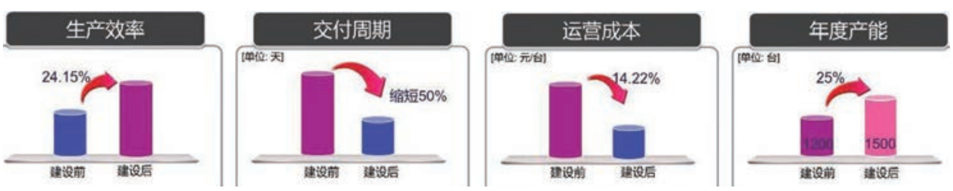
The intelligent manufacturing project of Willfar Information was recognized as Key Projects of the Construction Plan for the Top Ten Application Scenarios of Digital Hunan in 2023(2023年數字湖南十大應用場景建設計劃重點項目)

The project has an extensive coverage, which covers market demand, product research and development, process design, logistics, manufacturing, service and other product life cycle management. Through the implementation of the project, the efficiency of various aspects such as product design, big data operation, production process, quality control, equipment management and safety management has been improved significantly

.....				
10	Construction project of intelligent manufacturing workshop for industrial internet-based IoT products	Intelligent manufacturing	Willfar Information Technology Co., Ltd.	Willfar Information Technology Co., Ltd.
.....				

Excellent scenario — "Flexible production line configuration"

The scenario drives the cross-convergence development of artificial intelligence application, big data analysis and edge computing in the industrial field, and provides replicable cases for the digital transformation of intelligent manufacturing in the upstream and downstream industrial chain



3.2.2 Sound development with innovative green products and services

Stay true to the mission and strive to create the future. As green and low-carbon has become an important driving force for the high-quality transformation of new energy enterprises, the development of Wasion follows the development direction of global energy and the development trend of scientific and technological innovation, so as to provide innovative green solutions for the industry, and give back to users with safer, more accurate and more intelligent products and technical services. Wasion has made outstanding contributions to promoting intelligent energy metering, integrated energy systems and energy IoT industries to remarkable progress targeting premiumization and modernization.

Steady growth, innovation-driven: Based on the historic opportunity of a new round of scientific and technological revolution and industrial change, Wasion will adhere to green and low-carbon development plan, deepen the energy measurement business, as well as constantly broaden its business segment to incubate more new businesses, such as "Internet +" smart energy supporting, smart photovoltaic industry and comprehensive energy services, helping China achieve "Carbon Peak and Carbon Neutrality" goals.

Wasion Group was listed on the list of "New Technology, New Equipment and New Product" for energy saving and water saving in Hunan Province in 2023

The "Enterprise Energy Management Cloud Platform" is a specialized platform used in monitoring and managing solutions of energy use in production processes, and is also widely used in various industrial and commercial fields. The system supports real-time monitoring, data analysis and optimization suggestions and other functions. Through remote monitoring of various energy consumption in the production process, analysis of energy consumption levels, and tracking of production energy consumption carbon footprint, the system supports enterprises to comprehensively monitor their own energy consumption, reduce carbon emissions, and improve the effectiveness of energy use.

.....		
2	Wasion Group Limited	Enterprise energy management cloud platform
.....		

Wasion: Smart low-carbon systematic solutions

Under the background of "Double Carbon", Wasion actively responds to national policies and calls, and has launched various smart low-carbon systematic solutions.

Advanced metering cloud platform infrastructure

Based on IoT and cloud platform technology, it is an important tool for enterprises to achieve sustainable development by integrating energy metering and perception equipment, realizing convenient management with less investment, opening a new mode of safe and intelligent energy use, realizing control and optimization of energy supply and energy use costs, and improving energy utilization. efficiency.

Office energy saving infrastructure

Based on energy metering technology and safe electricity technology, it integrates various technologies, such as IoT communication, cloud platform and mobile payment, and uses shared smart sockets and air conditioning control equipment as the carrier, to realize energy consumption statistics and time-segment energy saving on-off control at the level of electrical equipment, as well as power supply, electric energy statistics, power safety protection and energy saving control

Wasion Energy: Committed to setting new benchmark for industrial and commercial energy storage technology and application in China

On 22 December 2023, the first project of high voltage side connected to user-side energy storage in Hunan Province, namely, the user-side energy storage power plant project of Tanzhou New Energy in Xiangtan Hexi sewage treatment plant, was successfully connected to the grid for trial operation. The project adopts safe and reliable energy storage application solutions jointly developed by Wasion Energy and State Grid Hunan Disaster Prevention and Mitigation Center (國網湖南防災減災中心), which is an important step for Tanzhou New Energy to implement "Double Carbon" strategies.

Willfar Information: Drives for smart environmental protection projects

The smart environmental protection system of Willfar Information is built on traditional four-layer architecture models, with the concept of comprehensive perception, automatic transmission, intelligent analysis and fine management, to carry out the integration and collaborative innovation among advanced technologies.

Yanghu Smart Environmental Protection (Phase I) project was a successful practical achievement of Willfar Information, which will enable Yanghu to pave the way for the acceleration of efforts to comprehensive water environmental renovation. At the same time, the executable, duplicable and promotable demonstration experience gained from the project will help more users to play an increasing role in achieving the goal of "Carbon Neutrality and Carbon Peak".

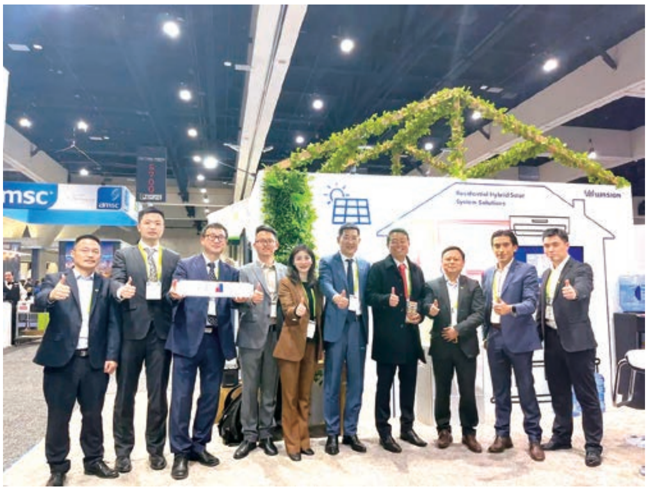
Wasion Energy: Smart energy serves carbon peak and carbon neutral solutions

The power grid solutions of Wasion Energy cover various aspects such as intelligent 10kV electricity distribution line solutions, smart area stations integration solutions, and high- and low-voltage prepaid sales of power management solutions. These solutions not only improve the operational efficiency of the power systems, but also enhance the users' experience in safe, reliable and efficient power consumption.

Seeking common development in cooperation: Under the framework of jointly promoting the "One Belt and One Road", Wasion has extensively conducted joint cooperation in the fields of energy equipment, technology and standards, and promoted the construction of a new green and low-carbon global energy system with international partners in the spirit of openness, cooperation and win-win, so as to win the future in the increasingly fierce international competition

Wasion made pioneering products debut at the DistribuTECH 2023 exhibition

DistribuTECH International 2023 is the world's leading transmission and distribution exhibition, which is held annually in San Diego from February 7 to 9. At the exhibition, Wasion showed the world the latest achievements and technologies in the fields of intelligent energy metering, intelligent power distribution and energy efficiency management and smart utilities, demonstrated the vision and comprehensive strength of Chinese enterprises, established contacts and cooperation with industry leaders, professionals and customers from all over the world, and imagined a bright future.



Willfar Information attended the Boao New Power System International Forum 2023

With the theme of "Openness · Cooperation · Shared Benefits, Promoting Green and Low-Carbon Energy Development", the president of communication and chip segment of Willfar Information delivered a speech titled "High-speed carrier and wireless dual-mode communication technology help build a new generation of intelligent measurement systems (《高速載波和無線雙模通信技術助力新一代智能量測系統建設》)", which aimed to jointly explore the development path of new power system.

3.3 Set sail while keeping upright and innovative

"Continual Innovation Contributing to Wasion's Centennial History". Innovation is not only the core driving force of corporate development, but an important engine to promote industrial, social and human progress. As a private enterprise devoted to Hunan Province, under the care and guidance of government departments at all levels, Wasion remains committed to four major innovation systems such as "technology and product innovation", adheres to the mottos of "Perfect Work with Passion, and Success Achieved with Integrity", adheres to the independent innovation road with the breakthrough of core technology as the key, aims at the technological frontier, promotes strategic control projects, and advances in multiple fields. It always takes research and development innovation as the driving force to promote the leapfrog development of the enterprise. We endeavor to move forward under the ambitious mission of being "Committed to becoming a global energy metering and energy saving expert".

We will remain down-to-earth, practical and mindful of our responsibilities to achieve long-term development. In the fields of smart energy metering, smart power distribution and energy efficiency management, and smart utilities and IoT, we have a strong technical research and development team. We are a National Model Enterprise in Technology Innovation (國家技術創新示範企業), and a National Intellectual Property Outstanding Enterprise (國家知識產權優勢企業). We have various innovation platforms such as the Nationally Recognized Enterprise Technology Center (國家認定企業技術中心), State-level Postdoctoral Working Station for Scientific Research (國家級博士後科研工作站), Electric Measuring Instrument Engineering Technology Research Center of Hunan Province (湖南省電測儀表工程技術研究中心), Technology Innovation Center of Changsha (長沙市技術創新中心), Expert and Academician Workstation of Changsha (長沙市專家工作站、院士工作站) and Science and Technology Association Work of Enterprise (企業科協).

The persistence of innovative enterprise development concept enables us to deliver positive results. Wasion regards "innovation" as the "driving force" for sustainable development of the enterprise, continuously increases investment in research and development and technological innovation, strengthens standard guidance, continuously explores new momentum of development, actively promotes the transformation of technological achievements, and presses the "acceleration button" to become a global energy metering and energy saving expert with advanced technology and products as well as continuous breakthroughs in research and development technical strength.

Wasion Group was named on the list of "Hunan Mobile Internet Industry Development Special Fund Support Projects in 2023 (2023年湖南省移動互聯網產業發展專項資金支持項目)"

.....					
17	Changsha City	Changsha City level	Wasion Group Limited	Research on and Industrialization of Smart Device for Data-Driven CVT Online Monitoring and Status Evaluation (數據驅動的CVT在線監測及狀態評價智能裝置研究與產業化) project	Provincial landmark project of "Digital New Infrastructure (數字新基建)"
.....					

Wasion Group's "Research on and Industrialization of Smart Device for Data-Driven CVT Online Monitoring and Status Evaluation" project has 20 intellectual property rights, including 13 invention patents, 7 authorized invention patents, and has been applied in Ningxia, Jilin, Henan, Gansu and other regions

This award is highly recognized by the China Electricity Council for the research and development capability and industry strength of Willfar Information's products. In the future, based on the industry accumulation and driven by technology innovation, the Company will continue to increase its investment in research and development, adhere to four innovations of technology and product, market and sales, operation and service, management and mechanism, continuously create safe, reliable and high-quality products and services. The Company will provide optimal solutions for customers through leading energy IoT application technology, chip design and communication technology, big data and artificial intelligence to maximize energy efficiency.

Willfar Information was awarded the First Prize of the 2023 Power Technology Innovation Award (2023年度電力科技創新獎) by the China Electricity Council

Deeply cultivated while advancing with honor

Wasion Group's "Technology for Accurate and Reliable Quality Control of Massive Smart Energy Meters and its Application (海量智能電能表準確可靠質量控制技術及應用)" project won the "Second Prize of Guangxi Science and Technology Award" (廣西科學技術獎二等獎) following the Third Prize in Science and Technology Progress (科技進步獎三等獎) of China Instrument and Control Society

The new wide-range high-accuracy multifunctional electronic power meters developed by the project adopt domestic independent and controllable chips, electrodeless smoothing amplification technology, zero-flux sensing technology and phase matching technology, realizing active Class E fusion Class A power quality, and Class 1 harmonic measurement, and improve active accuracy by 50%. The project realizes technological breakthroughs in the field of high-end power measurement and fills the gap in the industry

Willfar Information was successfully approved as the "Enterprise Technology Centre of Hunan Province (湖南省企業技術中心)"


湖南省发展和改革委员会文件

湘发改高技〔2023〕56 号

湖南省发展和改革委员会
关于印发 2022 年新认定湖南省企业技术中心
名单的通知

各市州发展改革委：

为全面落实"三高四新"战略定位和使命任务，加快实施创新驱动发展战略，进一步完善以企业为主体的技术创新体系，按照《湖南省企业技术中心认定管理办法》（湘发改高技〔2017〕287 号）有关要求，2022 年新认定威胜信息技术股份有限公司等 42 家企业技术中心为省级企业技术中心（详见附件）。现就有关事项通知如下：

The "Key Technologies and Applications for New-Generation Electricity Information Collection System (新一代用電信息採集系統關鍵技術及應用)" project, in which Willfar Information participated, won the First Prize in Science and Technology Progress of State Grid Corporation of China.


国家电网有限公司
科学技术进步奖
获奖证书

获奖项目：新一代用电信息采集系统关键技术及应用

获奖等级：一等

获 奖 者：威胜信息技术股份有限公司

奖励年度：2022年

发证机构：国家电网有限公司

证书号：2022-J-1-16-D07

The project unifies China's electricity information collection technology standards, achieving a major leap from automatic meter reading to energy interconnection perception, promoting the construction of the national "county-wide photovoltaic (整縣光伏)", supporting the implementation of the government's "Dual Control of Energy Consumption (能耗雙控)" policy, which is great significance to serve the national power supply and energy transformation and upgrading.

Willfar Information was awarded "Top 10 Technology Innovation Enterprises (十大科技創新企業)"

The first Advanced Manufacturing Technology Innovation Competition of Hunan Province adheres to the goal of "competition for exhibition, competition for conference and competition for efficiency (以賽代展、以賽代會、以賽提能)", creating a benign micro-ecological environment for the transformation of high-tech achievements, which further improves the technology innovation ability of advanced manufacturing industry and the transformation ability of technology innovation achievements. Willfar Information continues to focus on innovation and research and development, build up scientific research strength, drive innovation and development of the industry, and contribute to the strategy of "Three Highs and Four News (三高四新)" in Hunan Province.


荣誉证书

威胜信息技术股份有限公司：

荣获首届湖南省先进制造业科技创新大赛

十大科技创新企业

Willfar Information was selected as the "Top 100 High-tech Enterprises Comprehensive Innovation Ability List in Hunan Province"
(湖南省高新技術企業綜合創新能力百強榜)

排名	企業名稱	所屬市州	所屬技術領域	所屬細分產業
.....				
10	Willfar Information Technology Co., Ltd.	Changsha City	Electronic Information Technology	Mobile Internet and IoT, Smart Grid Industry
.....				

Innovation holds the key to development and the future. Wasion's products and services cover all provinces across China. We also follow the national initiative and development trend of "The Belt and Road Initiative", continuously expanding overseas markets, establishing business contacts with many countries and regions, and illuminating the path of hope of "Wasion's Centennial History" with the light of innovation, development and hard work, contributing to the success of building a "City of Global Research and Development Center (全球研發中心城市)".

Wasion's international expansion of overseas market

3.3.1 Deep integration of industry-university-research to achieve collaborative innovation

Always based on technology and innovation, Wasion continued to promote its development through technological progress. On the other hand, it has actively cooperated with major universities and colleges to jointly explore new technologies, new achievements and new models in the industry, so as to create an open and innovative cooperation model of industry-university-research-application coordination, and strive to achieve win-win cooperation and dual empowerment development by promoting the organic connection and deep integration of industry-university-research chains, thus to inject new vitality and impetus into technological innovation and economic development of Hunan Province, and contribute to promoting industrial upgrading and realizing the strategic objective of "Three Highs and Four News (三高四新)" in Hunan Province.

Wasion Group was awarded the Second-Class award in the Higher Education Outstanding Scientific Research Output Awards (Science and Technology)

Wasion Group Limited, Central South University and Nanjing University of Aeronautics and Astronautics jointly completed the “smart charging key technology and application of new energy logistics vehicles” project to serve China’s major strategies such as “double carbon”, “national strength in transportation” and “artificial intelligence”, which first proposed smart city transportation - energy integration perception decision-making algorithm, developed and built the world’s first set of smart charging management platforms for new energy vehicles under city clusters, and improved the intelligence and localization level of the new energy vehicle charging technology system in China

高等学校科学研究优秀成果奖
（科学技术）

证 书

项目名称：新能源物流车辆智慧充电关键技术及应用

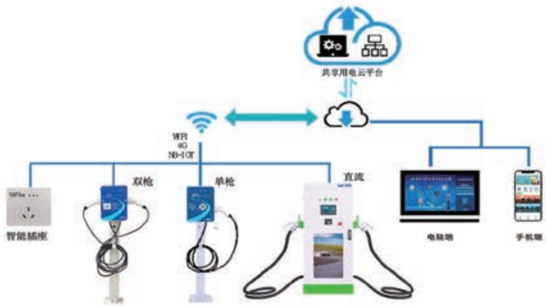
奖励类别：技术发明奖

奖励等级：二等奖

获 奖 者：威胜集团有限公司

2023年6月6日

证书编号：2022-339-D02



Willfar Information and Supercomputing Center reached a strategic cooperation

In March 2023, the cooperation meeting of “**Empowering Enterprises Intelligently • Supercomputing Center (智賦萬企•走進超算)**” was held in the National Supercomputing Center in Changsha. The strategic cooperation with the Supercomputing Center will give full play to Willfar Information’s advantages in various fields such as high-performance computing, big data, information security and artificial intelligence, providing computing support and algorithm research required for digital transformation, enterprise intelligent brain, big data intelligent platform and digital twin platform construction of the Supercomputing Center. They will cooperate to carry out joint innovation and application research, promote the transformation and application of scientific and technological achievements, and integrate the new generation of digital, networked and intelligent technologies into the operation and management, product research and development, and marketing of enterprises, so as to help enhance their efficient development and core competitiveness.

Wasion Group was approved to jointly build Hunan key laboratory with Hunan University of Science and Technology

Intelligent development now has become an important global trend, and intelligent manufacturing has been widely applied in manufacturing fields including chips, automobiles, and electrical appliances. Under the dual drive of policy incentives and market demand, the intelligent manufacturing industry has ushered in new market opportunities while facing technological innovation challenges.

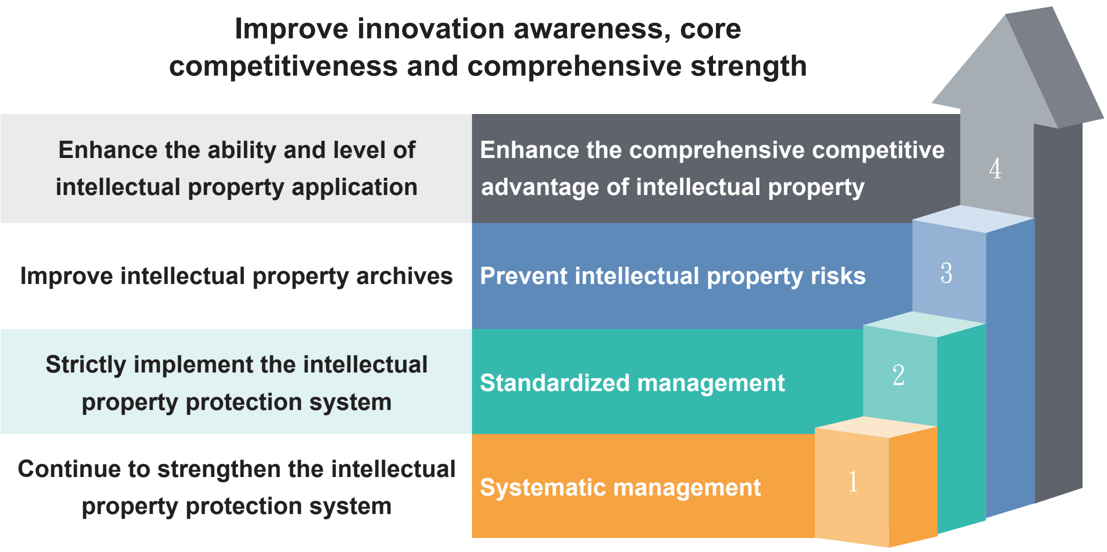
In order to further explore the intelligent control and operation and maintenance of complex systems, Hunan University of Science and Technology led the building of the intelligent control and operation and maintenance laboratory of complex systems, with an aim to serve the major requirements of national and local economies and national defense needs, focus on the application requirements of new energy systems, military system confrontation systems, robot cluster systems and other fields, closely consider the new trends and directions of the development of intelligent control theory and operation and maintenance methods, and carry out in-depth research work to formulate three stable research directions and academic teams in respect of intelligent control theory and application, condition monitoring and fault diagnosis, and intelligent optimization and decision-making methods of complex systems.

.....					
16	2023TP1042	Hunan key laboratory for the intelligent control and operation and maintenance of complex systems	Hunan University of Science and Technology	Hunan University of Science and Technology	Chen Chaoyang
.....					

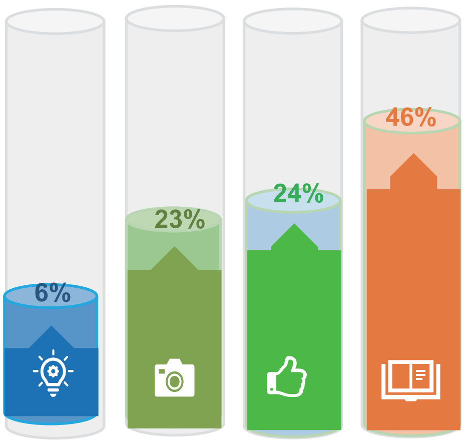
Joint construction units			
No.	**Name of unit**	**Nature of unit**	**Unified social credit identifier (Organization code)**
1	Wasion Group Limited		
.....			

3.3.2 Strengthening intellectual property protection to create innovation advantages

With enhanced economic globalization and integration, the protection of intellectual property, as one of the core contents of global competition and governance, is the strategic support of technological innovation and the backbone of technological security, which is of great significance for enhancing international competitiveness. Wasion proactively responded to the national dual-carbon strategy, continued to accelerate the development process of international and domestic markets, carried out the domestic and foreign patent layout of key core technologies and high value patent cultivation in respect of principal business fields, maximized the advantages of its own intellectual property demonstration enterprise, further strengthened its independent innovation and improved the level of intellectual property management, leveraged the intellectual property to enhance the value of its intangible assets, and also enhanced its external competitive edge.



The protection of intellectual property rights provides strong support for building a new development pattern and promoting high-quality development, which is also the basis for enterprises to create innovation advantages and cultivate innovation strength. Wasion strictly complies with laws and regulations such as the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China and the Copyright Law of the People's Republic of China, implements the requirements of intellectual property management and continuously optimizes the internal system in accordance with GB/T 29490 Code for Enterprise Intellectual Property Management, supports independent innovation and promotes technological progress, while attaching great importance to the management and application of intellectual property including technological achievements, patents, trademarks, copyrights and trade secrets, and constantly enhancing the level and awareness of intellectual property management.



New inventions or patents 2023

Item	New	Accumulated	Accumulated percentage
Invention patent	43	201	6%
Utility model patent	88	732	23%
Design patent	62	761	24%
Software copyright patent	80	1,437	46%

Wasion Group was included in the list of National Intellectual Property Outstanding Enterprise (國家知識產權優勢企業) in 2023

"National Intellectual Property Outstanding Enterprise" is one of the highest honors in the field of intellectual property management in China.

Wasion Group Limited was granted various intellectual property awards such as "China Patent Excellence Award (中國專利優秀獎)" and "Hunan Patent Award (湖南省專利獎)", participated in a number of national key projects with independent intellectual property, and was included in the list of National Intellectual Property Outstanding Enterprise in 2023.

Intellectual property management system certification certificates

Wasion Energy was included in the "list of National Intellectual Property Demonstration Enterprise (國家知識產權示範企業) in 2023"

Joint construction units		
Region	**No.**	**Name of enterprise**
.....		
Hunan Province	6	Wasion Energy Technology Co., Ltd.
.....		

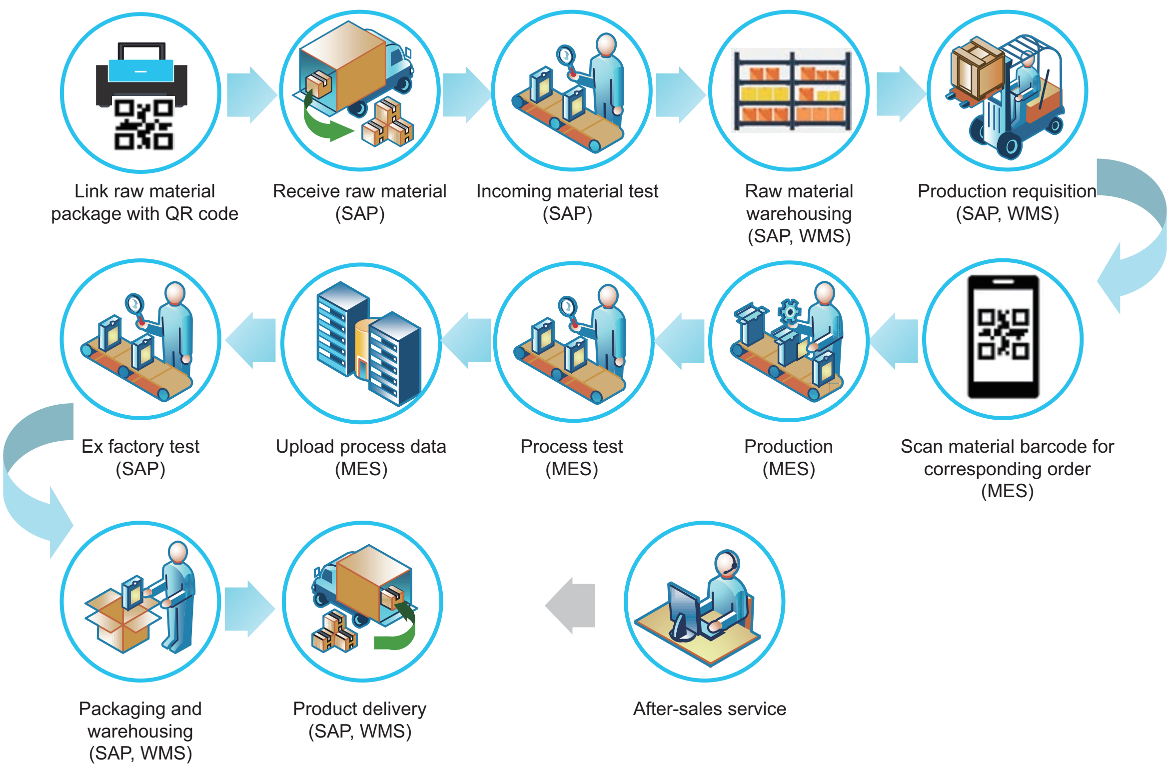
3.4 Reaching far with ingenuity and high quality

It was indicated in the report made at the 20th National Congress of the Communist Party of China that "the primary task of building China into a modern socialist country in all respects is to promote high-quality development". In the new era and new development stage, how to release the potential of high-quality development and allow quality to be a strong cornerstone of Wasion's sustainable development have always been important issues in the development process of Wasion.

Wasion always upholds the quality concept of "Quality is Wasion's life and also the dignity of every Wasion person". It strictly abides by the Production Safety Law of the People's Republic of China, the Product Quality Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other laws and regulations, earnestly implements the requirements of ISO9001 system standards and builds a standardized closed-loop management of all elements and the whole process, with the establishment of a quality control tracing model in respect of the full life cycle of products from design and development, raw material procurement, production and delivery to after-sales service.

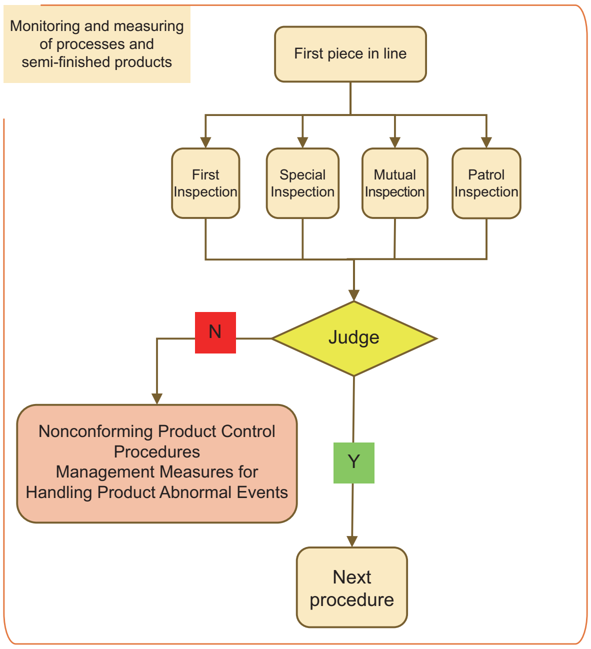
During the reporting period, the Group had no product recall due to safety and health causes, and no case has been identified constituting a breach of the laws and regulations in relation to product and service quality.

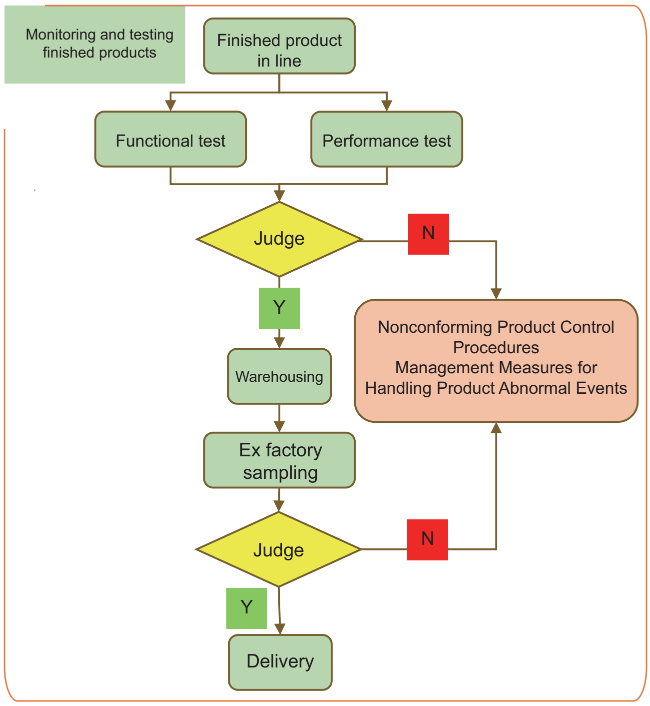
Quality tracing system in respect of the full life cycle of Wasion Group's products



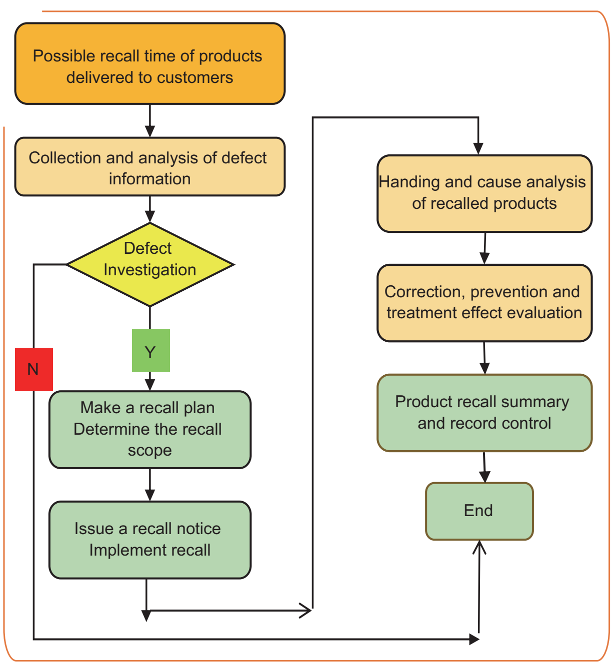
3.4.1 Quality inspection process and recall procedure of product

Product Quality inspection flow chart





Product recall flow chart



With continuous breakthrough of a new generation of digital information technology and new energy technology, and the accelerated integration with advanced manufacturing technology, product safety is facing a more complex and volatile situation while promoting the rapid development of intelligent and green manufacturing.

The Group strictly complies with the Interim Provisions on Administration of Consumer Product Recalls (《消費品召回管理暫行規定》), actively fulfills its primary responsibility of product safety while improving the product tracing system, continues to optimize and improve the product recall management mechanism, and fully fulfills its corporate social responsibility.

Wasion Energy was recognized as the National Enterprise Technology Center (國家企業技術中心)

中华人民共和国国家发展和改革委员会
National Development and Reform Commission

2023年（第30批）国家企业技术中心拟认定公示名单

The National Development and Reform Commission released the 2023 (30th batch) list of National Enterprise Technology Center, in which Wasion Energy was successfully included. This is the third national honor obtained by us following the “Electricity Demand Side Management Demonstration Enterprise in National Industry Field (全國工業領域電力需求側管理示範企業)” and “National Green Factory (國家綠色工廠)” during the year.

The National Enterprise Technology Center is to recognize the enterprise technology center with strong innovation capability, good innovation mechanism, great leading and demonstration role, and that meets certain conditions by the state, and provides policy support to encourage and guide the industry backbone enterprises to drive industrial technological progress and enhance innovation capability. The National Enterprise Technology Center shall have significant development advantages and competitive edges, as well as leading technology innovation capability and level in the industry.

Yang Jing, Zhou Tianci and Xiao Zhengguo from Wasion Group were awarded as “Changsha Craftsman”

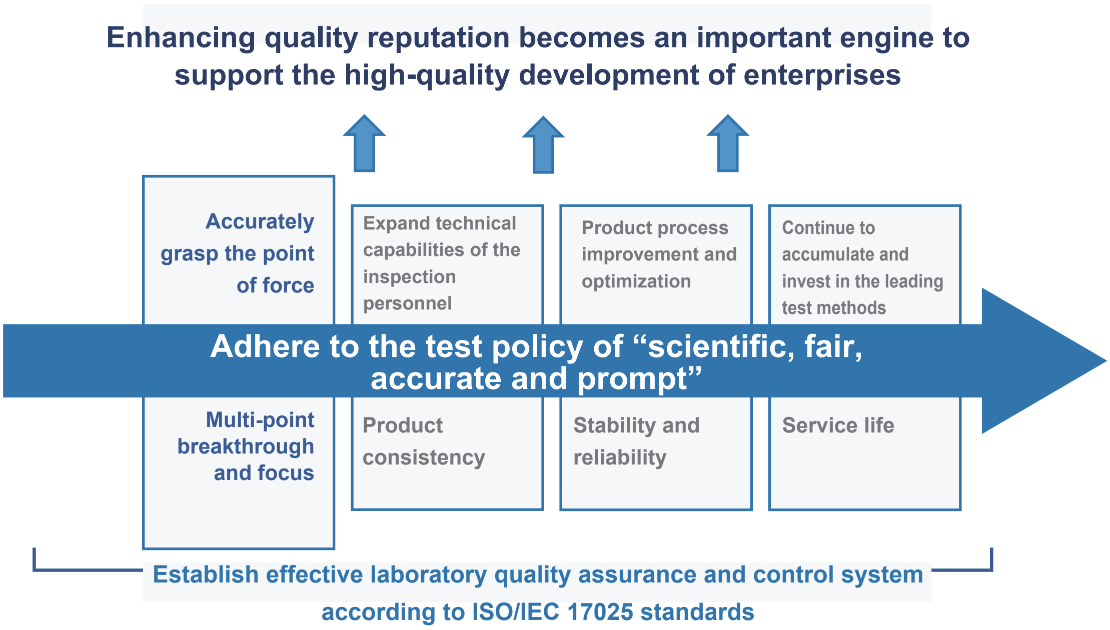
On 3 November 2023, Changsha City held the “Changsha Craftsman” certification and “Great National Craftsman (大國工匠)” selection and cultivation mobilization conference, at which the “Decision on Identification of ‘Changsha Craftsman’ in 2023 (《關於認定2023年「長沙工匠」的決定》)” was released, and 707 people were identified as “Changsha Craftsman” in 2023. Yang Jing, Zhou Tianci and Xiao Zhengguo, being employees of Wasion Group, were gloriously awarded as “Changsha Craftsman”.

The honor of “Changsha Craftsman” benefited from the good environment created by the government and the good policy of encouraging and caring for “Changsha Craftsman”, which also represented the remarkable achievements of integrating the craftsman spirit of “persistence, perfection, meticulosity and pursuit of excellence (執著專注、精益求精、一絲不苟、追求卓越)” and the practical actions of “dedication, working hard and devotion (愛崗敬業、埋頭苦幹、拼搏奉獻)” into the positions of Wasion’s employees, as well as the important results of Wasion’s efforts to cultivate excellent craftsmen under the guidance of model worker spirit, labor spirit and craftsman spirit.

3.4.2 Reliability test verification capacity building

Reliability is the core guarantee of product quality and safe operation. In order to improve the inspection and testing level and enhance product reliability, Wasion has set up a multi-functional test center integrating volume transmission, accuracy, electrical performance, electromagnetic compatibility, high voltage and environment temperature reliability tests.

Persistence helps one to make progress. Wasion Testing Center has obtained the CNAS Laboratory Accreditation Certificate from the China National Accreditation Service for Conformity Assessment (CNAS) since 2012, which is a high recognition of the Company's testing capability and reliability technology level, while further consolidating Wasion's quality credibility and brand influence.



Continuous development helps one to be strong. In order to cater to the iteration and update of new business and new technology, we launched Phase I upgrading and expansion of the test center laboratory in 2023, which was officially completed in early December. The upgraded laboratory will help solve the technical difficulties of energy metering and testing, and promote the domestic independence of the core technology of energy metering, thus providing more powerful technical support for the Group to pursue high-quality development.

On 19 December 2023, the opening ceremony of the test center laboratory of Wasion Group Limited was held in Wasion Science & Technology Park (威勝科技園)

Phase I renovation of the laboratory

3.4.3 Build a quality and safety culture

September 2023 is the 46th national "Quality Month" in China. In order to fully implement the spirit of the 20th National Congress of the CPC and the deployment requirements of the "Outline for Building National Strength in Product Quality" (《質量強國建設綱要》), strengthen the awareness of quality among our employees, create a quality culture of "Ingenuity for Intelligent Manufacturing", foster a good atmosphere calls for every staff member to "prioritize, pursue, advocate and care for quality (人人重視質量、人人追求質量、人人崇尚質量、人人關心質量)", Wasion has mobilized our employees across all business sector to carry out a series of vibrant "Quality Month" activities, thus deeply promote quality actions in an all-round way, assisting the high-quality development of the Company through practical actions.

In order to reinforce the quality foundation and promote quality transformation and innovation, the Group and the Company focuses on carrying out a series of activities such as quality lecture hall, quality knowledge contest, quality analysis meeting, and the best quality team ranking so as to put the quality concept into practice, pivoting on the theme of "conducting quality inspection at all levels to achieve quality improvement, sustainable development and excel in execution (全員品檢、質量提升、持續發展、贏在執行)".

Focusing on the theme of "adhering to good quality and pursuing for excellence (堅守品質築質量之基，精益求精行卓越之路)", Wasion Energy has launched a series of "Quality Month" activities and attached great importance to the quality skills competition and QCC activities, aiming to facilitate employees to master quality tools, improve inspection skills, and enhance quality awareness.

Quality skills competition

Willfar Information has launched a series of activities with the theme of "quality for development and quality for efficiency (以質量求發展，向質量要效益)", including certain quality lectures, production and research and development quality inspections, service star certification, and the book reading event of "Reading the Same Book", which have helped improving the Company's product quality, optimizing production processes, and strengthening team cohesion.

Being invited to participate in the launching ceremony of the 2023 Changsha "Quality Month" and the "Voice of Quality" Seminar

3.4.4 Customer's service

Wasion bears the service concept of "customer-oriented" in its mind, firmly holding on to the service policy of "provide considerate services and constantly improve our service value by professional skills". The Company cares about customer's needs throughout its entire business process, approaches the market from various perspectives, explores customers' indeed needs, and assists customers in reducing costs and expanding market value. The Company is committed to providing customers with safer, more professional, more systematic, and more efficient high-quality services.

Wind power generation smart energy storage project service site

New energy rail transport project service site

Photovoltaic project service site

Intelligent digital power distribution solutions service site

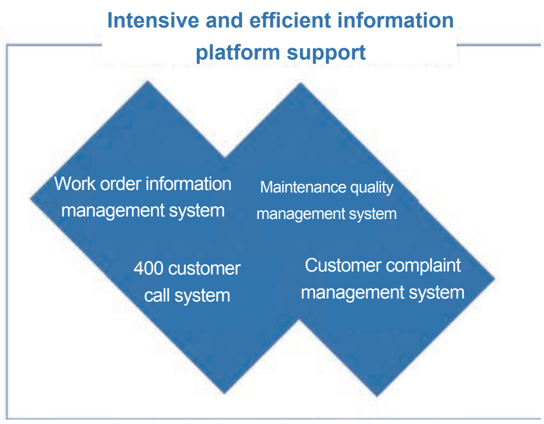
Service management system certificate for Wasion Group

Service management system certificate for Willfar Information

Based on the systematization, professionalization and informatization construction, we provide standardized and efficient "one-stop" technical service that covers pre-sales, in-sales and after-sales services in respect of the whole process through the establishment of a green service system by promoting the deep integration of Internet, big data and other technologies with customer services.

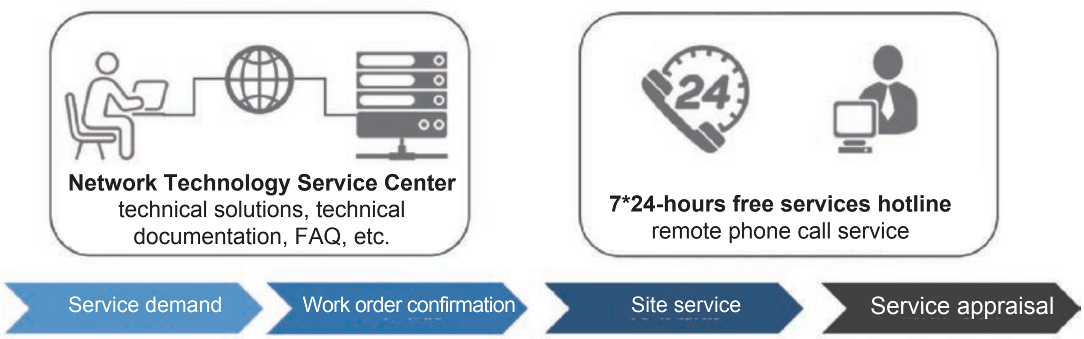
Intensive and efficient information platform support

The Group established a digital and intelligent service management system to achieve digitalized service by promoting the integration of technology empowerment and traditional service



Diversified service model and communication channels

Establish a global service network offline to enhance customer experience by deeply identifying customer needs through localized services
Build a network technology service center online to provide customers with scientific solutions through remote real-time communication and one-stop services
Provide efficient and smart services by virtue of the integration and interaction between online and offline

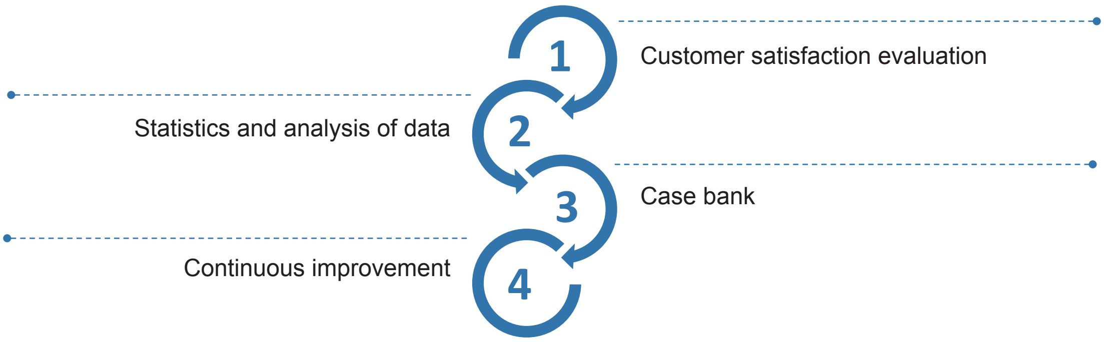


- Set standardized service management processes for offices and provide on-site personalized services

Continuous improvement system

We implement digital and information-based dynamic control during the service process, collect and analyze market information, implement the closed-loop for customer feedback, and form a case bank to promote continuous improvement and innovation of the Company's products and services.

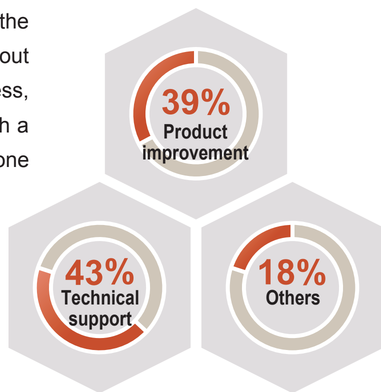
The continuous improvement system consists of the following four processes:



Customer satisfaction evaluation and service

The Company engages a dedicated team to develop a customer satisfaction evaluation plan annually, which therefore constructs a satisfaction evaluation index system by studying the customer's demand structure and analyzing the influencing factors of customer satisfaction. The evaluation is jointly carried out by a research team consisting of research and development, quality, process, market and manufacturing staff. The evaluation results are collected through a combination of online and offline channels, including online research, telephone interviews, questionnaire surveys, and individual interviews.

Note: The above data is from Wasion Group Limited



In hotline calls received in 2023, 44 feedbacks involved product and service improvement from the hotline, representing a decrease as compared to 2022

3.4.5 Solidifying the defence for client information security

The Group attaches great importance to information security and client privacy protection, and strictly complies with the laws and regulations related to the protection of personal information and data security, including the Personal Information Protection Law of the People's Republic of China, the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China and the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, and strives to implement and comprehensively strengthen information security and client privacy protection by establishing strict client information confidentiality system.

- Continuously improve and optimize the management systems of information security and privacy protection with reference to the ISO/IEC 27001:2022 Information security, cybersecurity and privacy protection—Information security management systems—Requirements, and integrate management requirements into the main business process
- Continue to carry out confidential knowledge publicity and warning education activities, strictly implement the signing of confidentiality commitments by all employees, so as to enhance their awareness of confidentiality, strengthen their responsibilities for confidentiality, develop their habits of confidentiality, improve the confidentiality consciousness of all employees, and ensure that they strictly comply with legal requirements and compliance systems in their daily work and business activities
- Increase investment in construction to enhance technical support capabilities of information security, strengthen technical means to build a controllable software and hardware protection system for data and network security, and adopt technical measures such as data encryption, authority management and audit log, identity authentication and access control to ensure the security of client information.
- Strengthen information security and network security supervision to ensure client information security protection. Regularly accept audit by third-party organizations every year, and carry out special supervision and self-inspection of network and data security from time to time in accordance with the regulatory requirements and internal management regulations, and self-inspections mainly include: authority management, data classification and grading, data security, data backup, data destruction, information security and privacy protection

3.5 Joint efforts for win-win collaboration

In order to create value for overall green transformation of economic and social development, and ultimately achieve the goal of coordinated development of the Company's economic activities, environmental protection, energy conservation and emission reduction, Wasion has incorporated green supply chain management into the Company's long-term development strategy in accordance with GB/T 33635-2017 Green Supply Chain Management in Manufacturing Enterprises Guideline (GB/T 33635-2017 製造企業綠色供應鏈管理導則). The Company has established a leading team for green supply chain management, which clarified the responsibilities, objectives and directions for the green supply chain management. Wasion proactively fulfilled its social responsibility of energy conservation, carbon reduction and low-carbon environmental protection with specific actions, contributing to the development of green and low-carbon economy.

Major Awards

▲Wasion Group was entitled the national "Green Supply Chain Management Enterprise (綠色供應鏈管理企業)"

▲Willfar Information and Weiming Technology were entitled the national "Green Supply Chain Management Enterprise (綠色供應鏈管理企業)"

The national "Green Supply Chain Management Enterprise (綠色供應鏈管理企業)" is a recognition by the State of the Company to practice the green and low-carbon concept of full life cycle, and also an affirmation of its efforts and achievements on the path of sustainable development.

Wasion strictly abides by relevant national laws and regulations such as the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) and the Regulations on the Implementation of the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》). It has formulated rules and regulations such as the Supplier Management Measures (《供方管理辦法》) to regulate the whole process of supplier introduction, comprehensive evaluation and exit, and incorporated environmental protection and resource saving into tender requirements to improve environmental performance. When selecting strategic suppliers, we will consider whether they choose green and environment-friendly products and apply energy-saving and environmental protection technologies as necessary conditions, and require suppliers to include environmental protection, health and safety measures.

- **Green supply chain management strategy**
Establish a green supply chain team to promote digitalization in operation and smart production of the Company, eliminate outdated production capacity with high energy consumption to achieve significant improvement in operation and production efficiency, save energy and reduce consumption, and strengthen environmental protection.
- **Implement green supplier management**
Improve the green procurement standard system and supplier certification system, conduct regular supplier audits, establish a sound supplier performance evaluation system, and provide regular trainings to suppliers.
- **Implement green procurement**
Give priority to procuring raw materials that are green, low-carbon and readily for integrated resource utilization.
- **Improve green recycling systems**
Improve the construction of the recycling systems, establish product recycling and packaging recycling systems; collect and analyze product recycling and packaging recycling regularly.
- **Green information platform construction and green information disclosure**
Establish a green supply chain management information platform, disclose the audit rate of high- and medium-risk suppliers and the proportion of low-risk suppliers, and disclose information on suppliers' energy conservation and emission reduction.

Geographical distribution of suppliers

Domestic: 1,011　　**International: 16**

3.6 Cohesion and pragmatism

Wasion always regards talents as the first resource and innovation as the first driving force of the enterprise, vigorously implements the strategy of strengthening the enterprise with talents, and builds a powerful "Intelligence Engine (智力引擎)" to boost the high-quality development of the enterprise by improving the talent introduction, training, utilization and retention systems.

In strict compliance with the relevant national, provincial, municipal and regional policies and laws and regulations, such as the requirements under the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law on the Protection of Women's Rights and Interests of the People's Republic of China (《中華人民共和國婦女權益保障法》), the Provisions on Prohibition of Child Labor (《禁止使用童工規定》), the Law on Prevention and Control of Occupational Diseases (《職業病防治法》) and the Special Provisions on Labor Protection for Female Workers (《女職工勞動保護特別規定》), the Company manages labor employment, and establishes labor contract management, employee recruitment, promotion, leave, education and training and other labor management systems. It adheres to the principles of openness, fairness, justice and equal employment in employee recruitment and signs labor contracts in accordance with the law. It prohibits any form of discrimination by treating employees of different nationalities, ethnicities, genders, religious beliefs and cultural backgrounds equally, providing employment opportunities for disadvantaged groups, and protecting the interests of female employees to seek for equal pay for equal work for both men and women. It also has zero tolerance for child labor and forced labor.

During the reporting period, Wasion had not found any case constituting a significant non-compliance with laws and regulations in relation to the use of child labor or forced labor.

Wasion was entitled the "Best Employer" for the 14th consecutive year, and granted the "Global Attractive Employer for Graduates (全球畢業生吸引力僱主)", "Enterprise Credit AAA (企業信用AAA)", "Contract-abiding and Credit-worthy Enterprise in Hunan Province (湖南省守合同重信用企業)", "Post-doctoral Innovation and Venture Base (博士後創新創業實踐基地)", "National Demonstrative Enterprise for Service-oriented Production (國家級服務型製造示範企業)", "Grade A Unit for Compliance and Integrity in Changsha (長沙市守法誠信A級單位)" and other honors. All these honors represent a high recognition for the Company's development and establishment of a harmonious labor relationship with employees.

Major Awards

▲ **Global Attractive Employer for Graduates**

▲ **National Demonstrative Enterprise for Service-oriented Production**

▲ **Top 10 Employers of the Year in Hunan, China**

Care for employees

Wasion continues to pay attention to the physical and mental health of every employee, and will continue to build a comprehensive employee health protection system to improve employees' physical health index and sense of happiness, so that employees can devote more energy and enthusiasm to life and work, and ultimately realize the goal of "Wasion Well-being". Wasion has established and implemented the Control Procedures for Freedom of Association and Collective Bargaining, Communication Control Procedures, Control Procedures for Prevention of Discrimination and Harassment, Control Procedures for Wages and Benefits, etc. We are attended to the needs of employees, and take many measures to enhance their sense of happiness, accomplishment and belongings.

◆**Fair and comprehensive remuneration incentives**

Competitive compensation in the industry

◆**Systematic and standardized training system**

Detailed on-the-job trainings and sharing of industry-leading vocational skills

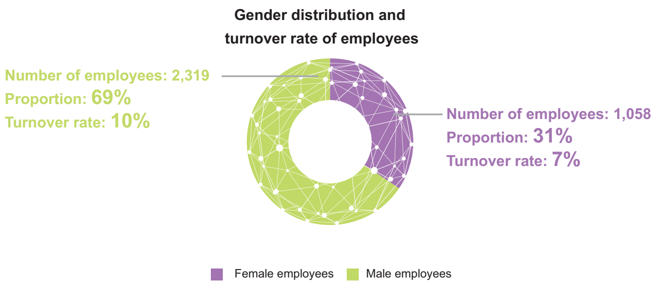
◆**Personalized employee care**

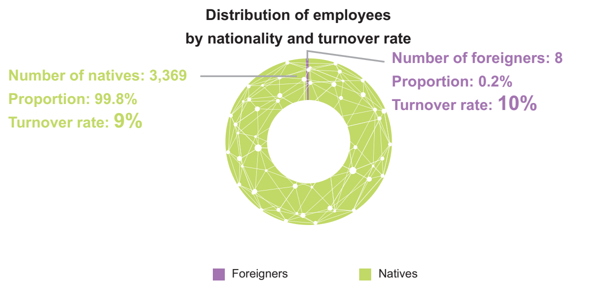
People-oriented corporate culture, diversified cultural and recreational activities and holiday benefits

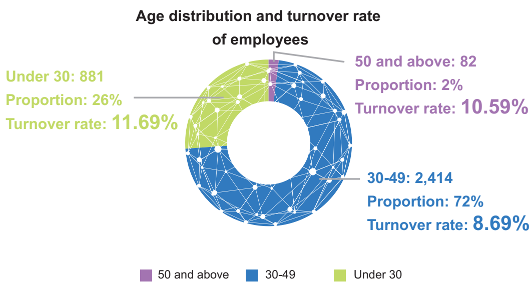
◆**Scientific and reasonable promotion paths**

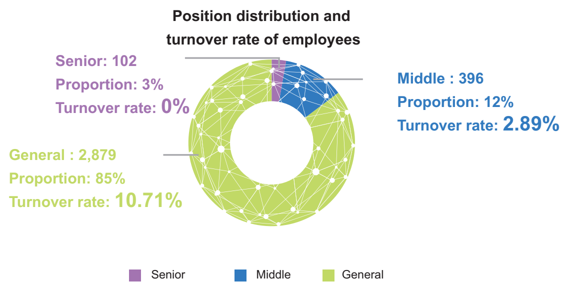
Flexible and diversified career development paths, internationally aligned rotation opportunities

As at 31 December 2023, Wasion Holdings Limited had a total of approximately 3,377 employees[3] as follows:









Wasion continues to care for the development of the physical and mental health of employees, and creates a healthier, safer and more comfortable working and living environment for employees. Wasion also promotes the realization of its ultimate goal of "Wasion Well-being" by enhancing the sense of happiness and enriching the spiritual and cultural life of employees.

[3] Total number of employees represents the aggregation of all contracted domestic employees of the Company covered in this report

3.7 Continuous learning and innovation to empower growth

Wasion has always adhered to the mottos of operation of "Perfect Work with Passion, and Success Achieved with Integrity", regarded talents as the first resource of the enterprise and innovation as the first driving force, and vigorously implemented the strategy of strengthening the enterprise with talents. By perfecting the system of attracting, training, utilizing and retaining talents, we have created a strong "intellectual engine(智力引擎)" to boost the high-quality development of the enterprise.

Aiming at the success of all employees, Wasion has constantly improved the training and cultivation system in terms of professionalization, specialization, systematization and diversification, to achieve comprehensive development; continuously optimized talent pipeline building as the standards of high morality, high quality, high energy, and high performance; vertically pushed forward the "Five-Five(五五)" talent production line to build the talent pattern needed by the "Three communities (三個共同體) of Wasion" and enrich the connotation of the "Wasion Well-being". "We love and care for our employees so that they can be employed decently; we respect our employees so that their income can be increased continuously; we fulfill our employees so that their skills can be upgraded continuously, and finally our employees following the Wasion's career all the way could have a wonderful life".

Average training hours of employees (by gender)

Average training hours of employees (by position)

Silhouettes of Training

Standardized and diversified training for the rapid growth of Wasion's employees

According to the time of induction, business ability to arrange for induction, on-the-job, off-the-job, general ability, leadership and other types of training

Organize special training for marketing, research and development, products, operation and management services

Major Honours

▲ **Demonstrative Worker Model and Craftsman Innovation Workshop in Hunan Province** (湖南省示範性勞模和工匠人才創新工作室)

▲ **Cultivation and Competition Base of "Huxiang Craftsmen"** (「湖湘工匠」培育和競賽基地)

▲ **Changsha Skills Service Base for Enhancing Workers' Quality of Life** (長沙市提升職工生活品質技能服務基地)

3.8 Knowing the responsibilities and nipping in the bud

3.8.1 Preparing for future challenges to secure orderly production

Wasion has always adhered to the principle of production safety of "safety-foremost with prevention-oriented and comprehensive treatment (安全第一、預防為主、綜合治理)", seriously organized and deployed various safety work, clarified and implemented the main responsibility for production safety, launched in-depth investigation and treatment of hidden dangers, and vigorously carried out safety education and training to enhance the awareness of safety precautions of all employees.

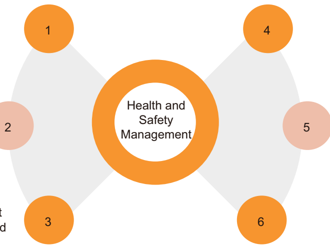
Wasion strictly abides by and implements the Production Safety Law of the People's Republic of China, the Fire Protection Law of the People's Republic of China and other laws and regulations. In accordance with GB/T45001-2020/ISO45001:2018 Occupational Health and Safety Management Systems — Requirements with Guidance for Use, it establishes the occupational health and safety management system. Wasion oversees safety conditions and establishes a firm concept of safety development, so as to continuously enhance employees' awareness on safe production. By detailing safety measures and consolidating safety responsibilities, we continue to strengthen labor protection supervision and occupational health protection, to secure employees' labor safety and occupational health.

The Company has set up a safety committee to implement safe production throughout the development of the Company, and is determined to guard the red line of safe production.

Safety code
Creation of a "Dual Prevention System (雙重預防體系)" of risk classification, control, and potential risk identification; formulation of production safety management requirements and assessment standards

Safety culture
Organize production safety recognition, "Safety Month", "Fire Prevention Month" activities

Safety education
Organize more than 20 training sessions on overseas technical support tools, pulmonary resuscitation (AED), elevator safety, safety officers and other specialized training certificates



Safety inspection
Organize various types of safety inspections for large-scale festivals and holidays, renovation projects, hazardous materials management, special equipment management, dormitory management, etc.

Safety meeting
Conduct regular safety meetings at all levels (morning shift meeting, monthly working group meeting, quarterly leadership group meeting)

Safety assessment
Launch diagnostic work on the design of safety facilities and successfully pass the assessment; launch the review of production safety standardization and successfully pass the review

In the past three years (including 2023), there were no cases of work-related death and no lost working days due to work-related injuries each year. During the reporting period, no case has been identified by Wasion constituting a breach of the laws and regulations in relation to health and safety in the workplace.

Company occupational health and safety management targets (partial extract)

No case of work-related injuries per year

0	0	0
2021	2022	2023

▼ Fire evacuation emergency drill

▼ Electric shock and mechanical injury emergency response competition

▲ Shuttle bus spontaneous combustion emergency drill

3.8.2 Protecting health and caring for employees

Wasion concerns the physical and mental health of each employee, and has formulated the "Environmental and Occupational Health Operation Management Control Procedures" (《環境與職業健康運行管理控制程序》), "Occupational Health Protection Management Measures" (《職業健康防護管理辦法》), "Occupational Hazard Prevention File Management Measures" (《職業病危害防治檔案管理辦法》), "Occupational Health Surveillance and Occupational Disease Patient Protection Management Measures" (《職業健康監護與職業病病人保障管理辦法》) and other occupational health management systems in respect to the actual conditions of the Company.

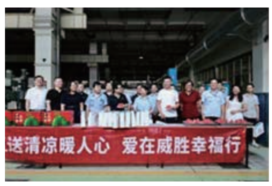
Wasion has always attached great importance to the physical and mental health of each employee, and organized a series of initiatives for this purpose:

♥ ♥ ♥ Conduct annual health examination
♥ ♥ ♥ Convene health science seminars
♥ ♥ ♥ Launch sports and fitness activities
♥ ♥ ♥ Upgrade and improve fitness venues
……

The organization of the Logistics Service enhancement survey effectively improves employees' health index and sense of well-being, so that they can devote themselves to their lives and work with more enthusiasm and realize the goal of "Wasion Well-being". At the same time, Wasion cooperates with Three-A hospitals every year to organize health examinations for employees, and according to the nature of the position, develops personalized health examination packages, to ensure that everyone must be examined and all employees are covered.












Wasion always cares for the health of employees, popularizes health knowledge for employees, enhances the awareness of disease prevention, and organizes a series of activities such as a Chinese medicine volunteer clinic, diabetes prevention and treatment, care for women's health, and cardiovascular knowledge lecture.

Wasion attaches great importance to the safety and health of employees working at high temperatures and organizes a series of activities to send coolness to the workers fighting in the high-temperature environment to send them coolness and care.

3.9 Seeking sustainable growth and rectifying work style and discipline

Wasion strictly complies with the "Criminal Law of the People's Republic of China (《中華人民共和國刑法》)" and has formulated the "Prohibition of Wasion's Commercial Activities (《威勝商業活動行為禁令》)", actively implements anti-corruption requirements for all employees and partners. We promote anti-corruption management both internally and externally and organize regular inspections, audits and legal knowledge training, enhance employees' awareness of integrity and self-discipline and their capability to defend against corruption and deterioration, and create a favoring atmosphere for clean, upright and practical entrepreneurship, so as to provide sound promise for the healthy development of the Company.

- Internally, Wasion has organized all employees to study the "Party Integrity and Anti-corruption (《黨風廉政反腐敗》)" and required middle and senior management and special positions to sign the "Integrity and Self-Discipline Commitment (《廉潔與自律承諾書》)" to ensure that all employees are aware of our requirements on integrity and anti-corruption, and strictly comply with them.

- Externally, Wasion has signed the "Integrity Commitment Agreement (《廉潔承諾協議》)" with all suppliers to prevent commercial bribery and create a clean, upright and positive environment, to escort the high-quality development of Wasion.

Wasion has set up a competent department responsible for tasks on the management of whistleblowing, taking charge of the formulation, modification and implementation of the work systems such as "Management Measures for Complaints and Whistleblowing (《投訴與舉報管理辦法》)", and reception for employees' reports and the organization of investigations and analyses, relevant nature verification and reporting of investigation findings. At the same time, the Company also sets up a safe whistleblowing acceptance platform to encourage employees to actively participate in the Company's operation and management, report violations of laws and disciplines to the Company through reporting hotlines, sending emails and attending to designated reception places, etc.. Based on the principle of timely handling and strict investigation on the content of the report and protecting whistle-blowers, the competent department will investigate, analyze and deal with the situation to ensure that the Company operates in compliance with laws and regulations.

During the reporting period, no case was identified by Wasion constituting a breach of the laws and regulations in relation to bribery and corruption, nor any lawsuit was pending or concluded against Wasion or any employee.

Ethics and Law

Establishment of the risk management system
Establish risk prevention, measurement, evaluation and risk response measures to ensure safe and sound operation of the Company and improve the level of operation and management.

Establishment of the reporting system
Set up channels such as reporting telephone and reporting mailboxes to encourage employees to actively participate in anti-corruption and integrity promotion work, protect whistle-blowers, and investigate and deal with corrupt behavior promptly.

Establishment of an internal control mechanism
Establish an internal control system to strengthen the supervision of key business areas such as finance, procurement, bidding and tendering to ensure fairness, transparency and compliance in the relevant business.

Promoting integrity education for middle and senior-level leaders
Launch anti-corruption and integrity promotion and training to enhance the ability to resist corruption and identify corruption risks.

Promoting risk compliance audit management
Appoint a third-party organization to audit the Company's internal control and compliance level to reduce corruption risks and loopholes.

Strengthening anti-corruption management of suppliers
Strictly require suppliers to sign the Integrity Commitment Agreement to specify anti-corruption behavioral standards and strengthen anti-corruption management of suppliers in the procurement process.

In 2023, Wasion carried out **5** training sessions on anti-corruption, self-discipline, risk prevention and control, integrity and self-discipline, foreign business compliance, and other related laws and regulations.

3.10 Working together and giving back to the society

3.10.1 Joining hands to pass on love

Wasion actively fulfills its social responsibility, practices the responsibility and commitment of a national enterprise, actively participates in social welfare activities, actively engages in social welfare and charitable undertakings, strives to create harmonious public relations, and gives full play to the pioneering and leading role of a leading enterprise.

The Company has formed a team of volunteers to carry out a series of activities:

01

Organize Xue Lei Feng activities (學雷鋒活動)
Organize and participate in special activities on the Xue Lei Feng Memorial Day (學雷鋒紀念日) to collect books, stationery, toys and other school and living supplies for children in orphanages.

02

Sending warmth to left-behind children
Launch the second phase of love and assistance activities for left-behind children in difficulties in Guitang Township, Longshan County, Xiangxi, bringing warmth and encouragement to the children left-behind in the mountainous areas.

03

Poverty alleviation in villages
Join hands with the Organization Department of Hunan Xiangjiang New District to carry out village revitalization work in Longshan County, adopt a combination of "many-to-many (多對多)" centralized assistance and "one-to-one (一對一)" decentralized assistance to help families and students with difficulties in Guitang Township and Xiluo Township, and assist in village revitalization through technological support to promote mutual benefits and win-win situation between the Company and all parties in the society.

04

Participation in social welfare
Comfort the socially disadvantaged groups, and set up a love pavilion for sanitation workers at the gate of our Company; regularly organize employees to participate in blood donation activities every year to dedicate love to the community.

Wasion actively fulfills the social responsibility and commitment of a national enterprise, creates "Wasion public welfare (公益威勝)", especially the important Guiding ideology of helping first-line employees, realizes the guiding spirit of "dedicating love to those who need care the most and dedicating service to those who need help the most", strengthens the follow-up and evaluation work, understands the living and working conditions of the employees helped in time through regular return visits and observations, and takes the initiative to visit and contact the targets of help, and solidly carries out the fund disbursement activities in each period. Since the establishment of the Assistance Fund in June 2007, we have organized 139 periods in total, with a cumulative 2,392 people helped, and a cumulative grant of assistance fund of approximately RMB720,000.

Society Investment

Social welfare in 2023

Capital investment of more than RMB1.7015 million and time contribution of more than 468 hours

Wasion Assistance Fund (威勝扶助基金) in 2023

Release of 8 instalments to help 84 people totaling more than RMB0.27 million

▲ Helping to revitalize villages | Wasion Group launches helping activities in Longshan County

▲ "Aid to the Dream to Learn and Youth Setting Sail (助學圓夢 青春起航)" charity school sponsorship activity

▲ Public welfare school sponsorship to fulfill dreams and party building to help villages in poverty

3.10.2 Co-construction, co-creation and collaborative education

Wasion has actively launched extensive "industry-academia-research (產學研)" cooperation with the major universities and colleges, to strive to achieve win-win cooperation and two-way empowerment development. The visit by Hunan University of Technology has increased the understanding of both parties. It will adopt methods such as enterprise practice by targeted talents to promote the organic connection and deep integration of each industry-academia-research end, give full play to their respective advantages, provide and cultivate technological innovation talents, continue to inject fresh blood for the development of the energy metering industry and build a talent highland in the new era.

The Company actively promotes extensive cooperation with universities, starting the third phase of activities of the Tsinghua University social practice Changsha base; starting the advanced training courses of the Tianjin University — Wasion Holdings international engineering project management; its Weiming Technology has awarded the establishment of post-doctoral innovation and entrepreneurship practice bases, with the help of post-doctoral innovation and entrepreneurship practice bases and other high-end platforms, to attract more complex, strategic, innovative talents to join Willfar Information, fusion of college and university resources to jointly promote the results of scientific research and technological achievements, and to contribute to the building of high ground of talent in Changsha and a city of global research and development center.

▲Party committee member and vice president Yin Xiaoyuan (殷晓元) of Hunan University of Technology visited Wasion for research and exchanges

▲Leaders from Beijing Foreign Studies University visited Wasion for research

▲The advanced training courses of the Tianjin University — Wasion Holdings international engineering project management

▲The project jointly researched and developed by Hunan University of Technology and Wasion Holdings was granted the Gold Award of the 48th session of Geneva International Invention Exhibition

4. EVALUATION ON FULFILMENT OF COMMITMENT AND DEVELOPMENT DIRECTION

Under the 10 principles of "Global Compact", Wasion made the following conclusion on the evaluation of the responsibility performance in 2023 and the undertaking and development for 2024:

10 principles of "Global Compact"	Undertaking	Evaluation of responsibility performance in 2023	Development direction in 2024
Human Rights			
1. Businesses should support and respect the protection of internationally proclaimed human rights	Comply with the international conventions and international practices signed and recognized by the Chinese Government, comply with the laws and regulations of the country where it operates, and undertake to respect and support human rights across Wasion's footprint.	Full compliance.	To further maintain and review whether there is a deviation and continuously improve.
2. Make sure that they are not complicit in human rights abuses	Make sure that we are not complicit in human rights abuses.	Full compliance.	To further maintain and review whether there is a deviation and continuously improve.
	Continue to create diversified, fair and inclusive working environment.	Based on pluralism and integration, fairness and justice, various personnel affairs management systems for induction, employment and transfer were established and implemented.	To continuously build a healthy and good workplace culture.

10 principles of "Global Compact"	Undertaking	Evaluation of responsibility performance in 2023	Development direction in 2024
Labor			
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining 4. The elimination of all forms of forced and compulsory labor 5. The effective abolition of child labor 6. The elimination of discrimination in respect of employment and occupation	Ensure the free operation of trade unions and actively support trade union activities to protect employees' right to collective bargaining.	Sports activities were organized, such as aerobics competition, chorus competition, staff sports meeting, basketball game and badminton game. Entertainment and celebration activities were carried out on Lantern Festival, youth day, Mid Autumn Festival and other festivals. A healthy and green lifestyle was proposed. The above activities enriched the spare time life of employees.	To continuously inspect and improve according to established policies.
	Promote the regularization, standardization and transparency of democratic management in forms of staff congress, staff forum and operation express.	Giving full play to the role of the trade union, a long-term mechanism for open and democratic management of factory affairs was established. Active participation of staff representatives was encouraged to know the needs of our staff and staff forums were hold regularly to understand their situation to promote the co-constructing and sharing of labor relations.	Taking the promotion of the openness of factory affairs and the standardized convening of workers' congress as an important breakthrough in improving the management level and promoting management democracy, to continuously improve the organizational system and operation mechanism so as to promote the healthy development of enterprise and protect the legitimate rights and interests of employees.
	Eliminate forced labor and child.	It is specified in the recruitment system, promoted and strictly implemented through relevant trainings. No child labor was found.	To continuously inspect and improve according to established policies.

10 principles of "Global Compact"	Undertaking	Evaluation of responsibility performance in 2023	Development direction in 2024
	Eliminate discrimination in respect of ethnic, gender, age, disease, race and religion, adopt position and performance-based remuneration package, and implement equal pay for equal work.	Relevant management provisions in Wasion's compensation policy and staff manual has been aligned and strictly carried out.	To continuously inspect and improve according to established policies.
	Ensure decent employment, provide compensation and welfare in line with the national condition and actual corporate situation, balance the employees' work and life, establish a reasonable paid leave system, and realize 100% labor contracting ratio, five insurance — one fund coverage and employment compliance.	A survey on the minimum living needs of our staff was carried out to review their compensation level. 100% labor contracting ratio, "six insurance-one fund" coverage ratio and employment compliance were realized.	To continuously expand talent pool.

10 principles of "Global Compact"	Undertaking	Evaluation of responsibility performance in 2023	Development direction in 2024
Environment			
7. Businesses should support a precautionary approach to environmental challenges 8. Undertake initiatives to promote greater environmental responsibility 9. Encourage the development and diffusion of environmentally friendly technologies	Based on the demand for energy, intensify the technological research in the smart energy industry. Continue to tap the potential of consumption reduction to meet the emission target. Continue to promote paper-free office business.	The annual emission targets were realized; the total consumption of electricity, water and gas decreased by 2%–5% compared to 2022 (annual income energy consumption ratio). "Clean production" quality improvement, efficiency increase and emission reduction were promoted.	To continuously promote and improve the management of energy saving and consumption reduction work. To continuously promote its process control of hazardous substances in accordance with IECQ QCO80000 standard; to seek for evaluation from the third party certification institution if necessary.
Anti-corruption			
10. Businesses should work against corruption in all its forms, including extortion and bribery	Continuously promote and implement the Wasion Values and Code of Conduct Manual and ten prohibitions of commercial activities of Wasion.	Training and evaluation were organized to facilitate Wasion Values in each working process.	To continuously implement corporate culture advocacy project.
	Enhance prevention and supervision function of the Risk Control Center, accept corruption reports, and carry out anti-corruption investigation.	No case was found by Wasion constituting a breach of the laws and regulations in relation to bribery and corruption.	To continuously promote and offer training on relevant laws and regulations, and maintain and strengthen the supervising efforts.
	Promote transparent operation, strengthen legal governance, improve internal control system, accept supervision of the community and prevent corruption risk.	No lawsuit was pending or concluded against Wasion or its employees in respect of corruption.	

* Please contact us if you have any comment on this report

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ji Wei (吉為), aged 67, is the executive Director, and is the chairman of the Company and the founder of the Group. Mr. Ji is responsible for the Group's overall strategic planning and the formulation of corporate policies. Prior to founding the Group in 2000, Mr. Ji was a business manager of Hunan Province Minerals Import and Export Company (湖南省五金礦產進出口公司) between 1980 and 1985 and the import and export manager of Hunan International Economic Development (Group) Company (湖南省國際經濟開發(集團)公司) between 1985 and 1989. Mr. Ji was appointed as an executive Director of the Company with effect from 20 July 2004. Mr. Ji was consecutively appointed as a member of the 10th, 11th, and 12th Chinese People's Political Consultative Conference of Hunan Province from 2007 to 2022. He was awarded with several honorary titles such as the "Most Socially Responsible Entrepreneur in China", "The Sixth Top Ten Educational Entrepreneur Award in China", "Most Caring Entrepreneur on Staff Development", "National Machinery Industry Excellent Entrepreneur", "Key Personnel for the Construction of Innovative Culture in Hunan Province", "Special Recognition Award for Occupational Technology Creation in Hunan Province", "Excellent Entrepreneur" at the 30th anniversary of Changsha Hi-Tech Zone and "Chinese Red Cross Dedication Medal".

Mr. Kat Chit (吉喆), aged 40, is the executive Director. Mr. Kat graduated from the University of British Columbia of Canada with a bachelor's degree in economics in 2007. From 2007 to 2011, he was an executive of the equity capital markets division of Macquarie Group Limited. Mr. Kat was appointed as a non-executive Director of the Company on 12 August 2014, and was redesignated as an executive Director of the Company and appointed as CEO of the Company with effect from 1 June 2022. On 17 January 2023, Mr. Kat was appointed as a member of the 13th Chinese People's Political Consultative Conference of Hunan Province. Mr. Kat is the son of Mr. Ji Wei, the chairman, executive Director and controlling shareholder of the Company.

Ms. Li Hong (李鴻), aged 48, graduated from the Hunan University majoring in law, and obtained an EMBA degree from the Renmin University of China. Ms. Li joined the Group in 2000 and held various positions within the Group and its various subsidiaries, including the director of personnel and the executive directors, respectively. Ms. Li is also chairman (董事長) of Willfar Information Technology Co., Ltd., a non-wholly owned subsidiary of the Company listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange. In 2018, Ms. Li was awarded with several honorary titles such as the "National Innovative Entrepreneur in Electronic Industry", and was recognized as the "High-level Talent in Changsha City", the "Excellent Entrepreneur in Hunan Province 2020", the "Excellent Entrepreneur in Software Industry in China 2020" , the "Top 100 New Economic Leaders Nationwide in China", the "Excellent Entrepreneur by China Electronics Enterprises Association 2021 (二零二一年中國電子企業協會優秀企業家)" and the "Leading Talents in Science and Technology Innovation 2023 (二零二三年科技創新領軍人才)". She also won the Second Prize of the China Machinery Industry Science and Technology Award (中國機械工業科學技術獎二等獎). Ms. Li was appointed as an executive Director of the Company on 18 June 2020.

Ms. Zheng Xiao Ping (鄭小平), aged 60, is a senior engineer, a master of engineering in automation, an executive Director of Wasion Holdings Limited, dean of the research institute and chairman of Wasion Group Limited. Between 1987 and 1988, Ms. Zheng was a teaching assistant at the North China Institute of Technology. She lectured at the Taiyuan University of Technology between 1988 and 1993 and was the research director of Hunan Weisheng Electronics Co., Ltd. (湖南威勝電子有限公司) from 1993 to 2000, being responsible for the research and development work. She joined the Group in 2000 and was responsible for the research and development work of the Group. Ms. Zheng was appointed as an executive Director of the Company on 1 September 2005. Ms. Zheng was also awarded with various honorary titles such as "The Seventh Group of Outstanding Experts in Changsha", "Top Ten Women Entrepreneurs with Outstanding Achievement in Changsha City", "High-level Leading Talents in Changsha", "Advanced Individual of Technological Innovation in Hunan Province", "National Labour Day Medal", "National Top Ten Technological Worker in Electronic Devices and Meters Industry" and "Outstanding Contributor to the Standardization Work of the Fifth Committee of National Standardization Technical Committee of Devices and Meters (全國儀器儀表標準化技術委員會第五屆委員會標準化工作突出貢獻者)".

Mr. Tian Zhongping (田仲平), aged 43, is a senior engineer, an executive Director and the president of Wasion Group Limited. Mr. Tian graduated from Xiangtan University (湘潭大學) with a bachelor's degree in Engineering in 2002, and obtained a master degree in Control Engineering from Zhongnan University (中南大學) in 2008. Mr. Tian joined the Group in 2002 after graduation and had held positions as Development Engineer for firmware, Project Manager, Product Development Manager, Deputy Chief Engineer and General Manager of the Overseas Sales Department of the Group. During the period when he was a Development Engineer of the Group, Mr. Tian has obtained more than sixty patents for products and technology. Mr. Tian was appointed as an executive Director of the Company on 26 January 2017. He serves as the president of Wasion International Co., Ltd. (威勝國際貿易有限公司) since the beginning of 2021. Mr. Tian was awarded with the honorary titles of Excellent Entrepreneur of Changsha Hi-Tech Zone and Excellent Manager in China in 2017, Outstanding Entrepreneur by China Electronics Enterprises Association in 2018 and Leading Figures in Business Startups and Innovation in Xiangjiang New District, Changsha City in 2020. In 2021, he was awarded the Top Ten Celebrities in the Software and Information Technology Service Industry in Hunan Province.

NON-EXECUTIVE DIRECTOR

Ms. Cao Zhao Hui (曹朝輝), aged 56, is the non-executive Director, and is also the chairman of Wasion Energy Technology Co., Ltd. (威勝能源技術股份有限公司). Ms. Cao graduated from Hunan College of Finance and Economics (湖南財經學院) with a bachelor's degree in Economics. She also obtained a degree in executive master of business administration (EMBA) from the University of Hunan (湖南大學). Ms. Cao joined the Group in 2000 and was appointed as an executive Director of the Company on 3 March 2005, and was redesignated as a non-executive Director of the Company with effect from 1 June 2022. Ms. Cao was successively awarded with several honorary titles such as the "Outstanding Builder of the Socialism with Chinese Characteristic in Changsha City", the "Mayor Quality Award and Quality Innovation Award (市長質量獎質量創新獎)", the "Excellent Entrepreneur in Hunan Province", the "Excellent Entrepreneur in China", the "Most Socially Responsible Entrepreneur in China 2017" and the "Excellent Entrepreneur in Changsha County and Changsha Economic Development Zone". She was also awarded with the "Certificate of High-level Talent in Xiangtan City" in 2019, the "Certificate of Senior Management Engineer" in 2020 and the title of "Leading Talents for Science and Technology Entrepreneurship in Hunan Province 2022 (湖南省2022年科技創業領軍人才)" in 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Cheong Tat (陳昌達), aged 74, obtained his master's degree in Financial Management from Central Queensland University. Mr. Chan is a fellow member of Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants and CPA Australia. He is also an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) of London, the United Kingdom and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). He served in the Inland Revenue Department of the Hong Kong Government for more than 30 years and retired in early 2005. Mr. Chan is currently a director of a tax consultancy company. He also acts as an independent non-executive director of Hyfusin Group Holdings Limited (Stock Code: 8512), Medicskin Holdings Limited (Stock Code: 8307), Chong Fai Jewellery Group Holdings Company Limited (Stock Code: 8537), Accel Group Holdings Limited (Stock Code: 1283) and Ye Xing Group Holdings Limited (Stock Code: 1941), and a non-executive director of Alpha Financial Group Limited. Mr. Chan also acted as an independent non-executive director of Man Sang International Limited (Stock Code: 00938) from January 2015 to November 2016. Mr. Chan was appointed as an independent non-executive Director of the Company on 18 June 2020.

Mr. Luan Wenpeng (欒文鵬), aged 59, is an independent non-executive Director and a doctor in electrical engineering. Mr. Luan is a PEng in British Columbia, Canada, a senior member of IEEE and an individual member of CIGRE. He has been engaged in the works as well as the research of smart power grids, advanced metering infrastructure, electricity load monitoring and data analysis, distributed energy resources integration and asset management etc. for more than 30 years. Mr. Luan is currently a professor of Tianjin University, founder general secretary of the Technical Board of IEC distributed electric energy system (SC8B), the chairman of the IEEE expert working group for microgrids planning and design (IEEE P2030.9 WG) and the vice chairman of IEEE expert working group for smart distribution terminal (IEEE P2815 WG). Mr. Luan was appointed as an independent non-executive Director of the Company on 16 May 2016.

Mr. Wang Yaonan (王耀南), aged 66, graduated from East China University of Technology with a bachelor's degree in computer science in 1981, and obtained his master's degree and doctorate degree in industrial automation from Hunan University in 1992 and 1995 respectively. Mr. Wang is currently a professor and doctoral tutor at the College of Electrical and Information Engineering of Hunan University, a director of the National Engineering Research Center for Visual Perception and Control Technology for Robots (機器人視覺感知與控制技術國家工程研究中心), a fellow of the China Automation Association (中國自動化學會), a fellow of the China Computer Federation (中國計算機學會), a supervisor of the China Artificial Intelligence Association (中國人工智能學會) and an academician of the Chinese Academy of Engineering. Mr. Wang was appointed as an independent non-executive Director of the Company on 17 July 2020.

SENIOR MANAGEMENT OF THE GROUP

Mr. Choi Wai Lung Edward (蔡偉龍), aged 55, is the chief financial officer and company secretary of the Company. Mr. Choi is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants with over 33 years of experience in accounting, auditing and finance.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, a joint venture and an associate are set out in Notes 1, 18 and 19 to the consolidated financial statements, respectively.

BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's businesses, and the compliance with relevant laws and regulations, as well as the Group's environmental policies and performance which have a significant impact on the Group, can be found in the "Management Discussion and Analysis" section set out on pages 14 to 36 and "Environmental, Social and Governance Report" section set out on pages 37 to 113 and "Corporate Governance Report" section set out on pages 125 to 145 of this annual report. This discussion forms part of this Directors' Report.

DIVIDENDS

The results of the Group for the year ended 31 December 2023 and the Group's financial position at that day are set out in the consolidated financial statements on pages 151 to 153 of the annual report.

The directors have proposed a final dividend of HK$0.28 (2022: HK$0.23) per share to shareholders of the Company whose names appear in the register of members on 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 is expected to be paid on 11 June 2024.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in Note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2023 comprised the share premium, merger reserve and retained profits of RMB595,371,000 (2022: RMB756,626,000) in aggregate.

DIRECTORS

The directors of the Company (the "Directors") during the year and up to the date of this report were:

Executive directors:

Ji Wei *(Chairman)*
Kat Chit *(Chief Executive Officer)*
Li Hong
Zheng Xiao Ping
Tian Zhongping

Non-executive director:

Cao Zhao Hui

Independent non-executive directors:

Chan Cheong Tat
Luan Wenpeng
Wang Yaonan

Pursuant to Article 87 of the Articles, at each annual general meeting one third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. The directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring directors shall be eligible for re-election. Pursuant to Article 87 of the Articles, Mr. Tian Zhongping, Ms. Cao Zhao Hui and Mr. Wang Yaonan will retire at the Annual General Meeting and being eligible, have offered themselves for election at the Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive/non-executive directors and independent non-executive directors entered into service agreements with the Company for a term of three years and one year respectively and either the Company or the executive director or non-executive director (including independent non-executive directors) may terminate the appointment by giving the other a prior notice of three months in writing before its expiration.

Other than as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2023, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ji Wei	Interest of controlled corporation (Note 1)	533,666,888	53.59%
Cao Zhao Hui	Beneficial owner	2,000,000	0.20%
Li Hong	Beneficial owner	350,000	0.04%
Zheng Xiao Ping	Beneficial owner (Note 2)	3,682,000	0.37%
Chan Cheong Tat	Beneficial owner	120,000	0.01%

Notes:

(1) The shares are held by Star Treasure Investments Holdings Limited ("Star Treasure"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Ji Wei.

(2) 1,990,000 shares and 1,692,000 shares are held by Ms. Zheng Xiao Ping and Mr. Wang Xue Xin respectively. Mr. Wang Xue Xin is the spouse of Ms. Zheng Xiao Ping.

Other than as disclosed above, none of the directors, chief executives nor their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2023.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in shares and underlying shares" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions — Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued capital of the Company
Ji Wei	Interest in controlled corporation	533,666,888	53.59%
Star Treasure	Beneficial owner	533,666,888	53.59%

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2023.

RELATED PARTY TRANSACTIONS

Related party transactions entered into for the year are set out in Note 41 to the consolidated financial statements.

CONNECTED TRANSACTIONS

On 25 June 2021, the Company and Zhuhai Duochuang Technology Co., Ltd. ("Zhuhai Duochuang") entered into the Master Agreement in respect of the continuing connected transactions between members of the Group and Zhuhai Duochuang. Zhuhai Duochuang is a company which is indirectly owned as to 52.37% by Mr. Liang Kenan and his son. Mr. Liang Kenan is the brother of Mr. Ji Wei, the Chairman of the Board, an executive Director and controlling shareholder of the Company, and the uncle of Mr. Kat Chit, an executive Director. Zhuhai Duochuang is hence an associate of a connected person of the Company and the transactions contemplated under the Master Agreement constitute continuing connected transactions for the Company.

Pursuant to the terms of the Master Agreement, members of the Group will purchase electronic parts and components, primarily magnetic sensor chips, platform topology modules, transformers, sensors, relays and other electronic components and technical services from Zhuhai Duochuang for the production of the Group's products. The purpose of the Master Agreement is to secure a stable source of electronic parts and components supplies to the Group.

The Master Agreement has a term of three years ending on 31 December 2023 and the payment terms of the products supplied from Zhuhai Duochuang is based on monthly account, which is in line with the payment terms of the Group for purchases from independent third parties. The annual caps under the Master Agreement amounted to RMB10,800,000, RMB14,500,000 and RMB15,000,000 for the years ended 31 December 2021, 2022 and 2023.

Pursuant to Rule 14A.56 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Directors engaged the auditor of the Company to report on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. The independent non-executive directors have reviewed the continuing connected transactions and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole in accordance with Rule 14A.55 of the Listing Rules.

Details of the continuing connected transactions for the year are set out as below:

Name of party	**Nature of transactions**	**2023 RMB'000**	2022 RMB'000
Zhuhai Duochuang	Purchase of electronic parts and components	**12,998**	13,340

Save as disclosed therein, there were no other connected transactions and continuing connected transactions, other than those which are exempt from the reporting, announcement and independent shareholders' approval requirements, which need to be disclosed as connected transactions and continuing connected transactions in accordance with the requirements of Appendix 16 to the Listing Rules.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share options", at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTIONS

The following table disclosed movements in the Company's share options during the year:

Name and category of participation	Number of share options			Date of grant of share options	Vesting period of share options	Exercise period of share options	Exercise price of share options* HK$	Share price of the Company as at the date of grant of share options** HK$
	As at 1 January 2023	Exercised during the year	As at 31 December 2023					
Other employees	9,000,000	—	9,000,000	10 February 2014	10 February 2014 to 9 February 2016	10 February 2016 to 9 February 2024	4.680	4.680
Other employees	9,000,000	—	9,000,000	10 February 2014	10 February 2014 to 9 February 2017	10 February 2017 to 9 February 2024	4.680	4.680
Total	18,000,000	—	18,000,000					

* The exercise price of share options is subject to adjustment made in respect of the alteration in capital structure of the Company.

** The share price of the Company as at the date of the grant of share options was the closing price as quoted on the Stock Exchange of the trading day on the date of the grant of share options.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent.

CORPORATE GOVERNANCE

The Company is committed to maintain the high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 125 to 145 of the annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the year ended 31 December 2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total sales and total purchases of the Group respectively.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules throughout the year ended 31 December 2023.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 260 of the annual report.

AUDIT COMMITTEE

The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2023.

AUDITOR

A resolution for re-appointment of EY as auditor of the Company is to be proposed at the 2024 annual general meeting.

The consolidated financial statements of the Company for the year ended 31 December 2023 have been audited by EY.

On behalf of the Board

Ji Wei
CHAIRMAN

Hong Kong
15 March 2024

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the needs of its business.

The Company's corporate governance policies are based on the principles of good corporate governance and the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules ("Corporate Governance Code").

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 out 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.

The Company regularly reviews its corporate governance policies to ensure that they remain updated and in compliance with the requirements of the Listing Rules.

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 of all the directors of the Company (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 (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

Responsibilities

The overall management of the Company's business is vested with the board of Directors of the Company (the "Board"), which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The Board makes decisions on all major matters of the Company, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company (the "Company Secretary"), with a view to ensure that the Board procedures and all applicable rules and regulations are followed.

Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer of the Company (the "Chief Executive Officer") and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers.

The Board has the full support of the Chief Executive Officer and the senior management to discharge its responsibilities.

Board Composition

The composition of the Board ensures a balance of skills and experience necessary for its independent judgement and fulfilling its business needs.

The Board currently comprises nine members, consisting of five executive Directors, one non-executive Director and three independent non-executive Directors. Their biographical details are set out on pages 114 to 116 of this annual report.

The Board comprises the following Directors:

Executive Directors:

Mr. Ji Wei, chairman of the Board and the nomination committee of the Company (the "Nomination Committee"), and member of the remuneration committee of the Company (the "Remuneration Committee")

Mr. Kat Chit, Chief Executive Officer and member of the internal control and risk management committee of the Company (the "Internal Control and Risk Management Committee")*

Ms. Li Hong, member of the Internal Control and Risk Management Committee

Ms. Zheng Xiao Ping

Mr. Tian Zhongping

Non-executive Director:

Ms. Cao Zhao Hui

* Mr. Kat Chit is the son of Mr. Ji Wei

Independent Non-executive Directors:

Mr. Chan Cheong Tat, chairman of the audit committee of the Company (the "Audit Committee"), the Remuneration Committee and the Internal Control and Risk Management Committee, and member of the Nomination Committee

Mr. Luan Wenpeng, member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Internal Control and Risk Management Committee

Mr. Wang Yaonan, member of the Audit Committee and the Internal Control and Risk Management Committee

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

During the year under review, the Board at all times met the requirements of Rule 3.10(1) and (2), and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive Directors bring a wide range of technical, business and financial expertise, experiences and independent judgement to the Board. Through their active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company.

Board Diversity Policy

The Company is of a view that Board diversity is an essential element to achieve sustainable and balanced development. The Company has adopted a policy on Board diversity (the "Board Diversity Policy") setting out the basic principles to ensure that the Board has the requisite knowledge of the Company and experience in different business and cultural conditions of different regions and markets and a variety of perspectives necessary to maintain and enhance the overall effectiveness of the Board and taking account of succession planning. Under the Board Diversity Policy, all Board appointments will be based on meritocracy and competence, while taking into account the benefit of diversity. The Company will ensure that the Board has a balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. In determining an optimum composition of the Board, the Company will take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional experience and other qualities of directors as well as potential contributions to the Board. The Company will also take into consideration its own specific needs from time to time in determining the optimum composition of the Board. The Nomination Committee will review and monitor the implementation of board diversity on a regular basis to ensure its effectiveness on determining the optimal composition of the Board.

The Board attaches great importance to female member of Directors. During the reporting period, gender ratio of male and female members is 67% (6 out of 9) and 33% (3 out of 9) respectively. The Company has also a solid slate of Directors with diverse perspectives and varied educational background and expertise made-up, from extensive knowledge of the electronic and electrical engineering, finance and corporate management, to professional qualifications in the legal and accounting fields. The diversification background of the Board is beneficial to the corporate governance, and related experiences satisfy the development needs of the Company. The age distribution of the Board is between 40 and 74. The different age group of the Board members can provide diversified sight of views and opinion. Having reviewed the board diversity policy and the Board's composition, the Nomination Committee is of the opinion that the current Board has a strong element of independence and is well-balanced in terms of gender, age, professional experience, skills and knowledge; and that the current composition and size of the Board are appropriate and adequate.

Gender Diversity of Workforce

As at 31 December 2023, the gender ratio of the workforce of the Group (including senior management) was approximately 69% male and 31% female. The Group actively seek to recruit and hire a diverse workforce based on their skills, qualifications and experience, regardless of their gender and non-discriminatory. The Board considers that the gender ratio of the workforce is appropriate for the operations of the Group and will strive to maintain this ratio.

Appointment and Succession Planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of directors.

Each of the executive Directors and non-executive Director is engaged in a service contract for a term of three years. The appointment may be terminated by not less than three months' written notice. All the independent non-executive Directors are appointed for a specific term. The terms of their appointments are as follows:

Mr. Chan Cheong Tat	:	up to the 2024 annual general meeting
Mr. Luan Wenpeng	:	up to the 2024 annual general meeting
Mr. Wang Yaonan	:	up to the 2024 annual general meeting

Pursuant to the Articles, all Directors are subject to retirement by rotation once every three years and any new Director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following general meeting and the next following annual general meeting respectively.

No independent non-executive Director has served more than nine years on the Board.

Training for Directors

According to Code Provision C.1.4 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

The Company encourages the Directors to attend any relevant programme to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively. There are also arrangements in place for providing continue briefing and professional development to Directors whenever necessary such as continuously update the Directors on the latest developments of the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

During the year ended 31 December 2023, the training participated by each Director is set out below:

Directors	**Training received**
Executive Directors:	
Mr. Ji Wei	A, C, D
Mr. Kat Chit	A, C, D
Ms. Li Hong	A, C, D
Ms. Zheng Xiao Ping	A, C, D
Mr. Tian Zhongping	A, C, D
Non-executive Director:	
Ms. Cao Zhao Hui	A, C, D
Independent Non-executive Directors:	
Mr. Chan Cheong Tat	A, D
Mr. Luan Wenpeng	A, B, D
Mr. Wang Yaonan	A, B, D

A: attending conferences, seminars and forums
B: giving talks at conferences, seminars and forums
C: participation in in-house seminars
D: private study of materials relevant to the Company's business or director's duties and responsibilities

Board Meetings

Number of Meetings and Directors' Attendance

In 2023, the Company has held six board meetings. The Company will endeavour to hold at least four regular board meetings a year.

The attendance of the Directors at board meetings held during the year is set out below:

Directors	Attendance/ Number of Meetings
Executive Directors:	
Mr. Ji Wei *(Chairman)*	6/6
Mr. Kat Chit	6/6
Ms. Li Hong	6/6
Ms. Zheng Xiao Ping	6/6
Mr. Tian Zhongping	6/6
Non-executive Director:	
Ms. Cao Zhao Hui	6/6
Independent Non-executive Directors:	
Mr. Chan Cheong Tat	6/6
Mr. Luan Wenpeng	6/6
Mr. Wang Yaonan	6/6

Practices and Conduct of Board Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep the Directors appraised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Chief Executive Officer, chief financial officer of the Company ("Chief Financial Officer") and Company Secretary attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the chairman of the Board (the "Chairman") and the Chief Executive Officer to ensure a balance of power and authority. So, the posts of the Chairman and Chief Executive Officer are held separately by Mr. Ji Wei and Mr. Kat Chit respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practices. With support of the senior management, the Chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at the Board meetings.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. She is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

BOARD COMMITTEES

The Board has established four committees, namely, the Nomination Committee, the Remuneration Committee, the Audit Committee, and the Internal Control and Risk Management Committee for overseeing particular aspects of the Company's affairs. All Committees of the Company are established with defined written terms of reference. The terms of reference have been posted on the websites of the Stock Exchange and the Company.

The majority of the members of each Committee are independent non-executive Directors and the list of the chairman and members of each Committee is set out under "Board Composition" of this report on pages 126 to 127.

The Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

NOMINATION COMMITTEE

The duties of the Nomination Committee include the following:

(a) to review the structure, size and composition of the Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(c) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer;

(d) to assess the independence of independent non-executive Directors;

(e) to review the Board Diversity Policy and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosure of its review results in the annual report of the Company annually; and

(f) where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, the Committee should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider the individual to be independent.

NOMINATION POLICY

The Nomination Committee is responsible for identifying and nominating qualified candidates for the Board's consideration and appointment when the Board needs additional Directors or to fill casual vacancies, and making recommendation to the shareholders of the Company (the "Shareholders") on re-electing retiring Directors at general meetings. The Nomination Committee shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

(i) age, skills, experience, professional qualifications, educational background and personal integrity of the candidate;

(ii) commitment of the candidate to devote sufficient time to effectively carry out his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organisations, and other executive appointments or significant commitments will be considered;

(iii) effect on the board's composition and diversity;

(iv) potential/actual conflicts of interest that may arise if the candidate is selected;

(v) independence of the candidate in the case of proposed appointment of an independent non-executive director;

(vi) the number of years he/she has already served in the case of a proposed re-appointment of an independent non-executive director; and

(vii) other factors that the Nomination Committee may consider relevant.

For appointment of new Directors, the Nomination Committee should evaluate the candidates based on the criteria as set out above to determine whether such candidates are qualified for directorship and then make recommendation to the Board. Where appropriate, the Nomination Committee and/or the Board should make recommendation to the Shareholders in respect of the proposed election of Director at a general meeting.

For re-election of Director, the Nomination Committee and/or the Board should review the overall contribution and service to the Company of retiring Director and the level of participation and performance by such Director in the Board. The Nomination Committee and/or the Board should also review and determine whether retiring Director continues to meet the criteria as set out above. The Nomination Committee and/or the Board should then make recommendation to the Shareholders in respect of the proposed re-election of Director at a general meeting.

The Board shall from time to time review the nomination policy to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practice.

Two Nomination Committee meetings have been held during the year to review the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

The attendance of individual members at Nomination Committee meetings held during the year is set out below:

	Attendance/ Number of Meetings
Mr. Ji Wei *(Chairman)*	2/2
Mr. Chan Cheong Tat	2/2
Mr. Luan Wenpeng	2/2

In accordance with the Articles, Mr. Tian Zhongping, Ms. Cao Zhao Hui and Mr. Wang Yaonan shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the next forthcoming annual general meeting of the Company.

REMUNERATION COMMITTEE

The duties of the Remuneration Committee include the following:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time;

(c) to determine the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendation to the Board on the remuneration of non-executive Directors. The Committee should consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group. A significant proportion of executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance;

(d) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(f) to ensure that no Director or any of his/her associate is involved in deciding his/her own remuneration;

(g) to advise shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under Rule 13.68 of the Listing Rules; and

(h) to review and/or approve matters relating to share schemes under chapter 17 of the Listing Rules.

The Remuneration Committee normally meets twice in each year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors and the senior management and other related matters. The human resources department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the chairman about these recommendations on remuneration policy and structure and remuneration packages.

Two Remuneration Committee meetings have been held during the year to review the remuneration policy and structure of the Company and remuneration packages of the executive Directors and the senior management.

The attendance of individual members at Remuneration Committee meetings held during the year is set out below:

	Attendance/ Number of Meetings
Mr. Chan Cheong Tat *(Chairman)*	2/2
Mr. Ji Wei	2/2
Mr. Luan Wenpeng	2/2

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The duties of the Audit Committee include the following:

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(c) to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure co-ordination where more than one audit firm is involved;

(d) to develop and implement policy on engaging an external auditor to supply non-audit services. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(e) to monitor the integrity of financial statements of the Company and the annual report and accounts, half-year report and, if prepared for publication, quarterly reports and to review significant financial judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

    (i) any changes in accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from the audit;

    (iv) the going concern assumption;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting.

(f) to liaise with the Board, senior management and the Chief Financial Officer and to meet, at least twice a year, with the Company's auditors and to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Chief Financial Officer, compliance officer or auditors;

(g) to review the Company's financial controls, internal control and risk management systems;

(h) to discuss the internal control system with management to ensure that the management has performed its duty to have an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function of the Company;

(i) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management response, findings of internal investigations and management's response to these findings;

(j) (where an internal audit function exists) to ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(k) to review the Group's financial and accounting policies and practices;

(l) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(n) to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(o) to act as the key representative body for overseeing the Company's relations with the external auditor;

(p) to report to the Board on the matters set out in the Corporate Governance Code;

(q) to establish a whistle blowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company; and

(r) to consider other topics, as defined by the Board.

The Audit Committee held two meetings during the year to review and discuss the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, and the re-appointment of the external auditors.

The attendance of individual members at Audit Committee meetings held during the year is set out below:

	Attendance/ Number of Meetings
Mr. Chan Cheong Tat *(Chairman)*	2/2
Mr. Luan Wenpeng	2/2
Mr. Wang Yaonan	2/2

There is no material uncertainty relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

The duties of the Internal Control and Risk Management Committee include the following:

(a) to consider the Group's internal control and risk management strategies, review and approve internal control and risk management policies and guidelines;

(b) to assess the adequacy and effectiveness of the internal control and risk management systems established by the management of the Group and report any findings, including any deficiencies, failures or risks noted to the Board via the Audit Committee at least twice a year or as and when any material deficiency, failure or risk is noted. Particular attention should be paid to the compliance with the Listing Rules;

(c) to decide on risk levels and related resource allocation, to approve major decisions affecting the Group's risk profile and exposure, and to oversees formal reviews of activities associated with the effectiveness of risk management processes;

(d) to review the Group's procedures for detecting fraud and whistle blowing and ensure that arrangements are properly in place and a comprehensive system of control should be established to ensure such risks are mitigated;

(e) to consider issues raised by external auditor, Audit Committee or any member of the Board who has lodged a request for a meeting;

(f) to provide the Board, as and when consider fit, its opinion relating to any matters concerning the internal control and risk management of the Group and to recommend any changes or improvements thereto to the Board, if necessary;

(g) to invite any employee of the Group, through the Company Secretary, to attend its meeting as and when required;

(h) to provide the Board, on a half-yearly basis, assessment reports on the Group's internal control and risk management systems; and

(i) to be provided with sufficient resources enabling it to discharge its duties, including but not limited to obtaining advice and assistance from internal or external legal, accounting or other advisors at the expenses of the Company if necessary. The committee shall have access to such information, whether from sources within or outside the Group, as it deems necessary.

Two Internal Control and Risk Management Committee meetings have been held during the year to discuss the adequacy and effectiveness of the internal control and risk management systems established by the management of the Group and the findings of the internal control reviews performed by internal audit department of the Group.

The attendance of individual members of the Internal Control and Risk Management Committee meeting during the year is set out below:

	Attendance/ Number of Meeting
Mr. Chan Cheong Tat *(Chairman)*	2/2
Mr. Luan Wenpeng	2/2
Mr. Wang Yaonan	2/2
Ms. Li Hong	2/2
Mr. Kat Chit	2/2

CORPORATE GOVERNANCE FUNCTION

The Board will be responsible for performing the following corporate governance duties:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report in the annual report of the Company.

The Board may delegate the corporate governance duties to a committee of the Board.

During the year ended 31 December 2023, the Board has reviewed the Company's corporate governance policies.

AUDITORS' REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 146 to 150 of this annual report.

The Company's external auditor is Ernst & Young. Total auditor's remuneration paid and payable by the Group for the year ended 31 December 2023 amounted to RMB4.2 million, which comprises RMB3.6 million for the audit of the Group's consolidated financial statements for the year ended 31 December 2023 and RMB0.6 million for the review of the Group's interim report for the six months ended 30 June 2023.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023 on a going concern basis.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility to maintain appropriate and effective risk management and internal control systems in order to safeguard the Group's assets and shareholders' interests, as well as oversee and review the implementation and effectiveness of the systems.

The Group's risk management and internal control systems are featured with a defined management structure with reasonable delegated authority so as to identify and manage potential risks, to safeguard its assets against unauthorized use or disposition, to ensure reliability of financial reporting and compliance with relevant laws and regulations. The systems are designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives, with main purpose of providing reasonable and not absolute assurance against material misstatement or loss.

In order to assist the Board to discharge its duties, the Audit Committee is delegated with the authority and responsibility for reviewing and monitoring of the effectiveness of the risk management and internal control systems on a regular basis to ensure the systems in place are adequate. A sub-committee, the Internal Control and Risk Management Committee ("ICRM Committee"), was established and its main objective is to assist the Audit Committee to discharge its oversight responsibility over the risk management and internal control systems of the Group. The ICRM Committee works closely with the Risk Control Department which is supervised by the Audit Committee.

The Group has established an on-going process for identifying, evaluating and managing the significant risks (including ESG risks) associated with the achievement of its strategic objectives. Different business units are responsible for identifying, assessing and monitoring risks during their daily operations. Their risk responses including control measures implemented to mitigate risk identified will be reported to the Risk Control Department through regular internal meetings. Risk Control Department will prepare risk assessment reports on quarterly basis for the Board and the Audit Committee to discuss and evaluate the effectiveness of the risk management and internal control systems during Board meetings and Audit Committee meetings.

During the year ended 31 December 2023, the Audit Committee with the assistance of ICRM Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems. The review covers major areas, including financial, operational and compliance controls, risk management functions, and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions, as well as those relating to the Group's ESG performance and reporting. No significant areas of concern that may affect the Group to achieve its strategic goals have been identified and the Audit Committee accepts that the existing risk management and internal control systems have been functioning effectively to meet the respective financial reporting, operational and compliance needs.

The Company's internal audit department is responsible for providing independent assurance that the Group's risk management, governance and internal control procedures are operating effectively. During the year under review, the Group's internal audit department conducted on-going reviews on the effectiveness of the internal control systems of the Group. The reviews covered major financial and operational controls. The reports of its findings have been submitted to the Audit Committee for review. No significant deficiency but areas for improvement was identified during the course of review and the systems have been operating effectively and adequately.

Based on the results of the review as reported by the Audit Committee, the Board is of the opinion that the risk management and internal control systems which address the Group's financial, operational and compliance risks, are effective and adequate and the Group has duly complied with the provisions of the Corporate Governance Code regarding risk management and internal control during the year ended 31 December 2023.

The Board has established policy and internal control procedures for the handling and dissemination of insider information in compliance with the requirements under Part XIVA of the Securities and Future Ordinance and the Listing Rules to ensure that disclosures are made on a timely and accurate manner. Such policy has been communicated to all Directors and senior management of the Group. Every Director and senior management must take all reasonable measures from time to time to ensure that proper safeguards exist to prevent a breach of disclosure requirement. The Chief Financial Officer works closely with Directors and senior management in identifying potential inside information and assessing the materiality thereof, and if appropriate, will escalate to the attention of the Board to take appropriate action promptly to ensure compliance of the applicable laws and regulations.

The Company has also taken all reasonable measures from time to time to ensure proper preservation of confidentiality of inside information until disclosure to general public, including restrictive access to inside information to a limited number of employees on a need-to-know basis, ensure the relevant employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality and ensure appropriate confidentiality agreements are in place when the Group enters into significant negotiations.

During the year ended 31 December 2023, the Group has adopted a whistleblowing policy and system for employees and those who deal with the Group to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Group, and a policy and system that promotes and supports anti-corruption laws and regulation. The above policies are available on the website of the Company.

COMPANY SECRETARY

During the year ended 31 December 2023, Mr. Choi Wai Lung Edward was the Company Secretary. Mr. Choi is a full-time employee of the Company, and has the day-to-day knowledge of the Company's affairs. His biographical details are set out in the "Biographical Details of Directors and Senior Management" section of this annual report. For the year ended 31 December 2023, Mr. Choi had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy") on 9 November 2018. The Board endeavors to maintain a balance between the interests of the Shareholders and prudent capital management with a sustainable Dividend Policy. It is the policy of the Board, in considering the payment of dividends, to allow Shareholders to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth. The Board shall consider the following factors before declaring or recommending dividends:

(a) the Group's results of operations;

(b) the Group's actual and expected financial performance;

(c) retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;

(d) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(e) the Group's liquidity and cash flow position;

(f) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(g) any other factors that the Board may consider relevant.

The declaration and payment of dividends shall remain to be determined at the sole discretion of the Board and subject to any restrictions under the Companies Law of the Cayman Islands and the articles of association of the Company. The Board will continually review the Dividend Policy as appropriate from time to time.

SHAREHOLDERS' RIGHTS

Rights and procedures for shareholders to convene an extraordinary general meeting ("EGM") (including putting forward proposals/moving a resolution at the EGM)

Pursuant to Article 58 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholder(s) who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Units 706–7, 7/F Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong, for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholdings in the Company, the reason(s) to convene an EGM, the agenda including the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholdings of the Eligible Shareholder(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Units 706–7, 7/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong by post or email to enquires@wasionholdings.com.hk for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary will forward:

- communications relating to matters within the Board's purview to the executive Directors of the Company;
- communications relating to matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
- communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate management of the Company.

Procedures for Shareholders to propose a person for election as a director

- If a Shareholder wishes to propose a person other than a director of the Company for election as a Director, the Shareholder must deposit a written notice (the "Notice") to the principal place of business of the Company in Hong Kong at Units 706–7, 7/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong or the branch share registrar of the Company, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong for the attention of the Company Secretary.
- The Notice must state clearly the name of the Shareholder and his/her/their shareholdings, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the Shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent signed by the person proposed to be elected on his/her willingness to be elected as a Director.
- The period for lodgment of the Notice will commence no earlier than the day after the despatch of the notice by the Company of the general meeting appointed for election of directors of the Company and end no later than seven (7) days prior to the date of such general meeting. If the Notice is received less than 15 days prior to the general meeting, the Company will need to consider the adjournment of the general meeting in order to give shareholders 14 days' notice of the proposal.
- The Notice will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Nomination Committee and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

INVESTOR RELATIONS

The Board has established a shareholders' communication policy which aims to set out the provisions with the objective of ensuring the Shareholders are provided with equal and timely access to information about the Company, in order to enable the Shareholders to exercise their rights in an informed manner and to allow them to engage actively with the Company. The shareholders' communication policy is currently available on the Company's website.

The Board will maintain an on-going dialogue with the Shareholders and will review this policy regularly to ensure its effectiveness. Information will be communicated to the Shareholders through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as all the disclosures submitted to the Stock Exchange. Effective and timely dissemination of information to the Shareholders will be ensured at all times.

A dedicated Investor Relations section is available on the Company's website www.wasion.com. Information on the Company's website is updated on a regular basis. Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents, etc. All presentation materials provided in conjunction with the Company's annual general meeting and results announcement each year will be made available on the Company's website. All press releases and Shareholders' newsletters will also be made available on the Company's website.

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Board members, in particular, the chairmen of the Board committees or their delegates, appropriate senior management and external auditors will attend annual general meetings to answer Shareholders' questions.

During the year ended 31 December 2023, the 2023 AGM was held on 12 May 2023. All the resolutions proposed at the 2023 AGM were duly passed by the Shareholders by way of poll and the results of the poll have been published on the websites of the Stock Exchange and the Company. Mr. Kat Chit, an executive Director, Chief Executive Officer and member of the Internal Control and Risk Management Committee, chaired the 2023 AGM and answered Shareholders' questions. The external auditor of the Company, Ernst & Young, attended the 2023 AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the independent auditor's report and independence of auditor.

The attendance of the Directors at the 2023 AGM is set out below:

Directors	**AGM Attended/held**
Executive Directors:	
Mr. Ji Wei *(Chairman)*	1/1
Mr. Kat Chit	1/1
Ms. Li Hong	1/1
Ms. Zheng Xiao Ping	1/1
Mr. Tian Zhongping	1/1
Non-executive Director:	
Ms. Cao Zhao Hui	1/1
Independent Non-executive Directors:	
Mr. Chan Cheong Tat	1/1
Mr. Luan Wenpeng	1/1
Mr. Wang Yaonan	1/1

The forthcoming annual general meeting of the Company ("2024 AGM") will be held on 10 May 2024. The notice convening the 2024 AGM together with the circular will be published on the websites of the Stock Exchange and the Company and dispatched to Shareholders before 30 April 2024.

During the year ended 31 December 2023, the Company Secretary responded to the enquiries of Shareholders, investment community and analysts made by phone, mail, corporate website and social media platform. Regular one-on-one/small group meetings and online roadshows were organized for investors and Shareholders to discuss with the Company's management on financial results, business development and strategic plan. The Board has reviewed and was satisfactory with the implementation and effectiveness of the shareholders' communication policy conducted during the year ended 31 December 2023.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There was no significant change in the Company's constitutional documents during the year ended 31 December 2023.

Ernst & Young
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Quarry Bay, Hong Kong

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

OPINION

We have audited the consolidated financial statements of Wasion Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 151 to 259, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
As at 31 December 2023, the gross carrying amount of the Group's trade receivables was RMB4,644,367,000, which represented approximately 33.5% of total assets of the Group. As at 31 December 2023, the loss allowances of trade receivables amounted to RMB345,841,000. Management's assessment of the expected credit losses ("ECLs") involves significant judgement and estimates for the amount of lifetime ECLs of trade receivables based on the probability of default approach by estimating the probability of default, loss given default and exposure at default. The ECL assessment involves inputs and assumptions, including past debtors' repayment history and forward-looking information. The Group has engaged an external valuer to determine the ECLs of trade receivables at the end of the reporting period. Relevant disclosures of accounting judgements and estimates and impairment of trade receivables are included in notes 3, 23 and 44 to the consolidated financial statements.	Our procedures in relation to the impairment assessment of trade receivables included: • obtaining an understanding of management's process in estimation of ECLs and the methodology of the ECL model adopted by the Group; • assessing management's assumptions and inputs in the ECL model by considering the historical customer payment behaviours, and the basis of the estimated loss rates applied in each category in the provision with reference to the historical default rate, ageing of trade receivables, probability of default, loss given default and forward-looking information; • assessing management's basis and judgement in identifying the credit impaired trade receivables by checking to the historical customer payment records; • involving our internal specialists to assist us in evaluating the ECL model and estimated loss rates; • evaluating the external valuer's objectivity, competence and independence; and • assessing the adequacy of the disclosures of impairment assessment of trade receivables in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development costs	
As at 31 December 2023, the carrying amount of the Group's capitalised development costs was RMB451,684,000, which represented approximately 3.3% of total assets of the Group. The Group capitalised certain costs incurred during the development phase of internal projects for development of new technology and new products. Management's assessment on whether the costs meet the capitalisation criteria, as set out in note 3 "Significant accounting judgements and estimates" to the consolidated financial statements, and how the intangible assets so capitalised will generate probable future economic benefits, involves significant judgement and assumptions. Relevant disclosures of accounting judgements and capitalised development costs are included in notes 3 and 17 to the consolidated financial statements.	Our procedures in relation to the capitalisation of development costs included: • assessing and testing the effectiveness of key controls over the capitalisation of development costs, on a sample basis; • checking the additions of development costs for the year against supporting documentation on a sample basis; • making inquiries to the relevant development project managers of the research and development department of the Group about the details of the selected development projects including, inter alia, technical feasibility of completing the projects, the Group's ability to use or sell the assets, the existence of a market, and the prospect of generating probable and sufficient economic benefits; and • evaluating management's assessment by checking to market research reports, and the financial performance of the completed development projects, on a sample basis.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lam Wai Ming, Ada.

Ernst & Young
Certified Public Accountants

Hong Kong

15 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**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	5	**142,484**	162,675
Selling expenses		**(649,479)**	(512,914)
Administrative expenses		**(327,358)**	(215,652)
Research and development expenses	6	**(681,375)**	(577,443)
Impairment losses on financial assets and contract assets, net	6	**(73,517)**	(94,191)
Finance costs	7	**(131,530)**	(112,500)
Share of profits of an associate		**756**	3,235
Profit before tax	6	**860,732**	582,434
Income tax expense	10	**(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
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
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**RMB52.7 cents**	RMB32.9 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,958,179**	1,615,569
Investment properties	14	**15,019**	14,370
Right-of-use assets	15	**183,838**	191,627
Goodwill	16	**330,636**	330,636
Other intangible assets	17	**523,826**	546,483
Investment in a joint venture	18	**—**	—
Investment in an associate	19	**9,151**	8,395
Equity investments designated at fair value through other comprehensive income	20	**65,771**	66,670
Financial assets at fair value through profit or loss	21	**26,149**	218,000
Loan receivables	25	**85,000**	85,000
Prepayments, other receivables and other assets	26	**73,489**	61,560
Deferred tax assets	33	**119,564**	91,464
		3,390,622	3,229,774
CURRENT ASSETS			
Inventories	22	**1,205,919**	1,080,835
Trade and bills receivables	23	**4,550,227**	4,395,215
Contract assets	24	**404,953**	552,693
Prepayments, other receivables and other assets	26	**802,606**	907,226
Financial assets at fair value through profit or loss	21	**200,000**	—
Structured deposits	27	**120,000**	70,000
Pledged deposits	28	**560,896**	762,384
Cash and bank balances	28	**2,644,896**	2,027,928
		10,489,497	9,796,281
CURRENT LIABILITIES			
Trade and bills payables	29	**3,938,543**	3,641,627
Other payables and accruals	30	**453,131**	408,992
Financial liabilities at fair value through profit or loss	31	**49,939**	37,940
Interest-bearing bank borrowings	32	**1,679,302**	1,714,799
Lease liabilities	15	**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

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	32	**835,144**	946,843
Lease liabilities	15	**3,795**	4,535
Deferred tax liabilities	33	**36,848**	33,499
		875,787	984,877
Net assets		**6,776,621**	6,128,476
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	**9,906**	9,906
Reserves		**5,156,730**	4,645,998
		5,166,636	4,655,904
Non-controlling interests	45	**1,609,985**	1,472,572
Total equity		**6,776,621**	6,128,476

Ji Wei
Director

Kat Chit
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent												
	Issued capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note 36(i))	Exchange reserve RMB'000	PRC statutory reserves RMB'000 (Note 36(ii))	Share option reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Shares held for a share award scheme RMB'000 (Note 36(iii))	Other reserve RMB'000 (Note 36(iv))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 45)	Total equity RMB'000
At 1 January 2023	9,906	678,266	49,990	(62,616)	597,946	27,730	(56,310)	(34,894)	136,225	3,309,661	4,655,904	1,472,572	6,128,476
Profit for the year	–	–	–	–	–	–	–	–	–	521,233	521,233	239,360	760,593
Other comprehensive income/(loss) for the year:													
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(3,765)	–	–	–	(3,765)	–	(3,765)
Exchange differences on translation of foreign operations	–	–	–	57,281	–	–	–	–	–	–	57,281	(446)	56,835
Total comprehensive income for the year	–	–	–	57,281	–	–	(3,765)	–	–	521,233	574,749	238,914	813,663
Transfer to PRC statutory reserves	–	–	–	–	84,421	–	–	–	–	(84,421)	–	–	–
Shares granted under the share award scheme	–	–	–	–	–	–	–	7,396	–	–	7,396	–	7,396
Repurchase of shares by a listed subsidiary	–	–	–	–	–	–	–	–	–	–	–	(141,950)	(141,950)
Deemed partial disposal of interests in subsidiaries (note 36(v))	–	–	–	–	–	–	–	–	134,849	–	134,849	107,711	242,560
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(67,262)	(67,262)
Dividend paid (note 11)	–	(206,262)	–	–	–	–	–	–	–	–	(206,262)	–	(206,262)
At 31 December 2023	9,906	472,004*	49,990*	(5,335)*	682,367*	27,730*	(60,075)*	(27,498)*	271,074*	3,746,473*	5,166,636	1,609,985	6,776,621
At 1 January 2022	9,906	846,792	49,990	(41,866)	522,147	27,730	(43,210)	(36,998)	235,772	3,061,663	4,631,926	1,447,936	6,079,862
Profit for the year	–	–	–	–	–	–	–	–	–	323,797	323,797	187,363	511,160
Other comprehensive loss for the year:													
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(13,100)	–	–	–	(13,100)	–	(13,100)
Exchange differences on translation of foreign operations	–	–	–	(20,750)	–	–	–	–	–	–	(20,750)	543	(20,207)
Total comprehensive income for the year	–	–	–	(20,750)	–	–	(13,100)	–	–	323,797	289,947	187,906	477,853
Transfer to PRC statutory reserves	–	–	–	–	75,799	–	–	–	–	(75,799)	–	–	–
Shares granted under the share award scheme	–	–	–	–	–	–	–	2,104	–	–	2,104	–	2,104
Repurchase of shares by a listed subsidiary	–	–	–	–	–	–	–	–	–	–	–	(157,098)	(157,098)
Deemed partial acquisition of interests in subsidiaries (note 36(v))	–	–	–	–	–	–	–	–	(58,220)	–	(58,220)	(39,487)	(97,707)
Deemed partial disposal of interests in subsidiaries (note 36(v))	–	–	–	–	–	–	–	–	(41,327)	–	(41,327)	87,247	45,920
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(53,932)	(53,932)
Dividend paid (note 11)	–	(168,526)	–	–	–	–	–	–	–	–	(168,526)	–	(168,526)
At 31 December 2022	9,906	678,266*	49,990*	(62,616)*	597,946*	27,730*	(56,310)*	(34,894)*	136,225*	3,309,661*	4,655,904	1,472,572	6,128,476

* These reserve accounts comprise the consolidated reserves of RMB5,156,730,000 (2022: RMB4,645,998,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**860,732**	582,434
Adjustments for:			
Share of profits of an associate		**(756)**	(3,235)
Bank interest income	5	**(40,895)**	(36,747)
Interest income from structured deposits	5	**(7,686)**	(12,593)
Interest income from loan receivables	5	**(7,942)**	(10,386)
Interest income from consideration receivable for disposal of a subsidiary	5	**(4,131)**	(4,421)
Interest income from financial assets at fair value through profit or loss ("FVTPL")	5	**(7,465)**	(14,878)
Dividend income from equity investments designated at fair value through other comprehensive income ("FVTOCI")	5	**(3,955)**	(464)
Fair value loss on financial instruments at FVTPL	5	**34,717**	40,209
Loss/(gain) on disposal of property, plant and equipment	5	**5,271**	(595)
Depreciation of property, plant and equipment	6	**105,373**	86,225
Depreciation of investment properties	6	**342**	865
Depreciation of right-of-use assets	6	**14,759**	14,778
Amortisation of other intangible assets		**156,338**	165,131
Write-down of inventories to net realisable value	6	**43,635**	33,343
Impairment losses on financial assets and contract assets, net	6	**73,517**	94,191
Impairment of goodwill	6	**—**	7,681
Share-based payment expenses for share awards granted	6	**7,396**	2,104
Finance costs	7	**131,530**	112,500
Operating cash flows before movements in working capital		**1,360,780**	1,056,142
Increase in inventories		**(117,801)**	(109,740)
Increase in trade and bills receivables		**(198,186)**	(450,818)
Decrease in prepayments, other receivables and other assets		**109,946**	8,034
Decrease in contract assets		**149,434**	14,455
Increase in trade and bills payables		**277,420**	328,915
Increase in other payables and accruals		**39,268**	92,113
Cash generated from operations		**1,620,861**	939,101
Interest paid		**(536)**	(814)
Income tax paid		**(123,730)**	(75,057)
Net cash flows from operating activities		**1,496,595**	863,230

	Note	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(446,293)**	(246,336)
Additions to other intangible assets		**(118,293)**	(143,404)
Advance to a joint venture		**(17,850)**	(17,850)
Repayment of an advance made to a joint venture		**17,850**	17,850
Repayment of a loan receivable		**—**	20,000
Acquisition of an associate		**—**	(5,160)
Interest received		**68,119**	82,201
Acquisition of a subsidiary	37	**(37,970)**	—
Dividends received from equity investments designated at FVTOCI		**3,955**	464
Proceeds from disposal of property, plant and equipment		**6,466**	20,072
Purchase of equity investments designated at FVTOCI		**(2,400)**	(11,898)
Purchase of financial assets at FVTPL		**(8,000)**	(18,000)
Payment for financial liabilities at FVTPL		**(22,867)**	—
Placement in structured deposits		**(120,000)**	(2,404,000)
Withdrawal of structured deposits		**70,000**	2,334,000
Placement in bank deposits with maturity over three months		**(250,000)**	(40,000)
Withdrawal of bank deposits with maturity over three months		**140,000**	80,000
Placement of pledged deposits		**(578,097)**	(631,418)
Withdrawal of pledged deposits		**779,585**	285,286
Net cash used in investing activities		**(515,795)**	(678,193)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**2,510,487**	2,629,438
Repayment of bank loans		**(2,674,924)**	(2,793,940)
Dividends paid		**(206,262)**	(168,526)
Dividend paid to non-controlling shareholders		**(67,262)**	(53,932)
Interest paid on borrowings		**(130,994)**	(111,686)
Repurchase of shares by a listed subsidiary		**(141,950)**	(157,098)
Principal portion of lease payments		**(11,666)**	(11,236)
Proceeds from partial disposal of subsidiaries		**242,560**	45,920
Payment of partial acquisition of subsidiaries		**—**	(97,707)
Net cash used in financing activities		**(480,011)**	(718,767)

	2023 RMB'000	2022 RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**500,789**	(533,730)
Cash and cash equivalents at beginning of the year	**1,697,928**	2,208,946
Effect of foreign exchange rate changes, net	**6,179**	22,712
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**2,204,896**	1,697,928
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,204,896**	1,697,928
Time deposits	**440,000**	310,000
Cash and bank balances as stated in the consolidated statement of financial position	**2,644,896**	2,007,928
Less: Time deposits with original maturity over three months	**(440,000)**	(310,000)
Cash and cash equivalents as stated in the statement of cash flows	**2,204,896**	1,697,928

1. CORPORATE AND GROUP INFORMATION

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 706–707, 7/F Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were engaged in the following principal activities:

- manufacture and trading of metering products
- provision of system solution services

In the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the Company is Star Treasure Investments Holdings Limited, which is incorporated in the British Virgin Islands (the "BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Paid-up capital	Proportion of nominal value of issued registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2023	2022	**2023**	2022	
Oceanbase Group Limited	BVI/Hong Kong	US$1,000,000	**100%**	100%	**—**	—	Investment holding
Power Well Creation Limited	Hong Kong	HK$2	**100%**	100%	**—**	—	Investment holding
Weisheng Energy Industrial Technology Co., Ltd.*	The People's Republic of China ("PRC")/ Chinese Mainland	RMB200,000,000	**—**	—	**68.0%**	71.7%	Development, manufacture and sale of energy saving products and related services
Wasion International Co., Ltd. (formerly known as "Changsha Weisheng Import and Export Trading Company Limited")	PRC/ Chinese Mainland	RMB10,000,000	**—**	—	**100%**	100%	Trading of power meters
Willfar Information Technology Co., Ltd. ("Willfar")*@	PRC/ Chinese Mainland	RMB500,000,000	**—**	—	**58.6%**	59.5%	Development, manufacture and sale of data collection terminals and related services
Changsha Vitae Plastic Technology Co., Ltd.#	The PRC/ Chinese Mainland	RMB20,000,000	**—**	—	**100%**	100%	Development, manufacture and sale of parts of power meters, data collection terminals and related services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Paid-up capital	Proportion of nominal value of issued registered capital held by the Company Directly 2023	Directly 2022	Indirectly 2023	Indirectly 2022	Principal activities
Gam Sheng Macao Commercial Offshore Limited	Macao	MOP1,000,000	—	—	100%	100%	Trading of electronic components
Hunan Weike Power Meters Company Limited*	PRC/ Chinese Mainland	HK$100,000,000	—	—	100%	100%	Development, manufacture and sale of power meters
Hunan Weiming Technology Co., Ltd.*	PRC/ Chinese Mainland	RMB500,000,000	—	—	55.0%	55.9%	Development, manufacture and sale of water, gas and heat meters
Wasion Energy Technology Co.,Ltd. (formerly known as "Wasion Electric Limited")#	PRC/ Chinese Mainland	RMB539,487,146	—	—	68.0%	71.7%	Development, manufacture and sale of smart distribution devices
Wasion Group Limited#	PRC/ Chinese Mainland	RMB1,209,900,000	—	—	100%	100%	Development, manufacture and sale of power meters
Hunan Switchgear Co., Ltd	PRC/ Chinese Mainland	RMB100,000,000	—	—	44.2%	46.6%	Development, manufacture and sale of switchgears
Zhuhai Zhonghui Microelectronics Co., Ltd#	PRC/ Chinese Mainland	RMB37,000,000	—	—	58.6%	59.5%	Development, manufacture and sale of electronic components
Changsha Zomkun Electronic Science and Technology Co., Ltd.	PRC/ Chinese Mainland	RMB38,000,000	—	—	100%	100%	Development, manufacture and sale of electronic components
Wasion da Amazônia Indústria de Instrumentos Eletrônicos LTDA.	The Federative Republic of Brazil	BRL39,824,700	—	—	100%	100%	Development, manufacture and sale of power meters

* Registered as a Sino-foreign enterprise under the law of the PRC

Registered as a wholly-foreign-owned enterprise under the law of the PRC

@ Listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These 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. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 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 Group has disclosed the material accounting policy information in note 2 to the financial statements. 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(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.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its financial instruments at FVTPL and equity instruments designated at FVTOCI at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Owned buildings	Over the remaining period of the lease terms of the relevant land on which owned buildings are erected, or 50 years, whichever is the shorter
Leasehold improvements	Over the remaining period of the relevant lease, or 5 years, whichever is the shorter
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	10%

All of the owned buildings are erected on land with medium-term land use right outside Hong Kong.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

A property is transferred to an investment property when there is a change of use, as evidenced by end of owner-occupation. The cost and accumulated depreciation of that item (including the relevant leasehold land under HKFRS 16) at the date of transfer is recognised as the cost and accumulated depreciation of the investment property, respectively.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis over the remaining period of the lease terms of the relevant land on which owned buildings are erected, or 50 years, whichever is the shorter. All of the investment properties are erected on land with a medium-term land use right outside Hong Kong.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

An item of investment property is transferred to property, plant and equipment when there is a change of use, as evidenced by start of owner-occupation. The cost and accumulated depreciation of that item at the date of transfer are recognised as the cost and accumulated depreciation of the property, plant and equipment respectively.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The intangible assets have finite useful lives and are amortised on a straight-line basis over the following periods:

Patents, copyrights and trademarks	3 to 10 years
Technology know-how	3 to 5 years
Customer relationship and contracts	10 years

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products from 3 to 5 years, commencing from the date when the products are put into commercial production.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Leased properties	1 to 12 years

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments).

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease terms.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as an operating lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under HKFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at FVTOCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at FVTOCI when they meet the definition of equity under HKAS 32 *Financial Instruments:* Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets designated at FVTOCI (equity investments) (Continued)

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at FVTOCI are not subject to impairment assessment.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

The life insurance products are initially recognised at the amount of the premium paid and subsequently carried at fair value at the end of each reporting period, with changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through arrangement"; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12–month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Write-off

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Credit-impaired

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Credit-impaired (Continued)

For trade receivables and contract assets that do not contain a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has applied the probability of default approach by estimating the probability of default, loss given default and exposure at default. The ECL assessment considers all reasonable and supportable information, including past experience and forward-looking information.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value, and in case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading as at fair value through profit or loss.

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Provision of system solution services

Revenue from the provision of system solution services is recognised over time using an output method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The output method recognises revenue based on the stage of completion of the solution services by reference to the installation works certified by the customers.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instruments or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates a share option scheme and a share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value was determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

When trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares.

The fair value of services received is determined by reference to the fair value of share awards granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share award reserve).

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Payments to state-managed retirement benefit schemes in jurisdictions other than the PRC and Hong Kong are charged as expenses when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve, except to the extent that the differences are attributable to non-controlling interest. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of development costs

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for intangible assets arising from development costs have been met. The Group applies judgement in determining whether the Group has the ability to use the intangible asset, and can demonstrate the existence of a market for the products produced from the use of the intangible asset or the intangible asset itself or, if it is to be used internally, the ability to generate positive cash flows from the use of the intangible asset. Management has conducted a careful assessment and concluded that the future economic benefit relating to these development costs is probable which fulfils the capitalisation criteria.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was RMB330,636,000 (2022: RMB330,636,000). Further details are set out in note 16 to the financial statements.

Provision for expected credit losses on trade receivables and contract assets

The Group uses the probability of default approach to calculate ECLs for trade receivables and contract assets. Estimation is made for the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and exposure at default based on the Group's historical experience. The Group has engaged external valuers to determine the ECL for trade receivables and contract assets at the end of the reporting period. The Group will calibrate the inputs and assumptions with forward-looking information. For instance, if forward-looking information (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the electricity sector, the loss rates are adjusted upward. The information about the ECLs on the Group's trade receivables and contract assets is set out in note 44 to the financial statements.

4. 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.

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

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 (note 5):				
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
Segment assets	5,175,135	4,414,305	4,168,233	13,757,673
Reconciliation:				
Elimination of intersegment receivables				(39,597)
Corporate and other unallocated assets				162,042
Total assets				13,880,118
Segment liabilities	2,381,654	1,283,049	2,678,978	6,343,681
Reconciliation:				
Elimination of intersegment payables				(133,590)
Corporate and other unallocated liabilities				893,407
Total liabilities				7,103,498

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2023 (Continued)

	Power advanced metering infrastructure RMB'000	Communication and fluid advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Unallocated RMB'000	Total RMB'000
Other segment information:					
Share of profits of an associate	—	—	756	—	756
Impairment losses on financial assets and contract assets, net	43,671	20,483	9,363	—	73,517
Provision for inventories included in cost of inventories sold	19,031	5,398	19,206	—	43,635
Depreciation and amortisation	129,299	65,028	80,368	2,117	276,812
Investment in an associate	—	—	9,151	—	9,151
Capital expenditure*	225,560	62,830	275,766	430	564,586

* Capital expenditure consists of additions to property, plant and equipment and other intangible assets.

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

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 (note 5):				
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
Segment assets	5,683,381	4,038,391	3,600,938	13,322,710
Reconciliation:				
Elimination of intersegment receivables				(426,778)
Corporate and other unallocated assets				130,123
Total assets				13,026,055
Segment liabilities	3,321,699	1,169,417	2,298,140	6,789,256
Reconciliation:				
Elimination of intersegment payables				(995,465)
Corporate and other unallocated liabilities				1,103,788
Total liabilities				6,897,579

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022 (Continued)

	Power advanced metering infrastructure RMB'000	Communication and fluid advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Unallocated RMB'000	Total RMB'000
Other segment information:					
Share of profits of an associate	—	—	3,235	—	3,235
Impairment losses on financial assets and contract assets, net	58,762	20,831	14,598	—	94,191
Impairment of goodwill	7,681	—	—	—	7,681
Provision for inventories included in cost of inventories sold	26,710	3,217	3,416	—	33,343
Depreciation and amortisation	138,182	66,966	58,775	3,076	266,999
Investment in an associate	—	—	8,395	—	8,395
Capital expenditure*	143,301	83,025	163,414	—	389,740

* Capital expenditure consists of additions to property, plant and equipment and other intangible assets.

Geographical information

(a) 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. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

(b) Non-current assets

	2023 RMB'000	2022 RMB'000
PRC	**2,785,426**	2,629,974
America	**166,613**	74,424
Asia, except for the PRC	**75,346**	2,102
Africa	**1,143**	580
Europe	**851**	—
Total non-current assets	**3,029,379**	2,707,080

The non-current asset information above excludes financial assets and deferred tax assets.

Information about a major customer

Revenue derived from sales of smart power meters to a customer which contributed over 10% of the consolidated revenue:

	2023 RMB'000	2022 RMB'000
Derived from the sales of smart power meters:		
Customer A	**777,174**	N/A*

* Revenue from the customer did not exceed 10% of total revenue in 2022.

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

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	**7,252,272**	5,855,844

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET (CONTINUED)

Revenue from contracts with customers

Disaggregated revenue information

Year ended 31 December 2023

Segments	Power advanced metering infrastructure RMB'000	Communication and fluid advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Total RMB'000
Types of goods or services				
Sales of smart power meters	2,650,357	—	—	2,650,357
Sales of communication terminals and water, gas and heat metering products	—	2,116,982	—	2,116,982
Sales of smart power distribution devices	—	—	2,351,537	2,351,537
System solution services	—	—	133,396	133,396
Total	2,650,357	2,116,982	2,484,933	7,252,272
Geographic markets				
PRC	1,314,688	1,890,104	2,448,225	5,653,017
America	996,492	—	27,776	1,024,268
Africa	210,176	73,640	1,651	285,467
Asia, except for the PRC	100,487	130,519	7,281	238,287
Europe	28,514	22,719	—	51,233
Total	2,650,357	2,116,982	2,484,933	7,252,272
Timing of revenue recognition				
Goods transferred at a point in time	2,650,357	2,116,982	2,351,537	7,118,876
Services rendered over time	—	—	133,396	133,396
Total	2,650,357	2,116,982	2,484,933	7,252,272

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET (CONTINUED)

Revenue from contracts with customers (Continued)

Disaggregated revenue information (Continued)

Year ended 31 December 2022

Segments	Power advanced metering infrastructure RMB'000	Communication and fluid advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Total RMB'000
Types of goods or services				
Sales of smart power meters	2,059,254	—	—	2,059,254
Sales of communication terminals and water, gas and heat metering products	—	1,899,331	—	1,899,331
Sales of smart power distribution devices	—	—	1,837,009	1,837,009
System solution services	—	2,521	57,729	60,250
Total	2,059,254	1,901,852	1,894,738	5,855,844
Geographic markets				
PRC	1,133,557	1,601,353	1,886,244	4,621,154
America	661,611	1,852	8,494	671,957
Africa	175,174	229,758	—	404,932
Asia, except for the PRC	70,682	68,862	—	139,544
Europe	18,218	27	—	18,245
Others	12	—	—	12
Total	2,059,254	1,901,852	1,894,738	5,855,844
Timing of revenue recognition				
Goods transferred at a point in time	2,059,254	1,899,331	1,837,009	5,795,594
Services rendered over time	—	2,521	57,729	60,250
Total	2,059,254	1,901,852	1,894,738	5,855,844

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET (CONTINUED)

Revenue from contracts with customers (Continued)

Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of smart power meters	**72,409**	39,381
Sales of communication terminals and water, gas and heat metering products	**41,687**	40,604
Sales of smart power distribution devices	**61,313**	31,261
Total	**175,409**	111,246

The Group sells smart power meters, communication terminals and water, gas and heat metering products and smart power distribution devices directly to customers.

The revenue from the sale of the above said products is generally recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products.

Upon the signing of a sales contract, a deposit from the customer amounting to approximately 10% of the invoiced amount may be requested. Upon shipment and acceptance of products by the customers, the invoiced amount will be settled by the customer by instalments. There are no specific credit terms granted to customers, but the Group allows credit periods ranging from 90 days to 365 days to its customers. 10% of the invoiced amount is withheld by customers and will be released to the Group upon the satisfaction of a one to two years' retention period. During the retention period, the Group will provide assurance-type repair and maintenances and other related services.

On the receipt of a deposit, a contract liability is recognised. On the shipment and acceptance of a product by the customer, the Group recognises the sales and a receivable and a contract asset (for the withheld portion) are recognised. Upon the completion of the retention period, the contract asset will be transferred to trade receivables.

The directors of the Company assessed the existence of a significant financing component and considered that the amount is insignificant at contract level.

The Group provides system solution services to customers on a project basis including developing and installing the systems and products at the customer's premises. As the Group's products cannot function without installation and the installation cannot be completed by the customers or other entities, the Group's promise to install the products is highly interrelated with the Group's promise to deliver the products. Therefore, the Group recognises the promise to deliver and install the products as one single performance obligation. Revenue from system solution services is recognised over time for each stage specified in the service contract.

Transaction price allocated to the remaining performance obligation for contracts with customers

The Group's contracts with customers are typically completed within one year. The Group elected to apply the practical expedient as the remaining performance obligation is part of a contract that has an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

	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
Sales 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.

6. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 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	13	**105,373**	86,225
Depreciation of investment properties	14	**342**	865
Depreciation of right-of-use assets	15(a)	**14,759**	14,778
Amortisation of other intangible assets (excluding the deferred expenditure amortised)*	17	**16,098**	15,529
Impairment of goodwill	16	**—**	7,681
Lease payments not included in the measurement of lease liabilities	15(c)	**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	17	**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 (note 8))			
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	5	**3,523**	(29,188)

6. PROFIT BEFORE TAX (CONTINUED)

* 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.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank loans	130,994	111,686
Interest on lease liabilities	536	814
Total	131,530	112,500

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	567	644
Other emoluments:		
Salaries, allowances and benefits in kind	5,693	4,182
Pension scheme contributions	150	160
Total	6,410	4,986

No share option was granted to directors during the years ended 31 December 2023 and 2022.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 RMB'000	2022 RMB'000
Mr. Luan Wenpeng	108	103
Mr. Cheng Shi Jie (retired on 1 June 2022)	—	104
Mr. Chan Cheong Tat	351	334
Mr. Wang Yaonan	108	103
Total	567	644

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

(b) Executive directors and chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023				
Executive director and chief executive:				
Mr. Kat Chit	—	1,621	—	1,621
Executive directors:				
Mr. Ji Wei	—	540	16	556
Ms. Zheng Xiao Ping	—	568	—	568
Mr. Tian Zhongping	—	655	24	679
Ms. Li Hong	—	1,505	77	1,582
Non-executive director:				
Ms. Cao Zhao Hui	—	804	33	837
Total	—	5,693	150	5,843

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and chief executive (Continued)

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022					
Executive director and chief executive:					
Mr. Kat Chit	(i)	—	684	—	684
Executive directors:					
Mr. Ji Wei		—	513	15	528
Ms. Zheng Xiao Ping		—	555	—	555
Mr. Tian Zhongping		—	497	49	546
Ms. Li Hong		—	1,176	63	1,239
Non-executive director:					
Ms. Cao Zhao Hui	(ii)	—	757	33	790
Total		—	4,182	160	4,342

Notes:

(i) On 1 June 2022, Mr. Kat Chit was redesignated from a non-executive director of the Company to an executive director of the Company. He was also appointed as the chief executive officer of the Company on the same date.

(ii) On 1 June 2022, Ms. Cao Zhao Hui was redesignated from an executive director of the Company to a non-executive director of the Company. She has also retired as the chief executive officer of the Company on the same date.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included four (2022: four) directors of the Company. Details of the remuneration for the year of the remaining one (2022: one) highest paid employee who is a non-director of the Company are as follows:

	2023	2022
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,550**	1,489
Pension scheme contributions	**16**	15
Equity-settled share award expenses	**121**	—
Total	**1,687**	1,504

The remuneration of the non-director highest paid employee fell within the following band:

	Number of employees	
	2023	2022
HK$1,500,001 to HK$2,000,000	**1**	1

No share options were granted to the non-director and non-chief executive highest paid employee in respect of his services to the Group during the years ended 31 December 2023 and 2022.

Under the share award scheme, 50,000 shares were distributed to the non-director and non-chief executive highest paid employee in respect of his services to the Group during the year ended 31 December 2023 (2022: Nil).

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

10. 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 RMB'000	2022 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 (note 33)	**(21,288)**	(26,309)
Total tax charge for the year	**100,139**	71,274

10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions where the operations of the Group are substantially based to the tax expense at the effective tax rate is as follows:

	2023 **RMB'000**	2022 RMB'000
Profit before tax	**860,732**	582,434
Tax at the statutory tax rate at 25%	**215,184**	145,609
Expenses not deductible for tax	**66,955**	37,155
Income not subject to tax	**(3,132)**	(5,685)
Lower tax rate enacted by local authority	**(18,794)**	(8,564)
Tax concessions/exemption granted to PRC and Macau subsidiaries	**(88,137)**	(69,164)
Additional tax deduction on research and development expenses of PRC subsidiaries	**(81,801)**	(48,493)
Tax losses not recognised	**10,892**	20,484
Tax losses utilised from previous periods	**(4,571)**	(4,883)
Adjustments in respect of current tax of previous periods	**(1,529)**	2,942
Profits attributable to an associate	**(189)**	(809)
Withholding tax at 10% on the PRC subsidiary's dividend income	**5,261**	2,682
Tax charge	**100,139**	71,274

The share of tax attributable to an associate amounting to RMB229,000 (2022: RMB30,000) is included in "Share of profits of an associate" in the profit or loss.

11. DIVIDENDS

	2023 **RMB'000**	2022 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.

12. 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 as disclosed in note 35 to the financial statements, 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 as disclosed in note 35 to the financial statements was higher than the average market price of the Company's shares during the years.

	2023 **RMB'000**	2022 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 **Number of shares**	2022 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

13. PROPERTY, PLANT AND EQUIPMENT

	Owned buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023:							
Cost	1,308,832	81,323	529,495	117,661	35,847	200,094	2,273,252
Accumulated depreciation	(229,621)	(42,924)	(275,423)	(89,734)	(19,981)	—	(657,683)
Net carrying amount	1,079,211	38,399	254,072	27,927	15,866	200,094	1,615,569
At 31 December 2022 and 1 January 2023, net of accumulated depreciation	1,079,211	38,399	254,072	27,927	15,866	200,094	1,615,569
Additions	118,033	12,375	118,943	12,476	1,574	182,892	446,293
Acquisition of a subsidiary (note 37)	—	—	1,138	55	—	—	1,193
Transfer	131,928	608	—	174	—	(132,710)	—
Transfer to investment properties (note 14)	(991)	—	—	—	—	—	(991)
Disposals/write-off	(2,657)	—	(8,326)	(717)	(37)	—	(11,737)
Depreciation provided during the year	(25,097)	(14,083)	(51,851)	(11,922)	(2,420)	—	(105,373)
Exchange realignment	5,210	823	5,233	764	(8)	1,203	13,225
At 31 December 2023, net of accumulated depreciation	1,305,637	38,122	319,209	28,757	14,975	251,479	1,958,179
At 31 December 2023:							
Cost	1,560,602	95,099	633,257	121,434	36,115	251,479	2,697,986
Accumulated depreciation	(254,965)	(56,977)	(314,048)	(92,677)	(21,140)	—	(739,807)
Net carrying amount	1,305,637	38,122	319,209	28,757	14,975	251,479	1,958,179

13. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Owned buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022							
At 1 January 2022:							
Cost	1,302,510	60,881	412,315	106,783	32,989	144,425	2,059,903
Accumulated depreciation	(206,062)	(31,172)	(253,032)	(79,775)	(17,654)	—	(587,695)
Net carrying amount	1,096,448	29,709	159,283	27,008	15,335	144,425	1,472,208
At 31 December 2021 and 1 January 2022, net of accumulated depreciation	1,096,448	29,709	159,283	27,008	15,335	144,425	1,472,208
Additions	4,872	34,637	135,681	10,720	2,316	58,110	246,336
Transfer	553	2,200	—	—	563	(3,316)	—
Disposals/write-off	—	(11,064)	(8,345)	(58)	(10)	—	(19,477)
Depreciation provided during the year	(23,428)	(17,210)	(32,749)	(10,495)	(2,343)	—	(86,225)
Exchange realignment	766	127	202	752	5	875	2,727
At 31 December 2022, net of accumulated depreciation	1,079,211	38,399	254,072	27,927	15,866	200,094	1,615,569
At 31 December 2022:							
Cost	1,308,832	81,323	529,495	117,661	35,847	200,094	2,273,252
Accumulated depreciation	(229,621)	(42,924)	(275,423)	(89,734)	(19,981)	—	(657,683)
Net carrying amount	1,079,211	38,399	254,072	27,927	15,866	200,094	1,615,569

At 31 December 2023, the Group's owned buildings with a carrying amount of RMB538,477,000 (2022: RMB37,470,000) were pledged as security for the Group's bank loans, as further detailed in note 32 to the financial statements.

14. INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000
At 1 January:		
Cost	**17,985**	17,985
Accumulated depreciation	**(3,615)**	(2,750)
Net carrying amount	**14,370**	15,235
At 1 January	**14,370**	15,235
Transfer from property, plant and equipment (note 13)	**991**	—
Depreciation provided during the year	**(342)**	(865)
At 31 December, net of accumulated depreciation	**15,019**	14,370
At 31 December:		
Cost	**18,976**	17,985
Accumulated depreciation	**(3,957)**	(3,615)
Net carrying amount	**15,019**	14,370

The Group's investment properties consist of 3 (2022: 3) commercial spaces in the PRC. The directors of the Company determined that the Group's investment properties consist of different classes of assets based on the nature, characteristics and risks of each property. The fair value of the Group's investment properties at 31 December 2023 was RMB23,788,000 (2022: RMB23,762,000), based on valuations performed by Hunan Pengcheng Asset Real Estate Appraisal Co., Ltd., independent professionally qualified valuers.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2023 using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Recurring fair value measurement for:				
Investment properties	—	—	23,788	23,788

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Investment properties	—	—	23,762	23,762

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

Set out below is a summary of the valuation technique used and the key input to the valuation of investment properties:

	Valuation technique	**Significant unobservable input**	**Range or weighted average**	
			2023	2022
Investment properties	Direct comparison Approach	Prevailing market price (per sq. m.)	**RMB3,950 to RMB4,905**	RMB3,946 to RMB4,899

Direct comparison approach

The fair value of investment properties is generally derived using the direct comparison method.

The valuation was arrived at by adopting the direct comparison approach with reference to the recent transactions of similar properties under the prevailing property market conditions. A significant increase (decrease) in the prevailing market price in isolation would result in a significant increase (decrease) in the fair value of the investment properties.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 1 year and 12 years (2022: 6 months and 12 years). Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside of the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold lands RMB'000	**Leased properties** RMB'000	**Total** RMB'000
As at 1 January 2022	181,730	16,413	198,143
Additions	—	8,714	8,714
Depreciation provided for the year	(3,444)	(11,334)	(14,778)
Exchange realignment	—	(452)	(452)
As at 31 December 2022 and 1 January 2023	**178,286**	**13,341**	**191,627**
Additions	**—**	**6,393**	**6,393**
Depreciation provided for the year	**(3,109)**	**(11,650)**	**(14,759)**
Exchange realignment	**—**	**577**	**577**
As at 31 December 2023	**175,177**	**8,661**	**183,838**

At 31 December 2023, the Group's leasehold lands with a carrying amount of RMB39,854,000 (2022: Nil) were pledged as security for the Group's bank loans, as further detailed in note 32 to the financial statements.

15. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**13,826**	16,789
New leases	**6,393**	8,714
Accretion of interest recognised during the year	**536**	814
Payments	**(12,202)**	(12,050)
Exchange realignment	**463**	(441)
Carrying amount at 31 December	**9,016**	13,826

	2023 RMB'000	2022 RMB'000
Analysed into:		
Current portion	**5,221**	9,291
Non-current portion	**3,795**	4,535
Carrying amount at 31 December	**9,016**	13,826

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**536**	814
Depreciation charge of right-of-use assets	**14,759**	14,778
Expense relating to short-term leases (included in administrative expense)	**19,139**	10,286
Total amount recognised in profit or loss	**34,434**	25,878

(d) The total cash outflow for leases is disclosed in note 38(b) to the financial statements.

15. LEASES (CONTINUED)

The Group as a lesser

The Group leases its investment properties (note 14) consisting of 3 (2022: 3) commercial spaces in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMB2,395,000 (2022: RMB1,431,000), details of which are included in note 5 to the financial statements.

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 **RMB'000**	2022 RMB'000
Within one year	**600**	362

16. GOODWILL

	2023 **RMB'000**	2022 RMB'000
At 1 January:		
Cost	**345,989**	345,989
Accumulated impairment	**(15,353)**	(7,672)
Net carrying amount	**330,636**	338,317
At 1 January	**330,636**	338,317
Impairment during the year	**—**	(7,681)
At 31 December, net of accumulated impairment	**330,636**	330,636
At 31 December:		
Cost	**345,989**	345,989
Accumulated impairment	**(15,353)**	(15,353)
Net carrying amount	**330,636**	330,636

16. GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units ("CGU") for impairment testing:

- Power advanced metering infrastructure CGU;
- Communication and fluid advanced metering infrastructure CGU; and
- Advanced distribution operations CGU

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2023 **RMB'000**	2022 RMB'000
Power advanced metering infrastructure CGU	**217,601**	217,601
Communication and fluid advanced metering infrastructure CGU	**53,495**	53,495
Advanced distribution operations CGU	**59,540**	59,540
Total	**330,636**	330,636

The basis of the value-in-use calculations of the above CGUs or group of CGUs containing goodwill and their major underlying assumptions are summarised below:

	Power advanced metering infrastructure CGU	**Communication and fluid advanced metering infrastructure CGU**	**Advanced distribution operations CGU**	**Brazil power advanced metering infrastructure CGU**
Terminal growth rates				
2023	2.0%	2.0%	2.0%	—
2022	2.0%	2.0%	2.0%	3.0%
Pre-tax discount rates				
2023	15.64%	14.55%	13.1%	—
2022	15.0%	14.1%	12.9%	24.4%

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Assumptions were used in the cash flow projections of the CGUs for 31 December 2023 and 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rates — The growth rates are determined with reference to the growth rate for the relevant units, adjusted for relevant businesses and market development, and economic conditions.

The values assigned to the key assumptions on market development of the respective industries, budgeted gross margins, discount rates and growth rates are consistent with external information sources.

As at 31 December 2022, the estimated recoverable amount of the Brazil power advanced metering infrastructure CGU was below its carrying amount by RMB7,681,000 because the market conditions were out of the management's expectation and an impairment loss of RMB7,681,000 was recognised in the profit or loss during the year ended 31 December 2022.

17. OTHER INTANGIBLE ASSETS

	Development costs* RMB'000	Patents, copyrights and trademarks RMB'000	Technology know-how RMB'000	Customer relationship and contracts RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023:					
Cost	**1,509,694**	**118,018**	**126,025**	**64,818**	**1,818,555**
Accumulated amortisation	**(1,016,647)**	**(91,899)**	**(102,952)**	**(60,574)**	**(1,272,072)**
Net carrying amount	**493,047**	**26,119**	**23,073**	**4,244**	**546,483**
Cost at 1 January 2023, net of accumulated amortisation	**493,047**	**26,119**	**23,073**	**4,244**	**546,483**
Additions	**98,877**	**19,416**	**—**	**—**	**118,293**
Acquisition of a subsidiary (note 37)	**—**	**15,388**	**—**	**—**	**15,388**
Amortisation provided during the year	**(140,240)**	**(7,230)**	**(6,546)**	**(2,322)**	**(156,338)**
Net carrying amount	**451,684**	**53,693**	**16,527**	**1,922**	**523,826**
At 31 December 2023:					
Cost	**1,608,571**	**152,823**	**126,025**	**64,818**	**1,952,237**
Accumulated amortisation	**(1,156,887)**	**(99,130)**	**(109,498)**	**(62,896)**	**(1,428,411)**
Net carrying amount	**451,684**	**53,693**	**16,527**	**1,922**	**523,826**
31 December 2022					
At 1 January 2022:					
Cost	1,385,934	98,374	126,025	64,818	1,675,151
Accumulated amortisation	(867,045)	(86,387)	(95,257)	(58,252)	(1,106,941)
Net carrying amount	518,889	11,987	30,768	6,566	568,210
Cost at 1 January 2022, net of accumulated amortisation	518,889	11,987	30,768	6,566	568,210
Additions	123,760	19,644	—	—	143,404
Amortisation provided during the year	(149,602)	(5,512)	(7,695)	(2,322)	(165,131)
Net carrying amount	493,047	26,119	23,073	4,244	546,483
At 31 December 2022:					
Cost	1,509,694	118,018	126,025	64,818	1,818,555
Accumulated amortisation	(1,016,647)	(91,899)	(102,952)	(60,574)	(1,272,072)
Net carrying amount	493,047	26,119	23,073	4,244	546,483

* Development costs represent expenses capitalised during the development phase of internal projects for the development of new technology and new products expected to generate future economic benefits through transfer of goods to customers.

18. INVESTMENT IN A JOINT VENTURE

	2023 RMB'000	2022 RMB'000
Cost of investment	**24,000**	24,000
Cumulative share of post-acquisition losses and other comprehensive expenses	**(24,000)**	(24,000)
Total	**—**	—

Particulars of the Group's joint venture are as follows:

Name	Particular of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Smart Metering Solution (Changsha) Co., Ltd. Limited ("Smart Metering")	Ordinary shares	The PRC/Chinese Mainland	51	Research, development, manufacturing, and selling meter products, meter data management systems, smart meter solution systems and the provision of related consulting services

The Group's shareholding in the joint venture is held through a wholly-owned subsidiary of the Company.

According to the Memorandum of Association of Smart Metering, unanimous consent from all directors is required for major business operating and financing decisions. The directors of the Company consider that no control is obtained and the investment in Smart Metering was classified as an investment in a joint venture.

The investment in a joint venture is accounted for using the equity method in these consolidated financial statements.

The Group has discontinued the recognition of its share of losses of the joint venture because the share of losses of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of profit of this joint venture for the current year and unrecognised share of losses cumulatively were RMB3,555,000 (2022: RMB2,990,000) and RMB6,407,000 (2022: RMB9,962,000), respectively.

19. INVESTMENT IN AN ASSOCIATE

	2023	2022
	RMB'000	RMB'000
Cost of investment	**5,160**	5,160
Gain on bargain purchase	**3,123**	3,123
	8,283	8,283
Share of post-acquisition profits	**868**	112
	9,151	8,395

Particulars of the Group's associate are as follows:

Name	Particular of issued shares held	Place of registration and business	Effective interest attributable to the Group	Principal activity
Xiang Tan Wei Tai Photovoltaic Power Generation Co., Ltd. ("Wei Tai")	Ordinary shares	The PRC/Chinese Mainland	20.4%	Manufacture of solar power plants

On 25 August 2022, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of 30% equity interest in Wei Tai as at the date of acquisition.

The acquisition was completed on 13 September 2022 and a gain on bargain purchase amounting to RMB3,123,000, which arose from the excess of the Group's interests in the fair value of identifiable net assets of Wei Tai attributable to shareholders over the purchase consideration of Wei Tai at the date of acquisition, was recognised for the year ended 31 December 2022 and included in "Share of profits of an associate" in the profit or loss.

The Group's shareholding in Wei Tai is held through a partial wholly-owned subsidiary of the Group, and the percentage of the Company's voting power held and profit sharing entitlement in relation to Wei Tai is approximately 30%.

The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	2023	2022
	RMB'000	RMB'000
Share of the associate's profit for the year	**756**	112
Share of the associate's total comprehensive income	**756**	112
Carrying amount of the Group's investment in the associate	**9,151**	8,395

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

	Notes	2023 RMB'000	2022 RMB'000
Equity investments designated at FVTOCI			
Equity investments listed in Hong Kong, at fair value		**12,816**	17,103
Equity investments listed in the PRC, at fair value		**663**	1,530
Unlisted equity investment — A, at fair value	(i)	**37,341**	35,504
Unlisted equity investment — B, at fair value	(ii)	**6,371**	4,235
Unlisted equity investment — C, at fair value	(iii)	**8,580**	8,298
Total		**65,771**	66,670

Notes:

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

(ii) During the year ended 31 December 2022, the Group and independent third parties established a private entity in the PRC, with total cash consideration of RMB6,000,000, of which part of the investment costs of RMB3,600,000 was paid by the Group in cash during the year ended 31 December 2022, and the remaining investment costs of RMB2,400,000 were paid by the Group in cash during the year ended 31 December 2023. As at 31 December 2023, the percentage of Group's shareholding was 3.0% (2022: 2.58%).

(iii) During the year ended 31 December 2022, the Group invested in a private entity in the PRC, and the percentage of Group's shareholding was 7.88% with total cash consideration of RMB8,298,000 paid by the Group.

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

During the year ended 31 December 2023, the Group received dividends in the amount of RMB3,955,000 (2022: RMB464,000) from certain of its equity investments.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2023 RMB'000	2022 RMB'000
Unlisted investments in a trust fund, at fair value	(i)	**200,000**	200,000
Unlisted preference shares, at fair value	(ii)	**10,032**	10,000
Unlisted fund investments, at fair value	(iii)	**16,117**	8,000
		226,149	218,000
Less: Current portion		**(200,000)**	—
Total		**26,149**	218,000

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

Notes:

(i) Amounts represent investments in trust funds made by the Group through a financial institution. The trust funds invest in ranges of debt instrument products which are generally government bonds and corporate loans. The trust fund investments of RMB120,000,000 and RMB80,000,000 will expire on 27 April 2024 and 2 May 2024, respectively, and the balances are classified as current assets as at 31 December 2023.

(ii) During the year ended 31 December 2022, the Group invested in a private entity in the PRC with total cash consideration of RMB10,000,000 paid by the Group in cash, and the Group has preferential right to subscribe any future shares allotted to maintain it shareholding percentage or dispose of the shares at the same proportion as that of the other shareholders if any of such shareholders propose to dispose of its shares.

(iii) During the year ended 31 December 2022, the Group invested in a private limited partnership ("private fund") in the PRC with total cash consideration of RMB8,000,000, and the percentage of Group's shareholding was 18.1%. On 1 September 2023, the Group further invested in the private fund with cash consideration of RMB8,000,000, and thus, the percentage of Group's shareholding increase to 19.14% as at 31 December 2023.

22. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**261,096**	347,476
Work in progress	**305,683**	391,906
Finished goods	**639,140**	341,453
Total	**1,205,919**	1,080,835

23. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 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 RMB'000	2022 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

Details related to ECLs are set out in note 44 to the financial statements.

24. CONTRACT ASSETS

	2023 RMB'000	2022 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.

Details related to ECLs are set out in note 44 to the financial statements.

25. LOAN RECEIVABLES

	2023 RMB'000	2022 RMB'000
Loan receivables	**85,000**	85,000

The amounts represent loans advanced by the Group to independent third parties under entrusted loan contracts. The interest rate changed from 12% to 6% per annum with effective from 1 July 2023 and the amounts are repayable in August 2025.

As at 31 December 2023, the Group's loan receivables amounting to RMB85,000,000 (2022: RMB85,000,000) were guaranteed by an independent third party.

Management has performed credit risk assessment by performing a background search on the borrowers. Details related to ECLs are set out in note 44 to the financial statements.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2023 RMB'000	2022 RMB'000
Life insurance products	(i)	**64,759**	61,560
Prepayment for acquisition of intangible asset		**8,730**	—
Non-current portion		**73,489**	61,560
Purchase prepayments	(ii)	**299,420**	357,373
Bidding deposits		**30,083**	37,278
Other prepayments		**34,689**	35,438
Other receivables		**52,359**	75,732
Consideration receivable for disposal of subsidiaries (iii)		**71,039**	69,350
Consideration receivable for disposal of unlisted equity instruments	(iv)	**21,820**	21,302
Loan receivable from a joint venture	(v)	**17,850**	17,850
VAT recoverable		**275,346**	292,903
Current portion		**802,606**	907,226
Total		**876,095**	968,786

Notes:

(i) In prior years, the Company entered into three life insurance policies with an insurance company to insure three executive directors. Under these policies, the beneficiary and policy holder are the Company. The Company is required to pay an upfront payment for each policy. The Company may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged. If such withdrawal is made at any time during the first to the fifteenth or eighteenth policy years, as appropriate, a pre-determined specified surrender charge would be imposed on the Company. The carrying value of the life insurance products represented the cash surrender value of the insurance contracts.

Particulars of the policies are as follows:

Policy	Insured sum	Upfront payment	Guaranteed interest rates	
			First year	Second year and onwards
Policy A	US$7,557,000	US$3,421,000	4.25% per annum	3% per annum
Policy B	US$10,000,000	US$1,771,000	4% per annum	2% per annum
Policy C	US$13,741,418	US$3,229,513	4.25% per annum	2% per annum

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Notes: (Continued)

(ii) During the year ended 31 December 2023, the Group entered into purchase contracts with certain suppliers in order to secure material supply. The purchase prepayments will be utilised within one year from the end of the reporting period.

(iii) The balance is unsecured, non-guaranteed, carries fixed interest at 4.35% (2022: 4.35%) per annum and is repayable in 2024 with a repayable on demand clause.

(iv) The balance is unsecured, non-guaranteed, carries fixed interest at 4.35% (2022: 4.35%) per annum and is repayable in 2024 with a repayable on demand clause.

(v) The amount represents an unsecured, non-guaranteed short-term loan to a joint venture which carries fixed interest at 4.35% (2022: 4.35%) per annum and is repayable in 2024.

Details related to ECLs are set out in note 44 to the financial statements.

27. STRUCTURED DEPOSITS

Structured deposits were stated at fair value and represented several deposits placed with banks. The structured deposits were mandatorily classified as financial assets at fair value through profit or loss. As at 31 December 2023, the Group had investment in structured deposits of RMB120,000,000 (2022: RMB70,000,000) and total interest income of approximately RMB7,686,000 (2022: RMB12,593,000) was recognised by the Group during the year.

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

28. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	Note	**2023** **RMB'000**	2022 RMB'000
Cash and bank balances		**2,765,792**	2,480,312
Time deposits		**440,000**	310,000
Subtotal		**3,205,792**	2,790,312
Less: Pledged for bank loans	32(b)	**(560,896)**	(762,384)
Total		**2,644,896**	2,027,928

28. CASH AND BANK BALANCES AND PLEDGED DEPOSITS (CONTINUED)

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB2,861,857,000 (2022: RMB2,540,228,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits were made for varying periods of between one day and a year depending on the immediate cash requirements of the Group, and earned interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

29. TRADE AND BILLS PAYABLES

	2023 **RMB'000**	2022 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 **RMB'000**	2022 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.

30. OTHER PAYABLES AND ACCRUALS

	Notes	2023 RMB'000	2022 RMB'000
Accruals		**143,565**	115,253
Deferred income	(a)	**42,380**	1,211
Other payables	(b)	**110,422**	117,119
Contract liabilities	(c)	**156,764**	175,409
Total		**453,131**	408,992

Notes:

(a) During the year, the Group received subsidies of RMB42,380,000 from local authorities for multiple research and development projects. These grants are held as deferred income and recognised to profit or loss on a systematic basis to match schedule of relevant projects for period ranging from one to three years. During the year ended 31 December 2023, subsidies of RMB1,211,000 (2022: RMB564,000) had been recognised and included in government grants of "Other income, gains and losses, net" in profit or loss.

(b) Other payables are non-interest-bearing and have an average term of three months.

(c) Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Short-term advances received from customers			
Sale of goods	**156,764**	175,409	111,246

Contract liabilities include short-term advances received from customers to deliver metering products. The decrease in contract liabilities in 2023 was mainly due to the fulfilment of contract during the current period for biddings won in December 2022 and recognised as contract liabilities as revenue.

31. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss comprise:

	2023 RMB'000	2022 RMB'000
Forward currency contracts (note)	**49,939**	37,940

Note: As at 31 December 2023, the Group had entered into forward currency contracts, which are not designated for hedge purposes and are measured at fair value through profit or loss. There was a loss in the fair values of non-hedging currency derivatives of RMB34,866,000 (2022: RMB37,940,000) charged to profit or loss during the year.

32. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Effective interest rate	**Maturity**	**RMB'000**	Effective interest rate	Maturity	RMB'000
Floating interest rate						
Bank loans — unsecured	**3.10%–8.59%**	**2024–2028**	**1,970,417**	2.40%–4.75%	2023–2026	1,999,096
Bank loans — secured	**6.38%**	**2024**	**45,310**	4.80%	2026	45,360
Subtotal			**2,015,727**			2,044,456
Fixed interest rate						
Bank loans — unsecured	**3.00%–7.28%**	**2024-2026**	**354,982**	3.00%–4.80%	2023-2026	509,821
Trust receipt loans — unsecured	**0.90%–3.00%**	**2024**	**143,737**	1.55%–2.00%	2023	107,365
Subtotal			**498,719**			617,186
Total			**2,514,446**			2,661,642

The maturity of the above bank borrowings is as follows:

	2023 RMB'000	2022 RMB'000
Analysed into:		
Within one year or on demand	**1,679,302**	1,714,799
In the second year	**620,394**	411,973
In the third to fifth years, inclusive	**214,750**	534,870
Total	**2,514,446**	2,661,642

Notes:

(a) As at 31 December 2023, bank borrowings of RMB1,196,111,000 were denominated in HK$ at the Hong Kong Interbank Offered Rates ("HIBOR") plus 0.9% to 2.6% and bank borrowing of RMB1,318,335,000 were denominated in RMB with fixed interest rates ranging from 0.9% to 3.70% or floating rate at the Loan Prime Rate ("LPR") plus 0% to 0.2%.

As at 31 December 2022, bank borrowings of RMB1,122,096,000 were denominated in HK$ at HIBOR plus 1.8% to 2.6% and RMB1,539,546,000 were denominated in RMB with fixed interest rates ranging from 1.55% to 4.80% or floating rate at LPR plus 0% to 1.37%.

32. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

Notes: (Continued)

(b) The Group's bank borrowings are secured by charges over certain assets of the Group as follows:

	Notes	2023 RMB'000	2022 RMB'000
Property, plant and equipment	13	**538,477**	37,470
Leasehold lands	15	**39,854**	—
Pledged deposits	28	**560,896**	762,384
Total		**1,139,227**	799,854

33. DEFERRED TAX

The movements in deferred tax liabilities and assets during the years are as follows:

	Fair value adjustments of right-of-use assets, property, plant and equipment and intangible assets arising on business combination RMB'000	Withholding taxes RMB'000	Fair value adjustments of equity instruments at FVTOCI RMB'000	ECL provision RMB'000	Unrealised profit on inventories RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022	(20,572)	(3,811)	4,660	35,246	12,154	27,677
Deferred tax (debited)/credited to profit or loss during the year (note 10)	10,782	(2,682)	—	9,127	9,082	26,309
Deferred tax credited to other comprehensive income	—	—	982	—	—	982
Reversal upon payment of withholding tax	—	2,997	—	—	—	2,997
At 31 December 2022 and 1 January 2023	(9,790)	(3,496)	5,642	44,373	21,236	57,965
Deferred tax (debited)/credited to profit or loss during the year (note 10)	902	(5,261)	—	12,120	13,527	21,288
Deferred tax debited to other comprehensive income	—	—	(246)	—	—	(246)
Reversal upon payment of withholding tax	—	3,709	—	—	—	3,709
At 31 December 2023	(8,888)	(5,048)	5,396	56,493	34,763	82,716

33. DEFERRED TAX (CONTINUED)

Deferred tax assets and liabilities have not been offset for the purpose of presentation in the consolidated statement of financial position as they are not levied to the same taxable entity by the same tax authority. The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**119,564**	91,464
Deferred tax liabilities	**(36,848)**	(33,499)
	82,716	57,965

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group.

At 31 December 2023, deferred tax of RMB5,048,000 (2022: RMB3,496,000) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland (note 10). Except for this, the aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities of approximately RMB468,995,000 (2022: RMB409,806,000) at 31 December 2023 have not been recognised, because it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

The Group has tax losses arising in Mainland China of RMB163,256,000 (2022: RMB196,264,000) that will expire in one to five years for offsetting against future taxable profits and tax losses arising in Brazil of RMB54,934,000 (2022: RMB31,935,000) that may be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be recognised.

There are no income tax consequences attaching to the payment of dividend by the Company to its shareholders.

34. SHARE CAPITAL

	2023 HK$'000	2022 HK$'000
Authorised:		
100,000,000,000 ordinary shares of HK$0.01 each	**1,000,000**	1,000,000

	2023 RMB'000	2022 RMB'000
Issued and fully paid:		
995,879,675 (2022: 995,879,675) ordinary shares of HK$0.01 (2022: HK$0.01) each	**9,906**	9,906

35. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

The Company's share option scheme (the "Scheme") was adopted for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity"). Eligible participants of the Scheme include directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any members of the Group or any Invested Entity or any holder of any securities issued by any members of the Group or any Invested Entity. The Scheme became effective on 16 May 2016 and, unless otherwise terminated or amended, will remain in force for 10 years. As at 31 December 2023, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 18,000,000 (2022: 18,000,000), representing approximately 1.8% (2022: 1.8%) of the then issued share capital of the Company.

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes or share award schemes of the Group must not in aggregate exceed 10% of the Company's shares in issue as at the first date of listing. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time unless prior approval has been obtained from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant. There is no minimum period for which an option must be held before the exercise of the subscription right attaching hereto except otherwise imposed by the board of directors. The exercise price is specified in the rules governing the share option scheme and shall not be lower than the highest of the (i) official closing price of the ordinary shares of the Company on the Stock Exchange on the date of the offer of grant of options; (ii) the average of the official closing prices of the ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of an ordinary share of the Company.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the Scheme as an equity-settled plan.

35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share option scheme (Continued)

The following table discloses movements of the Company's share options held by employees and consultants during the current and prior year under the Scheme:

Category	Date of grant	Vesting period	Exercise period	Exercise price* HK$	Outstanding 1 January 2022	Exercised during the year	Outstanding 31 December 2022	Exercise during the year	Outstanding 31 December 2023
Employees	10.2.2014	10.2.2014 to 9.2.2017	10.2.2017 to 9.2.2024	4.680	9,000,000	—	9,000,000	—	9,000,000
Consultants	10.2.2014	10.2.2014 to 9.2.2018	10.2.2018 to 9.2.2024	4.680	9,000,000	—	9,000,000	—	9,000,000
Total					18,000,000	—	18,000,000	—	18,000,000
Exercisable at year end					18,000,000		18,000,000		18,000,000
Weighted average exercise price (HK$)					4.680		4.680		4.680

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

No share option was granted or exercised during the year ended 31 December 2023 (2022: Nil).

At the end of the reporting period, the Company had 18,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 18,000,000 additional ordinary shares of the Company and additional share capital of HK$180,000 (equivalent to RMB163,116) and share premium of HK$84,060,000 (equivalent to RMB76,175,172) (before issue expenses).

At the date of approval of these financial statements, the Company had 18,000,000 share options outstanding under the Scheme, which represented approximately 1.8% of the Company's shares in issue as at that date.

No share-based payment expenses have been recognised in profit or loss for the both years as the share options were fully vested in 2017 and 2018, respectively.

Share award scheme

The Company's share award scheme (the "Share Award Scheme") was adopted pursuant to a resolution passed on 3 May 2016. Pursuant to the Share Award Scheme under which eligible employees are entitled to participate. The purpose of the Share Award Scheme is to recognise the contribution by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and also to attract suitable personnel for further development of the Group. The Share Award Scheme became effective on 3 May 2016 and, unless otherwise terminated or amended, will remain in force for 10 years.

35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share award scheme (Continued)

The Share Award Scheme is operated through a trustee which is independent of the Group and has the right to, among other conditions, in its sole discretion, determine whether the shares are to be purchased on or off the Stock Exchange from time to time, unless during the year in which the directors of the Company are prohibited by the Listing Rules or any corresponding codes or securities dealing restrictions adopted by the Company. The aggregate number of shares to be awarded under the Share Award Scheme and any other share option schemes or share award schemes of the Group must not in aggregate exceed 10% of the Company's shares in issue at the first date of listing.

The directors would notify the trustee of the Share Award Scheme in writing upon the grant of any award to any participants. Upon the receipt of such notice, the trustee would set aside the appropriate number of awarded shares in the pool of shares. No new shares would be allotted and issued to satisfy the awards granted under the Share Award Scheme.

The following shares were outstanding under the Share Award Scheme during the year:

	Notes	**2023 Number of shares '000**	2022 Number of shares '000
At 1 January			
Number of shares held by the trustee		**9,694**	10,894
Maximum number of shares available for grant		**95,288**	96,488
At 31 December			
Number of shares held by the trustee		**6,724**	9,694
Number of shares granted but not yet vested		**2,970**	—
Maximum number of shares available for grant*		**92,318**	95,288
Granted during the year	(a)	**2,970**	1,200
Vesting during the year	(a)	**—**	1,200

* As mentioned above, the Company shall not make any further award of shares which will result in the aggregate number of the shares granted under the Share Award Scheme exceeding 10% of the number of issued shares of the Company from time to time. For the avoidance of doubt, shares awarded but lapsed in accordance with the terms of the Share Award Scheme will not be counted for the purpose of calculating the aforesaid 10% scheme limit.

35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share award scheme (Continued)

Note:

(a) For the year ended 31 December 2023, a total of 2,970,000 shares (0.3% of equity interest in the Company as at 31 December 2023) were granted to 93 selected employees of the Group which have a vesting period of 12 months. The fair value of the share awards was RMB7,941,000, based on closing prices of share at date of grant amounted of HK$2.93 to HK$3.36 per share.

For the year ended 31 December 2022, a total of 1,200,000 shares (0.1% of equity interest in the Company as at 31 December 2022) were granted to 4 selected employees of the Group. There was no vesting period for these equity interest granted and immediately vested to the 4 selected employees on 10 October 2022. The fair value of the share awards was RMB2,104,000, based on closing price of share at date of grant amounted of HK$2.05 per share.

During the year ended 31 December 2023, share based payment of RMB7,396,000 (2022: RMB2,104,000) was charged to profit or loss.

The fair value of services received in return for a share award granted is measured by reference to the fair value of the share award granted by the Group. The fair value of the share award granted is measured as the market value at the grant date.

36. RESERVES

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

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

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

(iv) Other reserve mainly comprises equity transactions credited to the other reserves, and the excess balance of share award plan assets under the share award plan of the Company upon termination of the plan, amounting to RMB237,910,000 and RMB33,164,000 respectively.

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

During the year ended 31 December 2023, Wasion Energy Technology Co., Ltd. ("Wasion Electric"), a non-wholly-owned subsidiary of the Group issued 28,082,298 ordinary shares, equivalent to 3.73% equity interests, to its non-controlling shareholder for a consideration of RMB3.50 to RMB3.68 per share, and a total consideration of approximately RMB100,000,000. The difference of RMB20,945,000 between the non-controlling interests and the consideration was credited to other reserve.

During the year ended 31 December 2023, the Group disposed of 4,759,186 ordinary shares, equivalent to 0.95% equity interests in Willfar Information Technology Co., Ltd., a non-wholly-owned subsidiary established in the PRC and listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange, through the market for a total consideration of RMB142,560,000. The difference of RMB113,904,000 between the non-controlling interests and the consideration was credited to other reserve.

During the year ended 31 December 2022, the Group acquired 4,999,877 ordinary shares, equivalent to 1.00% equity interests in Willfar Information Technology Co., Ltd., a non-wholly-owned subsidiary established in the PRC and listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange, from the market at a total consideration of RMB97,707,000. The difference of RMB58,220,000 between the non-controlling interests recognised and the consideration was debited to other reserve.

During the year ended 31 December 2022, Wasion Electric, a non-wholly-owned subsidiary of the Group, issued 27,011,765 ordinary shares, equivalent to 5.46% equity interests, to its non-controlling shareholder for a consideration of RMB1.7 per share totalling approximately RMB45,920,000. The difference of RMB21,973,000 between the non-controlling interests recognised and the consideration was debited to other reserve.

During the year ended 31 December 2022, except as mentioned above, there were transactions that were deemed acquisitions and disposal of equity interests in subsidiaries. For the deemed acquisitions of interests in subsidiaries, the amount of non-controlling interests recognised of RMB12,272,000 is credited to other reserve. For the deemed disposal of interests in subsidiaries, the amount of non-controlling interests recognised of RMB19,354,000 was debited to other reserve.

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 154 of this annual report.

37. BUSINESS COMBINATION

On 27 November 2023, the Group acquired a 100% interest in Hunan Shenghe Intelligent Control Technology Co., Ltd. ("Shenghe Intelligent") through a wholly-owned subsidiary, Wasion Group Limited, from an independent third party (the "Seller"). Shenghe Intelligent is a company established in the PRC and is principally engaged in the development, manufacture and sale of power supply products and solutions. The acquisition of Shenghe Intelligent is to integrate with the upper stream supply chain for the Group's products. Pursuant to the sale and purchase agreement, the consideration for the acquisition was RMB40,080,000.

The fair values of the identifiable assets and liabilities of Shenghe Intelligent as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000
Property, plant and equipment	13	1,193
Other intangible assets	17	15,388
Trade receivables		15,732
Other receivables		17,459
Inventories		12,681
Cash and bank balances		2,110
Trade payables		(19,496)
Other payables		(4,871)
Tax payable		(116)
Total identifiable net assets at fair value satisfied by cash		40,080

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB15,732,000 and RMB17,459,000, respectively. All trade receivables and other receivables are expected to be collectible.

The Group incurred transaction costs of RMB178,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The directors of the Company consider the acquisition of Shenghe Intelligent as an effort to expand the manufacturing capacities of the Group's products in the PRC.

37. BUSINESS COMBINATION (CONTINUED)

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Cash consideration	(40,080)
Cash and bank balances acquired	2,110
Net outflow of cash and cash equivalents included in cash flows from investing activities	(37,970)
Transaction costs of the acquisition included in cash flows from operating activities	(178)
	(38,148)

Since the acquisition, Shenghe Intelligent contributed RMB8,048,000 to the Group's revenue and RMB1,002,000 to the consolidated profit for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year ended 31 December 2023, the revenue of the Group and the net profit of the Group for the year would have been RMB7,280,097,000 and RMB760,691,000, respectively.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising in financing activities

	Bank borrowings RMB'000	**Lease liabilities** RMB'000
As at 1 January 2022	2,836,901	16,789
Changes from financing cash flows	(276,188)	(11,236)
Additions	—	8,714
Interest expenses	111,686	814
Interest paid classified as operating cash flows	—	(814)
Foreign exchange movement	(10,757)	(441)
As at 31 December 2022 and 1 January 2023	**2,661,642**	**13,826**
Changes from financing cash flows	**(295,431)**	**(11,666)**
Additions	**—**	**6,393**
Interest expenses	**130,994**	**536**
Interest paid classified as operating cash flows	**—**	**(536)**
Foreign exchange movement	**17,241**	**463**
As at 31 December 2023	**2,514,446**	**9,016**

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	**19,675**	11,100
Within financing activities	**11,666**	11,236
Total	**31,341**	22,336

39. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 32(b) to the financial statements.

40. COMMITMENTS

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

	2023 RMB'000	2022 RMB'000
Property, plant and equipment	**113,450**	63,367
Investment in equity investments designated at FVTOCI	**—**	2,400
Investment in financial assets at FVTPL	**64,000**	72,000
Total	**177,450**	137,767

41. RELATED PARTY DISCLOSURES

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

	Notes	2023 RMB'000	2022 RMB'000
Sales of goods to a joint venture	(i)	**83,741**	71,892
Purchase of goods from a joint venture	(ii)	**3,766**	1,398
Sales of goods to an associate	(i)	**281**	169
Purchase of goods from a company of which a close member of the director's family is a controlling shareholder	(iii)	**12,998**	13,340
Interest received from a joint venture	(iv)	**745**	720
Rental income received from a joint venture		**393**	375

Notes:

(i) The sales with the joint venture and associate were made according to the prices and conditions offered to the major customers of the Group.

(ii) The purchases from a joint venture were made according to the published prices and conditions offered by the joint venture to it's major customers.

(iii) The purchase constitutes a continuing connected transaction, as defined in Chapter 14A of the Listing Rules.

(iv) The loan to the joint venture is unsecured and bears interest at 4.35% (2022: 4.35%) per annum and is repayable in 2024.

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

	2023 RMB'000	2022 RMB'000
Short-term benefits	**7,810**	6,315
Retirement benefit scheme contributions	**166**	175
Equity-settled share award expenses	**121**	—
Total	**8,097**	6,490

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

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

Financial assets

	Financial assets at FVTPL RMB'000	Equity investments at FVTOCI RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	—	—	4,550,227	4,550,227
Loan receivables	—	—	85,000	85,000
Financial assets included in prepayments, other receivables and other assets	64,759	—	193,151	257,910
Equity instruments designated at FVTOCI	—	65,771	—	65,771
Financial assets at FVTPL	226,149	—	—	226,149
Structured deposits	120,000	—	—	120,000
Pledged deposits	—	—	560,896	560,896
Cash and bank balances	—	—	2,644,896	2,644,896
Total	410,908	65,771	8,034,170	8,510,849

Financial liabilities

	Financial liabilities at FVTPL RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	3,938,543	3,938,543
Financial liabilities included in other payables and accruals	—	135,082	135,082
Financial liabilities at FVTPL	49,939	—	49,939
Interest-bearing bank borrowings	—	2,514,446	2,514,446
Lease liabilities	—	9,016	9,016
Total	49,939	6,597,087	6,647,026

42. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

2022

Financial assets

	Financial assets at FVTPL RMB'000	Equity investments at FVTOCI RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	—	—	4,395,215	4,395,215
Loan receivables	—	—	85,000	85,000
Financial assets included in prepayments, other receivables and other assets	61,560	—	221,512	283,072
Equity instruments designated at FVTOCI	—	66,670	—	66,670
Financial assets at FVTPL	218,000	—	—	218,000
Structured deposits	70,000	—	—	70,000
Pledged deposits	—	—	762,384	762,384
Cash and bank balances	—	—	2,027,928	2,027,928
Total	349,560	66,670	7,492,039	7,908,269

Financial liabilities

	Financial liabilities at FVTPL RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	3,641,627	3,641,627
Financial liabilities included in other payables and accruals	—	154,206	154,206
Financial liabilities at FVTPL	37,940	—	37,940
Interest-bearing bank borrowings	—	2,661,642	2,661,642
Lease liabilities	—	13,826	13,826
Total	37,940	6,471,301	6,509,241

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments designated at FVTOCI	**65,771**	66,670	**65,771**	66,670
Financial assets at FVTPL	**226,149**	218,000	**226,149**	218,000
Structured deposits	**120,000**	70,000	**120,000**	70,000
Life insurance products	**64,759**	61,560	**64,759**	61,560
Total	**476,679**	416,230	**476,679**	416,230
Financial liabilities				
Financial liabilities at FVTPL	**49,939**	37,940	**49,939**	37,940
Interest-bearing bank borrowings	**2,514,446**	2,661,642	**2,414,127**	2,660,494
Total	**2,564,385**	2,699,582	**2,464,066**	2,698,434

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, loan receivables, pledged deposits, trade and bills payables, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of listed equity investments are based on quoted market prices.

The fair values of unlisted equity investments which were classified as equity investments designated at FVTOCI, and unlisted preference shares and unlisted fund investments which were classified as financial assets at FVTPL, have been estimated using a market-based valuation technique, equity allocation method or a recent transaction price based on assumptions that are not supported by observable market prices or rates. For market-based valuation technique, the valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EBITDA") multiple, price to earnings ("P/E") multiple and price to book ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value.

For valuation based on equity allocation method, the risk-free interest rate is based on the yield to maturity of PRC government bond with a term commensurate with the maturity of the preferential right as of the acquisition date. The expected volatility is estimated based on the historical daily share price volatility of comparable companies with a time horizon close to the life to expiration of the preferential right.

For the valuation based on the recent transaction price, the valuation is made by reference to the transaction price of the same investment being valued. The directors of the Company believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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

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

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

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

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Set out below is a summary of the significant unobservable input to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December:

2023

	Valuation technique	Significant unobservable input	Multiple	Sensitivity of fair value to the input
Unlisted equity investments — A, designated at FVTOCI	Valuation multiple	EV/EBITDA multiple of peers	10.89	1% increase/decrease in the multiple would result in increase/decrease in fair value by RMB342,403
Unlisted equity investments — B, designated at FVTOCI	Valuation multiple	P/E multiple of peers	16.96	1% increase/decrease in the multiple would result in increase/decrease in fair value by RMB53,065
Unlisted equity investments — C, designated at FVTOCI	Valuation multiple	P/B multiple of peers	1.11	1% increase/decrease in the multiple would result in increase/decrease in fair value by RMB90,000
Unlisted preference shares	Equity allocation method	Expected volatility	48.6%	1% increase/decrease in the volatility would result in decrease/increase in fair value by RMB22,601
Unlisted fund investments	Valuation multiple	P/B multiple of peers	1.31	1% increase/decrease in the multiple would result in increase/decrease in fair value by RMB161,000

2022

	Valuation technique	Significant unobservable input	Multiple	Sensitivity of fair value to the input
Unlisted equity investments — A, designated at FVTOCI	Valuation multiple	EV/EBITDA multiple of peers	10.65	1% increase/decrease in the multiple would result in increase/decrease in fair value by RMB322,000
Unlisted equity investments — B, designated at FVTOCI	Valuation multiple	P/B multiple of peers	1.86	1% increase/decrease in the multiple would result in increase/decrease in fair value by RMB42,000

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Assets measured at fair value:				
Equity investments designated at FVTOCI	13,479	—	52,292	65,771
Financial assets at FVTPL	—	200,000	26,149	226,149
Structured deposits	—	120,000	—	120,000
Life insurance products	—	64,759	—	64,759
Total	13,479	384,759	78,441	476,679
Liabilities measured at fair value:				
Financial liabilities at FVTPL	—	49,939	—	49,939

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Assets measured at fair value:				
Equity investments designated at FVTOCI	18,633	8,298	39,739	66,670
Financial assets at FVTPL	—	218,000	—	218,000
Structured deposits	—	70,000	—	70,000
Life insurance products	—	61,560	—	61,560
Total	18,633	357,858	39,739	416,230
Liabilities measured at fair value:				
Financial liabilities at FVTPL	—	37,940	—	37,940

The movements in fair value measurements within Level 3 during the year are as follows:

	2023 RMB'000	2022 RMB'000
Equity investments designated at FVTOCI:		
At 1 January	**39,739**	31,603
Total gains recognised in other comprehensive income	**1,855**	4,536
Additions	**2,400**	3,600
Transfer from Level 2	**8,298**	—
At 31 December	**52,292**	39,739

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

	2023 RMB'000	2022 RMB'000
Financial instruments designated at FVTPL:		
At 1 January	**—**	—
Total gains recognised in profit or loss	**149**	—
Additions	**8,000**	—
Transfer from Level 2	**18,000**	—
At 31 December	**26,149**	—

As at 31 December 2023, certain equity investments designated at FVTOCI and financial assets at FVTPL with fair values of RMB8,298,000 and RMB18,000,000, respective, were previously determined to be Level 2 under the fair value hierarchy based on recent transaction price. As recent transaction prices are unavailable in the active market, the fair value measurement of these financial assets were accordingly transferred from Level 2 to Level 3 of the fair value hierarchy.

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 for financial assets (2022: Nil).

As at 31 December 2023, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank borrowings with fair value of RMB2,414,127,000 (2022: RMB2,660,494,000). The fair values of these financial liabilities disclosed were measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly (Level 2).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial liabilities (2022: Nil).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, loan receivables, cash and bank balances and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as financial assets at FVTPL, equity investments designated at FVTOCI, trade and bills receivables, other receivables, trade and bills payables, other payables, lease liabilities and financial liabilities at FVTPL.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk, equity price risk and market risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and bank balances and debt obligations with a floating interest rate.

The interest rates and terms of repayment of interest-bearing bank borrowings are disclosed in note 32 to the consolidated financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank borrowings and cash and bank balances are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expenses are credited or charged to profit or loss as incurred.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on interest-bearing bank borrowings and cash and bank balances) and Group's equity.

	Increase/ (decrease) basis points	**Increase/ (decrease) in in profit before tax** RMB'000
31 December 2023		
RMB	**100**	**15,662**
RMB	**(100)**	**(15,662)**
HK$	**100**	**(11,771)**
HK$	**(100)**	**11,771**
US$	**100**	**2,210**
US$	**(100)**	**(2,210)**
31 December 2022		
RMB	100	15,979
RMB	(100)	(15,979)
HK$	100	(10,812)
HK$	(100)	10,812
US$	100	1,927
US$	(100)	(1,927)

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 21.7% (2022: 21.2%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, while approximately 77.3% (2022: 83.3%) of cost were denominated in the units' functional currencies. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB exchange rates against US$ and HK$, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**
	%	RMB'000
31 December 2023		
If RMB weakens against US$	**5**	**24,543**
If RMB strengthens against US$	**(5)**	**(24,543)**
If RMB weakens against HK$	**5**	**(59,811)**
If RMB strengthens against HK$	**(5)**	**59,811**
31 December 2022		
If RMB weakens against US$	5	18,834
If RMB strengthens against US$	(5)	(18,834)
If RMB weakens against HK$	5	(56,183)
If RMB strengthens against HK$	(5)	56,183

Credit risk and impairment assessment

As at 31 December 2023 and 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arose from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables and contract assets arising from contracts with customers

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which covered over 90.5% (2022: 91.0%) of its total receivables as at 31 December 2023. There is no significant concentration of credit risk on trade receivables.

The Group's customer base is diverse and the trade receivables consist of a large number of customers.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets arising from contracts with customers (Continued)

The Group does not hold any collateral over these balances. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group performs impairment assessment based on the probability of default approach by estimating the probability of default, loss given default and exposure at default. The ECL assessment considers all reasonable and supportable information, including past experience and forward-looking information.

The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

Bank balances

The credit risks on structure deposits, pledged deposits and bank balances are limited because the counterparties are state-owned banks or financial institutions with high credit ratings assigned by international credit-rating agencies. The management of the Group also considers that these assets are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers.

Loan receivables, other receivables and deposits

The directors of the Company make periodic individual assessment on the adequacy of ECLs of loan receivables, other receivables and deposits based on the probability of default approach. Details of the approach are discussed in the section headed "Trade receivables and contract assets arising from contracts with customers".

There are no past due amounts for loan receivables, other receivables and deposits and the Group assesses that there has been no significant increase in credit risk since initial recognition. The 12-month ECL represents the portion of lifetime ECLs that is expected to result from default events that are possible within 12 months after the reporting date. For the years ended 31 December 2023, the Group assessed the ECLs on loan receivables, other receivables and deposits and corresponding loss allowance of RMB15,404,000 (2022: RMB15,200,000) was recognised.

The Group has a concentration of credit risk on liquid funds, which are deposited with several banks with good reputation. The loan receivables disclosed in note 25 are also concentrated in a certain independent third party, and the directors consider the credit risk is significantly reduced as there was history of continuous repayment. Other than the above, the Group does not have significant concentration of credit risk.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk (Grade 1)	The counterparty is a regular customer with the Group, with a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Low risk (Grade 2)	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Watch list (Grade 3)	Debtor with long aged balance, but usually settle the amount in full with a strong financial background	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful (Grade 4)	There have been significant increases in credit risk since initial recognition due to failure to repay as scheduled	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating that the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables					
— Grade 1	251,701	—	—	3,107,510	3,359,211
— Grade 2	—	—	—	589,571	589,571
— Grade 3	—	—	—	665,397	665,397
— Grade 4	—	—	—	88,037	88,037
— Loss	—	—	—	193,852	193,852
Subtotal	251,701	—	—	4,644,367	4,896,068
Contract assets					
— Grade 1	—	—	—	277,300	277,300
— Grade 2	—	—	—	31,508	31,508
— Grade 3	—	—	—	98,428	98,428
— Grade 4	—	—	—	1,258	1,258
Subtotal	—	—	—	408,494	408,494
Financial assets included in prepayments, other receivables and other assets					
— Grade 3	87,846	102,859	—	—	190,705
Loan receivables					
— Grade 1	85,000	—	—	—	85,000
Loan receivable from a joint venture*					
— Grade 3	—	17,850	—	—	17,850
Pledged deposits					
— Grade 1	560,896	—	—	—	560,896
Cash and bank balances					
— Grade 1	2,644,896	—	—	—	2,644,896
Total	3,630,339	120,709	—	5,052,861	8,803,909

Credit risk and impairment assessment (Continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables					
— Grade 1	407,886	—	—	2,927,269	3,335,155
— Grade 2	—	—	—	348,743	348,743
— Grade 3	—	—	—	801,593	801,593
— Grade 4	—	—	—	35,324	35,324
— Loss	—	—	—	145,234	145,234
Subtotal	407,886	—	—	4,258,163	4,666,049
Contract assets					
— Grade 1	—	—	—	328,076	328,076
— Grade 2	—	—	—	41,546	41,546
— Grade 3	—	—	—	187,382	187,382
— Grade 4	—	—	—	924	924
Subtotal	—	—	—	557,928	557,928
Financial assets included in prepayments, other receivables and other assets					
— Grade 3	118,210	100,652	—	—	218,862
Loan receivables					
— Grade 1	85,000	—	—	—	85,000
Loan receivable from a joint venture*					
— Grade 3	—	17,850	—	—	17,850
Pledged deposits					
— Grade 1	762,384	—	—	—	762,384
Cash and bank balances					
— Grade 1	2,027,928	—	—	—	2,027,928
Total	3,401,408	118,502	—	4,816,091	8,336,001

* For the loan receivable from a joint venture, and the balance due from the joint venture included in trade receivables and contract assets, which were RMB73,517,000 (2022: RMB83,685,000) in aggregate, management considered the ECL impact was minimal as the Group expects to recover the full amount of the balances.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

As at 31 December 2023, debtors which are credit-impaired with a gross carrying amount of RMB193,852,000 (2022: RMB145,234,000) were assessed individually. The information about the exposure to credit risk for trade receivables and contract assets which are assessed based on a provision matrix as at 31 December within the lifetime ECL (not credit-impaired) was as follows:

Gross carrying amounts

Internal credit rating	2023 Average loss rate	2023 Trade receivables RMB'000	2023 Contract assets RMB'000	2022 Average loss rate	2022 Trade receivables RMB'000	2022 Contract assets RMB'000
Grade 1–2	**1.5%**	**3,697,081**	**308,808**	2.2%	3,276,012	369,622
Grade 3	**2.5%**	**665,397**	**98,428**	2.6%	801,593	187,382
Grade 4	**92.0%**	**88,037**	**1,258**	95.8%	35,324	924
Loss	**100%**	**193,852**	**—**	100%	145,234	—
Total		**4,644,367**	**408,494**		4,258,163	557,928

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

The movements of impairment allowance of trade receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**270,834**	191,234
Provision for impairment losses, net	**75,007**	79,600
At end of year	**345,841**	270,834

The movements of impairment allowance of contract assets are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**5,235**	5,844
Reversal of provision for impairment losses, net	**(1,694)**	(609)
At end of year	**3,541**	5,235

Credit risk and impairment assessment (Continued)

The movements of impairment allowance of other receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**15,200**	—
Provision for impairment losses, net	**204**	15,200
At end of year	**15,404**	15,200

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of long term bank loans and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2023

	On demand RMB'000	No later than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	**—**	**3,938,543**	**—**	**—**	**3,938,543**
Other payables and accruals	**135,082**	**—**	**—**	**—**	**135,082**
Financial liabilities at FVTPL	**—**	**49,939**	**—**	**—**	**49,939**
Interest-bearing bank borrowings	**—**	**1,719,791**	**825,361**	**—**	**2,545,152**
Lease liabilities	**—**	**5,376**	**2,978**	**864**	**9,218**
Total	**135,082**	**5,713,649**	**828,339**	**864**	**6,677,934**

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

31 December 2022

	On demand RMB'000	No later than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	—	3,641,627	—	—	3,641,627
Other payables and accruals	155,068	—	—	—	155,068
Financial liabilities at FVTPL	—	37,940	—	—	37,940
Interest-bearing bank borrowings	—	1,747,795	1,010,718	—	2,758,513
Lease liabilities	—	9,594	3,628	1,280	14,502
Total	155,068	5,436,956	1,014,346	1,280	6,607,650

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in equity investments designated at FVTOCI (note 20) as at 31 December 2023. The Group's listed investments are listed on the stock exchanges and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period, of the Group's profit before tax and equity.

	Carrying amount of equity investments RMB'000	**Increase/ (decrease) in equity*** RMB'000
31 December 2023		
Investments listed in:		
Hong Kong — Equity investments designated at FVTOCI	**12,816**	**1,282/(1,282)**
PRC — Equity investments designated at FVTOCI	**663**	**66/(66)**
31 December 2022		
Investments listed in:		
Hong Kong — Equity investments designated at FVTOCI	17,103	1,710/(1,710)
PRC — Equity investments designated at FVTOCI	1,530	153/(153)

* Excluding accumulated losses

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

The Group monitors capital using a gearing ratio, which is total debt divided by total assets. Total debt represents interest-bearing bank borrowings. The gearing ratios as at the end of the reporting periods were as follows:

	2023	2022
	RMB'000	RMB'000
Total debt	**2,514,446**	2,661,642
Total assets	**13,880,119**	13,026,055
Gearing ratio	**18.1%**	20.4%

45. NON-CONTROLLING INTERESTS

	Interest attributable to shares held in subsidiaries RMB'000	Treasury of a listed subsidiary RMB'000	Total RMB'000
At 1 January 2022	1,447,936	—	1,447,936
Profit for the year	187,363	—	187,363
Exchange differences on translation of foreign operations	543	—	543
Repurchase of shares by a listed subsidiary	—	(157,098)	(157,098)
Deemed partial acquisition of interests in subsidiaries	(39,487)	—	(39,487)
Deemed partial disposal of interests in subsidiaries	87,247	—	87,247
Dividend paid to non-controlling interests	(53,932)	—	(53,932)
At 31 December 2022 and 1 January 2023	1,629,670	(157,098)	1,472,572
Profit for the year	239,360	—	239,360
Exchange differences on translation of foreign operations	(446)	—	(446)
Repurchase of shares by a listed subsidiary	—	(141,950)	(141,950)
Deemed partial disposal of interests in subsidiaries	107,711	—	107,711
Dividend paid to non-controlling interests	(67,262)	—	(67,262)
At 31 December 2023	1,909,033	(299,048)	1,609,985

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2023	2022
Percentage of equity interest held by non-controlling interests:		
Willfar	**41.4%**	40.5%

	2023 RMB'000	2022 RMB'000
Profit for the year attributable to non-controlling interests:		
Willfar	**204,615**	161,849
Dividends paid to non-controlling interests of Willfar	**67,262**	53,932
Accumulated balances of non-controlling interests at the reporting date:		
Willfar	**1,426,061**	1,260,055

45. NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	Willfar	
	2023	2022
	RMB'000	RMB'000
Revenue	**2,225,249**	2,003,614
Total expenses	**(1,727,223)**	(1,592,133)
Profit for the year	**498,026**	411,481
Total comprehensive income for the year	**498,026**	411,481
Current assets	**3,700,317**	3,494,513
Non-current assets	**586,347**	582,173
Current liabilities	**(1,144,577)**	(1,128,074)
Non-current liabilities	**(22,880)**	(23,048)
Net cash flows from operating activities	**415,602**	271,169
Net cash flows used in investing activities	**(3,571)**	(255,422)
Net cash flows used in financing activities	**(305,982)**	(280,841)
Net increase/(decrease) in cash and cash equivalents	**106,049**	(265,094)

46. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,213,367**	1,210,330
Other non-current assets	**65,907**	65,865
Total non-current assets	**1,279,274**	1,276,195
CURRENT ASSETS		
Other receivables	**330**	274
Cash and bank balances	**13,231**	38,507
Total current assets	**13,561**	38,781
CURRENT LIABILITIES		
Other payables	**5,181**	5,107
Due to subsidiaries	**648,981**	472,672
Interest-bearing bank borrowings	**—**	44,665
Total current liabilities	**654,162**	522,444
NET CURRENT LIABILITIES	**(640,601)**	(483,663)
TOTAL ASSETS LESS CURRENT LIABILITIES	**638,673**	792,532
NET ASSETS	**638,673**	792,532
EQUITY		
Issued capital	**9,906**	9,906
Reserves (note)	**628,767**	782,626
Total equity	**638,673**	792,532

46. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Merger reserve RMB'000	Share option reserve RMB'000	Shares held for share award reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	846,792	198,399	27,730	(36,998)	33,164	(200,051)	869,036
Total comprehensive income for the year	—	—	—	—	—	80,012	80,012
Shares granted under the share award scheme	—	—	—	2,104	—	—	2,104
Dividend paid	(168,526)	—	—	—	—	—	(168,526)
At 31 December 2022 and 1 January 2023	678,266	198,399	27,730	(34,894)	33,164	(120,039)	782,626
Total comprehensive income for the year	—	—	—	—	—	80,012	80,012
Shares granted under the share award scheme	—	—	—	7,396	—	—	7,396
Dividend paid	(206,262)	—	—	—	—	—	(206,262)
At 31 December 2023	472,004	198,399	27,730	(27,498)	33,164	(75,032)	628,767

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 March 2024.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	3,655,646	3,948,750	4,590,762	5,855,844	**7,252,272**
Profit (loss) for the year attributable to:					
Owners of the Company	280,567	231,190	268,084	323,797	**521,233**
Non-controlling interests	76,811	112,979	159,890	187,363	**239,360**
	357,378	344,169	427,974	511,160	**760,593**

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	10,096,774	11,270,083	12,672,139	13,026,055	**13,880,119**
Total liabilities	(5,250,374)	(5,593,625)	(6,592,277)	(6,897,579)	**(7,103,498)**
	4,846,400	5,676,458	6,079,862	6,128,476	**6,776,621**
Equity attributable to:					
Owners of the Company	4,216,317	4,523,301	4,631,926	4,655,904	**5,166,636**
Non-controlling interests	630,083	1,153,157	1,447,936	1,472,572	**1,609,985**
	4,846,400	5,676,458	6,079,862	6,128,476	**6,776,621**

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