ENERGY METERING & ENERGY SAVING EXPERT

Wasion Holdings Limited
威勝控股有限公司

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

Annual Report 2022

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Ji Wei *(Chairman)*
Mr. Kat Chit (redesignated on 1 June 2022)
Ms. Li Hong
Ms. Zheng Xiao Ping
Mr. Tian Zhongping

NON-EXECUTIVE DIRECTOR

Ms. Cao Zhao Hui (redesignated on 1 June 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Cheong Tat
Mr. Luan Wenpeng
Mr. Cheng Shi Jie (retired on 1 June 2022)
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. Cheng Shi Jie (retired on 1 June 2022)
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. Cheng Shi Jie (retired on 1 June 2022)
Mr. Wang Yaonan
Mr. Kat Chit
Ms. Li Hong

PRINCIPAL BANKERS

In Hong Kong:

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

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

PRINCIPAL PLACE OF BUSINESS

Unit 2605, 26/F West Tower, Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
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

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.

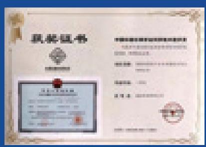
The products and solutions of advanced distribution and energy efficiency management business of the Group covers new energy storage system solutions for comprehensive scenarios such as large energy storage, industrial and commercial energy storage, household photovoltaic-storage integration and mobile 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.

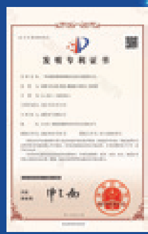
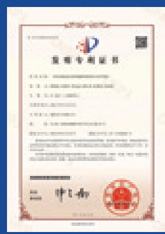
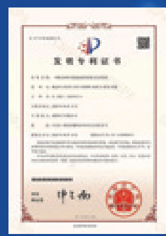
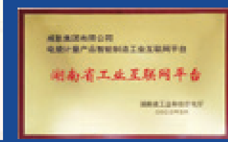
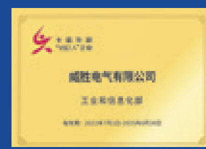
In January 2020, the Group's "Communication and Fluid AMI" business — Willfar Information Technology Company Limited (Stock Code: 688100), a 59.51% owned subsidiary of the Group — received approval from the China Securities Regulatory Commission to become the first company in Hunan Province to list on 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

"Key Technology of Industrialization of Smart Power Meters and its Massive Application (智能電能表產業化關鍵技術及大規模應用)" of Wasion Group Limited ("Wasion Group") was granted First Prize in Science and Technology Progress(科技進步一等獎) from China Instrument and Control Society.

The "Digitalized Quality Platform for Smart Metering Products (面向智能計量產品的數字化質量平台)" project of Wasion Group was recognized as national industrial internet pilot demonstration project (國家工業互聯網試點示范項目).

The "Research and Development of Platform for Collection and Analysis of Smart Electricity Consumption Big Data and Relevant Engineering Application (智能用電大數據集成分析平台研發及其工程應用)" project of Willfar Information Technology Company Limited ("Willfar Information") was granted the First Prize in Science and Technology Progress (科學技術進步一等獎) from China Electrotechnical Society.

February

Wasion Group successfully passed the 2021 evaluation of "National-Class Enterprise Technology Center (國家級企業技術中心)", the technology innovation platform of highest standard and greatest influence in China.

March

Six invention patents, including "Fault Detection Methods and Systems for Single-Phase Grounding in Power Grids (電網單相接地故障檢測方法和系統)","Dual Input Backup Automatic Mechanical Interlocking Device and Ring Network Cabinet (雙進線備自投機械聯鎖裝置以及環網櫃)", "Online Calibration Method for Circuit Breaker Residual Current (斷路器剩餘電流在線校準方法)", "Online Calibration Method for High Precision Circuit Breaker Residual Current (高精度斷路器剩餘電流在線校準方法)", "Primary and Secondary Integration High Voltage Cost-Controlled Breaking and Closing Control Method (一二次融合高壓費控分合閘控制方法)", "Estimation Method for Battery Capacity Decoupling Lithium Battery Charge State (電池容量解耦鋰電池荷電狀態估計方法)", of Wasion Electric Limited ("Wasion Electric") obtained the national invention patent licenses.

May

The "Internet Platform for Smart Manufacturing Industry for Electricity Metering Products (電能計量產品智能製造工業互聯網平台)" project of Wasion Group was listed as Hunan Provincial Industrial Internet Platform(湖南省省級工業互聯網平台).

The "Research on and Industrialization of Smart Device for Data-Driven CTV Online Monitoring and Status Evaluation (數據驅動的CTV在線監測及狀態評價智能裝置研究與產業化)" project of Wasion Group was recognized as one of the 100 landmark projects of "Digital New Infrastructure" by Industry and Information Technology Department of Hunan Province.

Wasion developed software platform of its power meters on "Hong Meng (鴻蒙)" operation system, enhancing competitiveness of its power meter principal business and overcame the technical barrier on operation system of smart IoT meters.

July

Wasion became the first in the industry to obtain reliability commissioning inspection report from the State Grid, providing technical support for reliable life of power meters of over or equal to 16 years.

Wasion Electric was granted the honor of "Niche Little Giant Enterprise (專精特新小巨人企業)" from the Ministry of Industry and Information Technology.

The proprietary project of "Controller Reset Circuit and Meter Made by This Circuit (控制器復位電路和用該電路製成的計量儀表)" of Wasion Group obtained the Patent Award in Hunan province.

The proprietary project of "Measurement and Control Systems for Automated Terminals for Power Distribution and Its Measurement and Control Modules (用於配電自動化終端的測控系統及其測控模組)" of Willfar Information obtained the Patent Award in Hunan province.


August

Wasion Group was honored as "Outstanding Enterprise (優秀企業)" of national electronic information industry.

The "Cloud Platform Management System V1.0 for Smart Electricity Consumption (智慧用電雲平台管理系統V1.0)" of Wasion Group was granted the title of "Masterpiece (名品)" of software and information technology service industry in Hunan Province in 2022.

The "Standard for Data Center Power Module Prefabrication Technology (數據中心電力模塊預製化技術規範)", jointly constructed by Wasion Electric with corporates including Shanghai Electrical Apparatus Research Institute, Huawei Digital Power, China Mobile, Siemens and Schneider, was approved by China Electronics Energy Saving Technology Association and duly implemented.

September

The prototype of measurement device for Smart IoT power meter APP developed by Wasion Group was examined and approved by the State Grid Electric Power Research Institute (國網電科院).

October

The aMeterx51 series, new smart meter for European Union, was granted the IDIS2 certified interconnection certificate.

November

The three-phase electronic power meter of Wasion Group successfully passed review of "Single Champion Product in Manufacturing Industry (製造業單項冠軍產品)" of the Ministry of Industry and Information Technology

The "Development of High Accuracy Settlement Gateway Energy Meter (高準確度結算關口電能表研製)" of Wasion Group was successfully selected as an outstanding example of metrology testing to facilitate national industrial innovation and development(全國計量測試促進產業創新發展).

Wasion Group was listed as "First Batch of Intelligent Manufacturing Benchmark Workshop in Hunan Province 2022 (2022年度湖南省首批智能製造標杆車間)".

Willfar Information was honored as " Top 50 Enterprises in terms of Competitiveness in Software and Information Technology Services in Hunan Province (湖南省軟件和信息技術服務競爭力50强企業)".

December

The new generation electricity-carbon combined smart power meter (新一代電碳融合智能電能表) jointly developed by Wasion Group and Guangdong Institute of Metrology(廣東省計量院) was granted the Second Prize of 2022 Silk Road IoT Operation System Ecology and Application Innovation Competition (2022「絲路」物聯網操作系統生態應用創新創業大賽二等獎).

Wasion Group participated in "Key Technologies of Multiparameter Wide-area Sensing Measurement for Mass Power Users" project under the "Technology for energy storage and smart power grid (儲能與智能電網技術)"project, a key national research project .

Wasion Group successfully passed the review of "national green factory".

Approval received for Modern Industrial College of Power Transmission and Transformation (輸變電現代產業學院)in Hunan Province jointly applied by Wasion Group and University of South China.

Wasion Group was listed on "Top 100 Private Enterprises in Hunan (三湘民企百强)" in 2022.

Willfar Information entered into the Memorandum of Cooperation of Saudi-Willfar Information Smart Meter Production Project (沙特威勝信息智能儀表生產項目合作備忘錄) with Saudi Silk Road (沙特絲路公司).

CORPORATE SPIRIT:

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

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 2022.

During the year under review, the Group recorded turnover of approximately RMB5.856 billion, representing an increase of 28% over last year. Net profit amounted to approximately RMB324 million, representing an increase of 21% year-on-year ("**YoY**"). Basic earnings per share stood at RMB0.329, representing an increase of 21% YoY. The board of directors proposed to pay a final dividend of HK$0.23 per share, representing an increase of 15% over last year.

In 2022, through optimizing its product portfolio by increasing the proportion of products with higher profit margin, formulating alternative solutions to cope with changes in pandemic and the global environment and adopting effective cost control measures, the Group recorded growth in revenue from all the three main business segments during the year. Revenue from Power AMI increased by 20% YoY, revenue from Communication and Fluid AMI increased by 11% YoY and revenue from ADO increased by 64% over last year. During the year, despite the challenges from uncertainties in the global economy and shortage of chips, the Group has adopted effective cost control measures and increased productivity of overseas factories, and thus managed to record significant increase in overseas business, with revenue significantly increased by 73% over last year.

Benefiting from the growth in demand for products tendered by power grid customers in China, during the year under review, amount of centralized tenders won by the Group increased significantly. The business from regional power companies also achieved steady growth, successfully winning contracts in several provinces for products such as storage equipment, testing equipment and gateway meters and maintaining a leading market share. The Group also recorded steady growth in the sectors including telecommunication operators, rail transport, commercial complexes and parks. In view of policies such a "Plan to Facilitate the Development of the Digital Economy in the 14th Five-Year Plan Period" and "Industrial Energy Efficiency Improvement Action Plan", the Group continues to deeply develop its areas of strength and strengthen efforts in innovation and research and development as well as constantly optimizes its operating environment. To further expand its smart power grid business, the Group developed new-type chips and smart measurement switches to meet the application requirements of smart grids and power IoT. In addition, the Group continued to provide Siemens' industrial chains and Tencent's partners with solutions for different scenarios. The Group kept focusing on countries along the Belt and Road to actively expand its business in overseas markets and extend its global energy IoT coverage. As an advanced energy IoT solution provider, the Group leverages on its core competitiveness in "IoT + Digitalization + Industry" to develop various pioneer management terminals, platforms and systems in China, providing quality products for cities, parks and enterprises and facilitating urban security and efficient use of energy. Moreover, the Group's successful bids and coverage of intelligent power distribution products for primary, secondary, and integrated primary and secondary distribution as well as intelligent power distribution solutions achieved growth during the year under review, ranking among the industry's top players in terms of total market share.

Looking forward, under the guidance of the “Dual Carbon “policies, State Grid and Southern Grid will be investing accumulatively a total of over RMB2.9 trillion during the “14th Five-Year Plan” period in power grid plans. The “14th Five-Year Plan on Modern Energy System Planning” issued by the National Development and Reform Commission and National Energy Administration will promote power grids’ active adaption to development of large-scale centralized new energy and distributed energy of large quantity and wide range.“Guidelines on Further Promotion of Electrical Energy Replacement”, jointly issued by ten departments, mentioned the requirement to increase proportion of electric energy in terminal energy consumption. It is expected that the demand for electrical energy metering products and equipment will keep increasing. In addition, power grid customers actively cooperate with surrounding countries. The Group is expecting new development opportunities to explore the global AMI and new energy market steadily.

In terms of Power AMI business, by closely adhering to new policies and investment trend of power grid customers, as well as focusing on the key target markets of new power systems and smart utilities, the Group will grasp the development opportunities brought by increase in demand for power metering products and equipment.

For the Communication and Fluid AMI business, the Group will insist to maintain its core competitiveness in “IoT + Digitalization + Industry”. The Group will continue to invest in research on source-network-load-storage interactive technology as well as research and development of core device. We will leverage on AIoT products and technology to promote digitalization upgrades of utilities in cities, enterprises and parks, so as to facilitate digital transformation and in turn achieve the zero-carbon development goal.

For ADO business, to cope with the “Dual Carbon” development trend, the Group proactively develops new energy + energy-storage products and solutions, which have formed an integrated solution for energy sourcing, networking, loading and storage of various scale in different scenarios and sectors, achieving a leap in development. At the same time, the Group makes full effort in expanding overseas market with an aim to make business progress in power generation and user sides through channels and sales.

For the international market, the Group will steadily maintain its shares in key markets. The Group will better understand and satisfy customers’ needs in existing market, enhance product quality and service standards and actively explore new markets.

Looking forward, the Group will consistently adhere to the principle of “Aggressive with Keen Determination and Achieving Growth through Innovation”. It will constantly advance in research and development of technologies and enhance product quality to satisfy customers’ need. The Group will also continue to explore domestic and overseas markets to grasp market opportunities under the new norm by penetrating the existing market and expanding to more new markets, so as to maintain our leading position in the industry and meet our commitment to becoming a world-class energy metering and energy saving expert throughout the world.

Yours faithfully,
Ji Wei
Chairman

Hong Kong, 27 March 2023

MOTTOS OF OPERATION :

PERFECT WORK
WITH PASSION
AND SUCCESS
ACHIEVED WITH
INTEGRITY

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Highlights

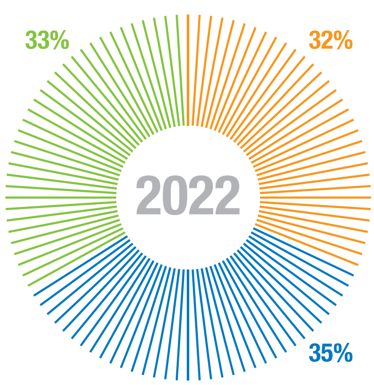
	2022 RMB'000	2021 RMB'000
Revenue	**5,855,844**	4,590,762
Gross profit	**1,929,224**	1,498,770
Profit attributable to owners of the Company	**323,797**	268,084
Total assets	**13,026,055**	12,672,139
Equity attributable to owners of the Company	**4,655,904**	4,631,926
Basic earnings per share (RMB)	**0.329**	0.272
Diluted earnings per share (RMB)	**0.329**	0.272

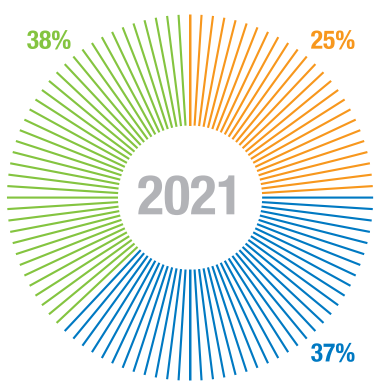
Key Financial Indexes

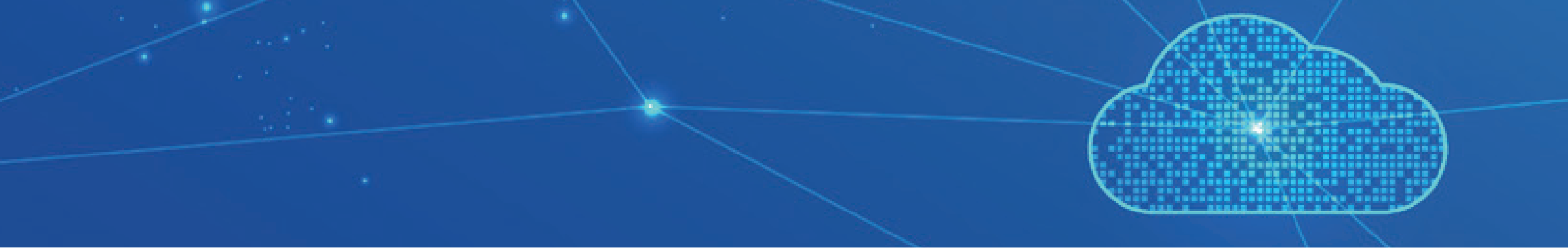
	2022	2021
Gross profit margin	**33%**	33%
Operating profit margin	**12%**	12%
Net profit margin	**9%**	9%
Return on equity of the shareholders (Note)	**7%**	6%
Current ratio	**1.66**	1.67
Quick ratio (Current assets excluding inventories divided by current liabilities)	**1.47**	1.49
Inventory turnover period (Days)	**96**	88
Trade receivable turnover period (Days)	**265**	316
Trade payable turnover period (Days)	**323**	370
Gearing ratio (Total borrowings divided by total assets)	**20%**	22%
Interest coverage (Operating profit divided by finance costs)	**6.18**	5.76

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

Power Advanced Metering Infrastructure
Communication and Fluid Advanced Metering Infrastructure
Advanced Distribution Operations

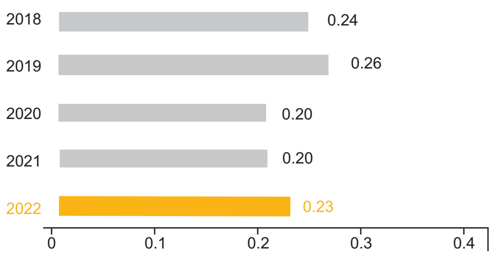






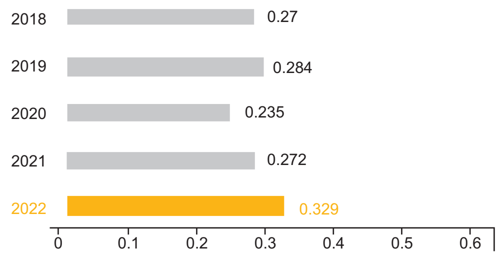
Dividend (HKD)

Year



EPS (RMB)

Year

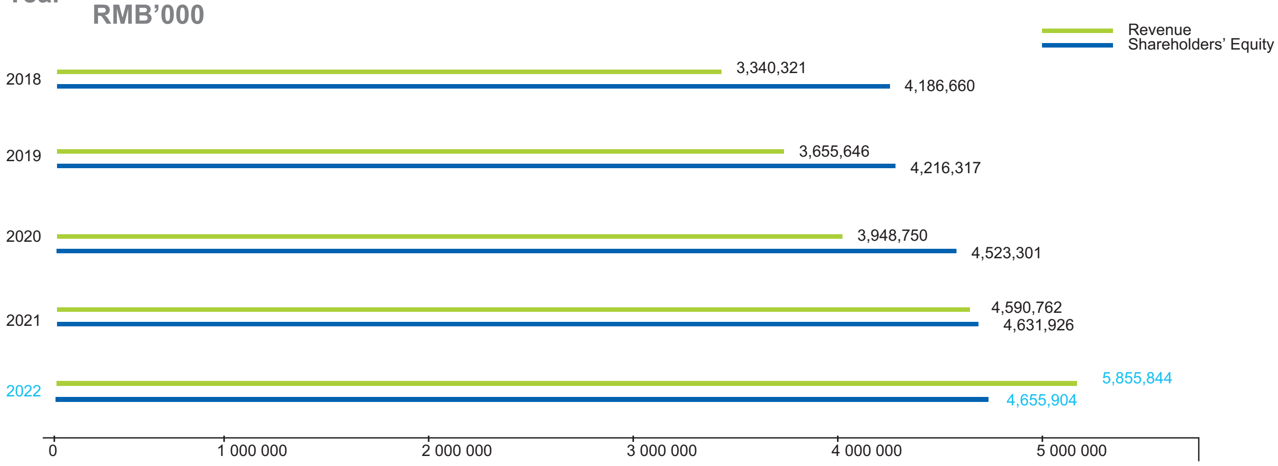


FIVE YEARS' FINANCIAL SUMMARY

Five Years' Financial Information

Year

RMB'000



Revenue Breakdown by Business Segments

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**5,855,844**	4,590,762	3,948,750	3,655,646	3,340,321
Profit for the year attributable to owners of the Company	**323,797**	268,084	231,190	280,567	270,817
Total assets	**13,026,055**	12,672,139	11,270,083	10,096,774	8,608,295
Total liabilities	**6,897,579**	6,592,277	5,593,625	5,250,374	3,866,011
Equity attributable to owners of the Company	**4,655,904**	4,631,926	4,523,301	4,216,317	4,186,660

FINANCIAL REVIEW

Revenue

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

Gross Profit

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

Other Income

The other income of the Group amounted to RMB180.78 million (2021: RMB190.54 million) which was mainly comprised of interest income, government grants and refund of value-added tax.

Other gains and losses

Other losses for the year ended 31 December 2022 amounted to RMB18.11 million (2021: RMB8.13 million) which comprised mainly of impairment of goodwill, foreign exchange gains, net and fair value loss on financial instruments at FVTPL.

Operating Expenses

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

Finance Costs

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

Operating Profit

Earnings before finance costs and tax for the year ended 31 December 2022 amounted to RMB694.93 million (2021: RMB572.00 million), representing an increase of 21% as compared with last year.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the year ended 31 December 2022 increased by 21% to RMB323.80 million (2021: RMB268.08 million) as compared with last year.

Liquidity and Financial Resources

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

As at 31 December 2022, the Group's current assets amounted to approximately RMB9,796.28 million (2021: RMB9,588.34 million), with cash and cash equivalents totaling approximately RMB2,027.93 million (2021: RMB2,578.95 million).

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

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

Emolument Policy

As at 31 December 2022, the Group had 4,521 (2021: 3,578) staff members. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB723.85 million (2021: RMB486.15 million) in 2022. 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 RMB4.99 million (2021: RMB2.48 million) in 2022.

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 on 16 May 2016 to recognise and acknowledge the contributions made or will be made to the Group by the eligible participants. The purpose of the scheme is to encourage the eligible participants to continue their contribution. The eligible participants include any full-time or part-time employees, executives, officers, Directors (including executive, non-executive and independent non-executive Directors), advisers, consultants, suppliers and agents of the Company or any of its subsidiaries or invested entities, and any person who, in the opinion of the board of directors of the Company, will contribute to the Group or have done so.

Share Award Scheme

The Company has adopted a share award scheme on 3 May 2016 in which the eligible employees will be entitled to participate. The purposes of the share award plan are to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and also to attract suitable personnel for further development of the Group.

Exchange Rate Risk

Most of the businesses of the Group are settled in Renminbi while businesses in foreign currencies are mainly settled in USD and EUR. The fluctuation of exchange rate of both currencies will have certain impact on the Group's business which are settled in foreign currencies. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. Where a natural hedge is not possible, the Group will mitigate foreign exchange risks via appropriate foreign exchange contracts. During the year under review, the Group has entered into foreign exchange forward contracts with notional amounts of USD77 million and EUR1.58 million with a commercial bank to minimise the exposure to fluctuations in foreign currency exchange rates of USD and EUR revenue received from overseas customers.

Charge on Assets

As at 31 December 2022, the pledged deposits are denominated in Renminbi and are pledged to banks as security for bills facilities granted to the Group. In addition, the Group's certain buildings are pledged to banks as security for bank loans to the Group.

Capital Commitments

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

Contingent Liabilities

As at 31 December 2022, the Group had no material contingent liabilities.

MARKET REVIEW

Macro Environment

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

Review of the Power Grid Industry

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

Review of Major Power Grid Industry Policies

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

Review of the Group's Overall Performance

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

BUSINESS REVIEW

Power Advanced Metering Infrastructure ("Power AMI")

Business Overview

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

Review of Business

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

Order Data in the Year under Review

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

Review of Developments in Power AMI Business and Relevant Policies

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

Prospects for Power AMI Business

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

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

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

Business Overview

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

Review of Business

During the year under review, the Group's Communication and Fluid AMI business recorded a turnover of RMB1,901.85 million (2021: RMB1,719.37 million), representing a 11% increase YoY, and accounting for 33% of the Group's total turnover (2021: 38%). Gross profit margin was 38% (2021: 36%). The Group's power grid customers and non-power grid customers accounted for 52% and 48% of turnover, respectively (2021: 45% and 55%).

Order Data in the Year under Review

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

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

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

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

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

Prospects for Communication and Fluid AMI Business

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

Advanced Distribution Operations ("ADO")

Business Overview

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

Review of Business

During the year under review, the Group's ADO business recorded a turnover of RMB1,894.74 million (2021: RMB1,156.94 million), representing an increase of 64% YoY, and accounting for 32% of the Group's total turnover (2021: 25%). Gross profit margin was 22% (2021: 28%). The Group's power grid customers and non-power grid customers accounted for 32% and 68% of turnover, respectively (2021: 31% and 69%).

Order Data in the Year under Review

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

Review of Development of ADO Business and Relevant Policies

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

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

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

Prospects for ADO Business

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

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

International Markets

Global Smart Power Meter Information

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

Review of Business

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

Order Data in the Year under Review

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

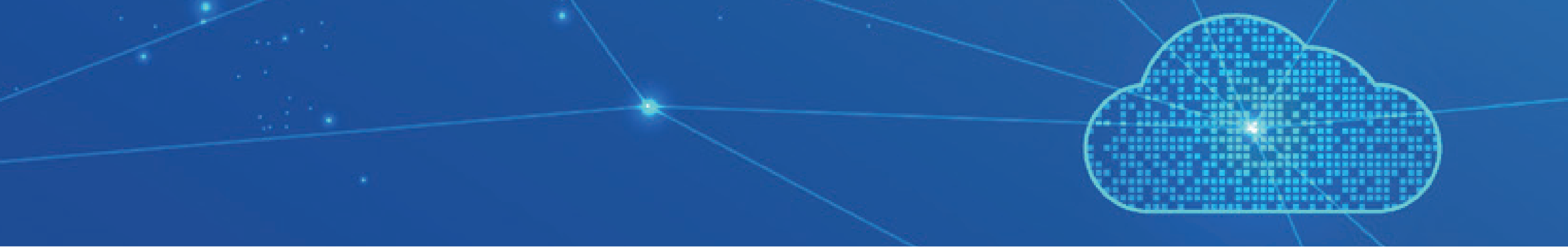
Market Developments in Each Country

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

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

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

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



Future Development of International Markets

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

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

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

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

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

Research and Development ("R&D")

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

Power AMI Business

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

Communication and Fluid AMI Business

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

ADO Business

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

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

International Markets

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

OTHER INFORMATION

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

The net proceeds from the initial public offering ("**IPO**") of shares of Willfar Information Technology Company Limited ("**Willfar Information Technology**") on the STAR Market of Shanghai Stock Exchange ("**STAR Market**") on 21 January 2020 amounted to approximately RMB610.83 million and the below table sets out the use of the net proceeds from the listing date up to 31 December 2022:

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUMMARY

The report has been the eighth Environmental, Social and Governance ("ESG") report released by Wasion Holdings Limited ("Wasion", the "Group" or "We"), together with its annual report, since 2015. Prepared in accordance with the reporting principles of materiality, quantification, balance and consistency, and with a focus on the substantive issues of fulfillment of social responsibilities by Wasion Holdings Limited, the report discloses our performance in social responsibility governance and in fulfilling its responsibility in both environmental and social aspects in 2022, as well as our undertaking to commitment in 2023.

(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".

Note: During preparation of the report, Wasion Electric Limited (威勝電氣有限公司) has changed its name to Wasion Energy Technology Co., Ltd. (威勝能源技術股份有限公司) on 8 February 2023. Wasion Electric Limited ("Wasion Electric") referred to in the report is equivalent to Wasion Energy Technology Co., Ltd..

(2) Time period

The report covers a period from 1 January 2022 to 31 December 2022.

(3) Release cycle

The report is an annual report and generally released before the end of March in the following year.

(4) Data clarification

If there is any discrepancy in the economic performance data of 2022 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-CSR4.0 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 2021 Environmental, Social and Governance Report of Wasion Holdings Limited.

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

To obtain the hard copy of 2022 Environmental, Social and Governance Report of Wasion Holdings Limited, please contact us at:

Address: No. 468 Tongzi Po West Road, High-tech Development Zone of Changsha, Hunan Province, China.
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 the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") 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.

With its efficient integrated energy solutions, Wasion served the power, water, gas, heat and other energy supply industries as well as industrial and commercial sectors in respect of large infrastructures, petroleum and petrochemical, transportation, and also the residential users. Wasion provides safer, more convenient, more energy conserving products and services to cities, industrial parks, industrial and commercial corporates, communities and households.

The smart energy metering and energy efficiency management business of the Group mainly comprises of comprehensive smart electricity meters, smart water meters, smart gas meters and ultrasonic calorimeters, various meters and power quality monitoring devices; Smart city and energy IoT business mainly comprises of energy Internet big data application and management for smart water services, smart gas, smart heat and smart security, IoT application chips, modules and software, comprehensive energy data collection terminals, load management terminals and user management devices, etc.; Advanced distribution operation business mainly comprises of electrical and electronic devices for power quality control and connection with new energy, equipment and services for energy storage, swapping and energy-saving, high- and low-voltage complete smart electrical products, power distribution IoT devices, smart electricity consuming devices, smart power distribution solutions, smart distribution systems, engineering and services.

In the face of major ongoing changes in China and the world in energy production and energy consumption patterns, in the face of great social responsibilities and development opportunities in energy saving and emission reduction, and in the face of new demand of smart grid, Wasion will, keeping in mind its mission of "energy metering and energy saving expert" and persisting in its core values of "Perfect Work with Passion, and Success Achieved with Integrity", continue to innovate, never stop, strive to create Wasion into a bellwether in smart grid and smart metering field in China, and become a major supplier in smart grid, smart metering, new energy and energy storage field in the world. It is committed to create Wasion brand into a borderless famous international brand.

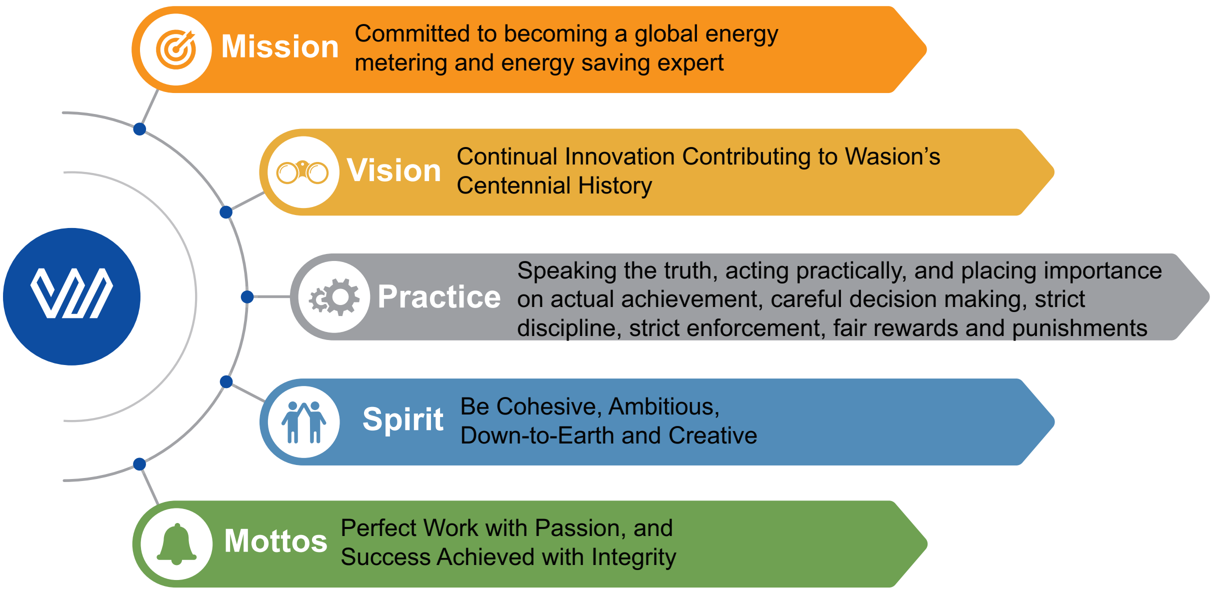
Looking forward, every city, every enterprise and every family will be benefited from Wasion's technologies, products and services.

2. STATEMENT OF THE BOARD ON ESG

Focusing on sustainable development is essential for every corporate's steady and long-term development. The Board of Wasion has always been upholding its corporate mottos of "Perfect Work with Passion, and Success Achieved with Integrity", considering making full efforts to promote mutual development and benefits between economic development, social harmony and ecological environment protection as an important basis for achieving high-quality corporate development. We utilize the sustainable development indicator system to actively promote build-up of a corporate culture with social responsibilities integrated, as key support of guidelines for high-quality corporate development. In respect of energy metering and energy saving aspects, we have been continuously improving our core competitiveness to provide more accurate, more reliable and more intelligent products and system services, demonstrating Wasion's great mission to be "energy metering and energy saving expert".

2.1 Sharpening our mind with culture

Our corporate development is culture-oriented. Corporate culture acts as internal driver to promote corporate development, adding sustainable momentum for corporate to leap forward and make progress. The corporate culture of Wasion has been accumulating and improving along decades of development of the Group. Keeping up with the latest trend of innovation and development, we have been constantly updating, enriching and condensing in practice, forming courage for us to face and overcome difficulties and challenges and constructing our strength to make breakthroughs through efforts in the midst of exploration and twists.



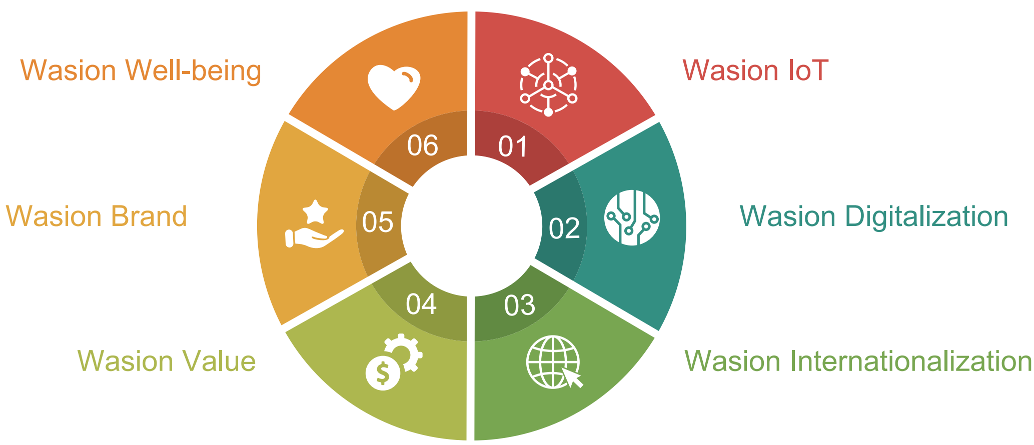
To promote implementation of Wasion's values and to achieve mindset transformation from the persistence of mutual values, succession of corporate culture to self-awareness in actions, Wasion continued to commence the "Corporate Culture Tutorials (企業文化教堂項目)" to improve awareness, understanding, recognition and practical progress of employees against corporate culture through practical activities such as "5 minute talk on corporate culture (五分鐘講企業文化)", so as to create a sympathetic cultural scene to empower long-term sustainable development of the Group.

Wasion continued to commence talks on corporate culture, allowing Wasion's culture to reach employees' mind and incorporate to their work, making our culture "visible" and "reachable".

2.2 Strengthening our foundation with strategies

On the fifth plenary session of the 19th Central Committee of the Communist Party of China, the Communist Party of China made a great plot for "promoting the comprehensive green transformation of the economic and social development (促進經濟社會發展全面綠色轉型)". In active response to the plot, Wasion proactively adopted energy transformation led by "double carbon". We grasped the opportunities to mutually integrate and develop under energy revolution and digital revolution, delivering strong momentum to achieve peak emissions and carbon neutrality. We further consolidated our green development idea in our strategic position to form a clear green development goal, establishing a foundation for outlook of "6th Five-Year Plan" of "More accurate, more efficient, smarter and greener products and solutions (以更精確、更高效、更智慧、更綠色的產品及解決方案)".

We advocate strategy-oriented concept and have further incorporated the green and sustainable development concepts into the "5th five-year plan" strategic system in a more in-depth manner and established practical and feasible path for green development, striving to fully implement green development concepts in all aspects and full progress of research and development, production and operation. We have been iterating and optimizing to construct our development blueprint of "Six Wasion (六個威勝)" at the base of "Strong foundation, steady growth and long tem planning (强根基、穩增長、謀長遠)" with general strategic requirement under "5th five-year plan" as outline.

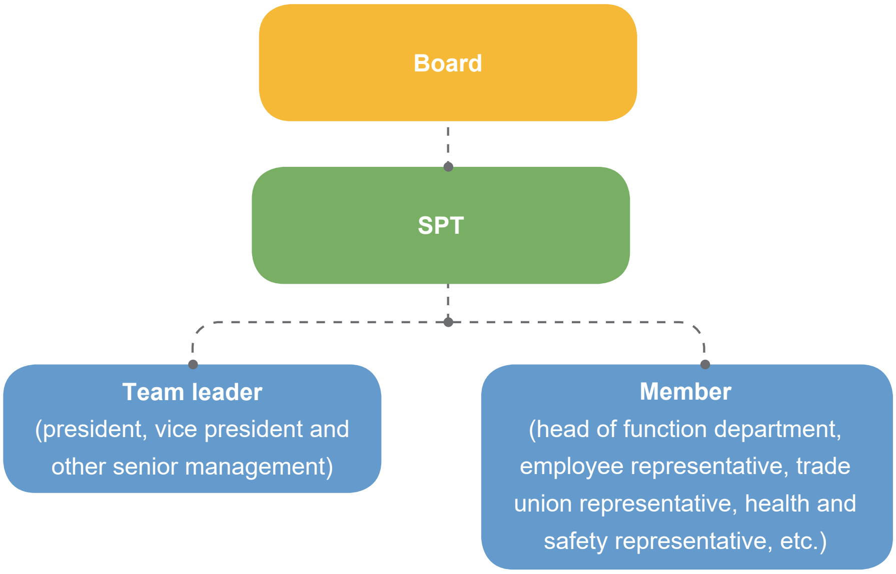


Guided by "Perfect Work with Passion, and Success Achieved with Integrity", Wasion constructed community of interests for grass-roots employee, community of fortune for central backbones and community of career for core talents under stages of "Three communities (三個共同體)". We insist on orderly progress, green and harmonious sustainable development to continuously create happiness for employees, values for customers, benefits for shareholders, and wealth for the society, making full efforts to achieve "Wasion Well-being".

2.3 Supporting development with management

Wasion always insists to create shared value for the society and continues to fulfil social responsibilities. By adhering to a social responsibility management and operation mechanism with the Board as core driver and involved stakeholders, we continue to improve and optimize the organizational structure of social responsibility, and to promote management innovation, mechanism innovation and cultural innovation, so as to realize our values in development and surpass ourselves in meeting challenges.

With focus on the cultivation, improvement and implementation of our concepts of management of corporate social responsibility, we always concern progress of implementation of management of corporate social responsibility. Upholding「Overviewing the past, remembering origins (淡過去，不忘初心)」、「Treasuring the present, insisting on missions (惜現在，牢記使命)」,「Believing in future, moving forward (信未來，砥礪前行)」as corporate development indicators, we will continue to improve our corporate sustainability management mechanism through excelling in management and disclosure of corporate sustainable development information.



- Focusing on the stakeholders' interests to clarify core elements of "Wasion Value".
- Realizing the three communities as our core driver to empower steady commencement of "Wasion Well-being".
- With Social Responsibility Performance Team (SPT) as the management mechanism, guiding and practically promoting solid implementation of all affairs.
- Continuing to improve capability of SPT members by training and cultivation.
- Encouraging innovation to spread the development concept of corporate social responsibilities.

Based on our long-standing values and commitment to sustainable development, Wasion has established an integral comprehensive management system in respect of quality management, environment management, occupational health and safety management and energy management. In accordance with the International Organization for Standardization (ISO), we have formulated relevant standards to realize institutionalized, process-oriented and standardized management of results. This provides a solid foundation for the construction of a strong and effective framework for sustainable development, empowering the Group to make continuous effort in active response to the trend of "green development and green manufacturing".

Company name	Coverage of corporate management system						
	ISO9001	ISO10012	ISO14001	ISO45001	ISO/IEC 20000-1	ISO50001	SA80000
Wasion Group Limited	●	●	●	●	●	●	○
Wasion Energy Technology Company Limited	●	●	●	●	●	○	○
Willfar Information Technology Company Limited	●	●	●	●	●	●	○

Note:
●—represents that the company has established this standard and merged it in its integral management
○—represents that the company has promoted this standard without the certification of the third party

Display of certain management system certification certificate

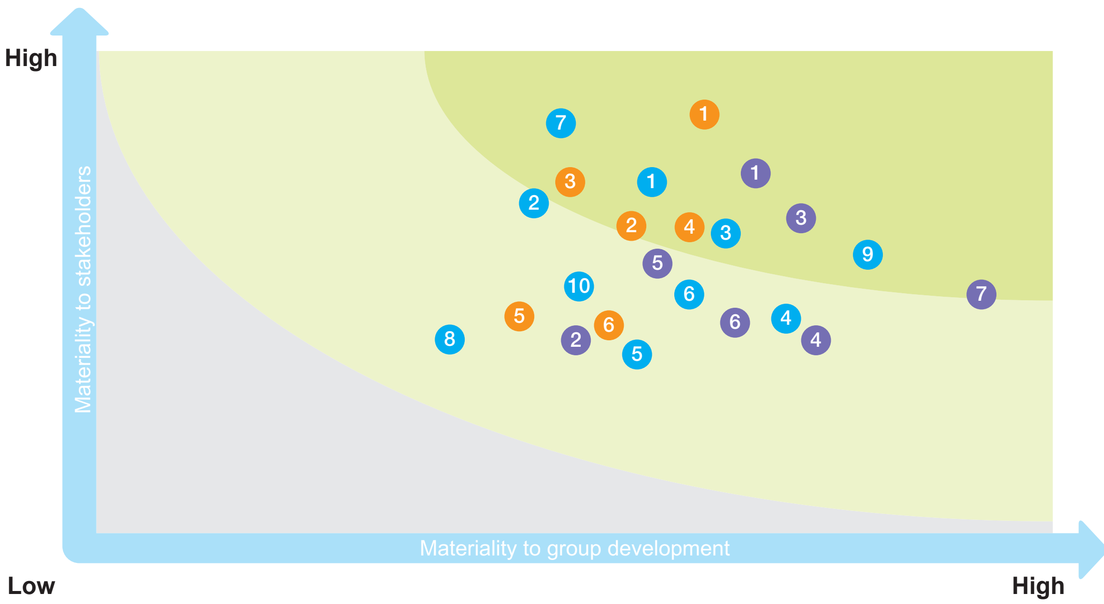
2.4 Promoting mutual agreement through communication

Communication with stakeholders is fundamental for concepts of and essential tool for optimizing corporate ESG. Placing importance on stakeholder relations enables us to create a favorable environment for corporate development, realizing harmony and mutual growth between corporate and stakeholders by focusing on development of stakeholders including the country, society, users, shareholders and industry.

Through various measures including constructing an ESG data collection system, improving stakeholder responsibility communication channels, optimizing evaluation procedures for substantive issues and actively responding to stakeholder expectations, we bring out a research basis for corporate on key substantial issues from the perspective of diversified social issues, multi-dimensional responsibility images, multi-reach communication channels, and multiple brand value presentation, etc.

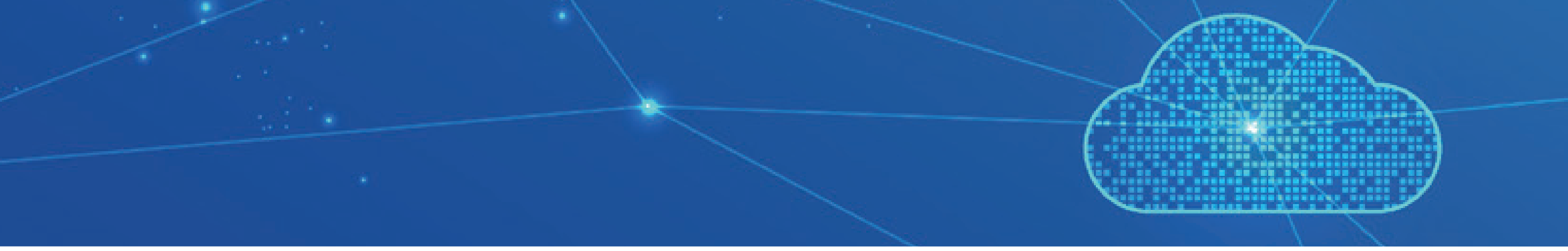
We consider key issues as the guide for sustainable development. We make reference to ESG management practice of peers in the industry and analyze relevance of the key issues from perspective of full life cycle of products by introducing multi-dimensional, systematic, relevant and cohesive stakeholder communication and research results. We reflect and organically combine the results in strategic planning, business development and resource allocation and continue to promote the implementation of responsibilities for substantive issues.

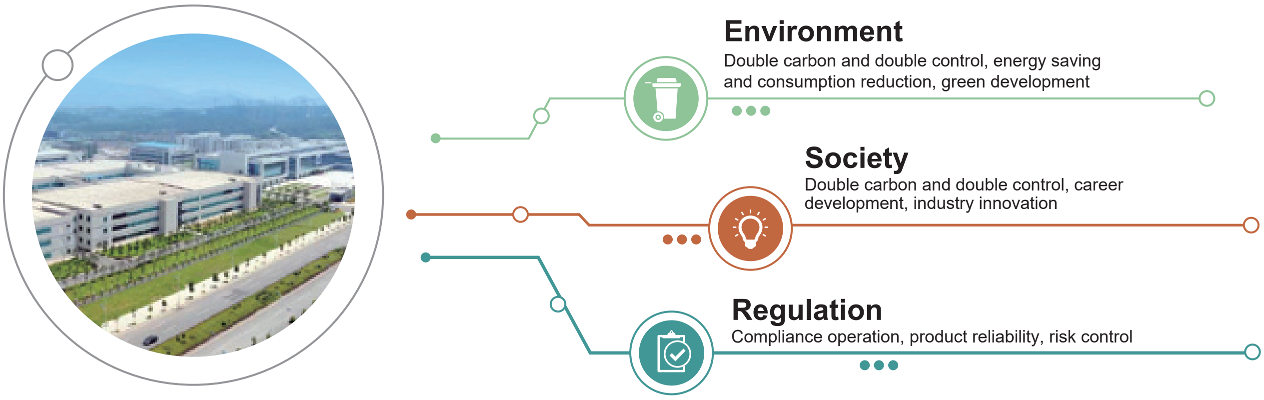
Analysis of materiality of environment issues of the Group 2022



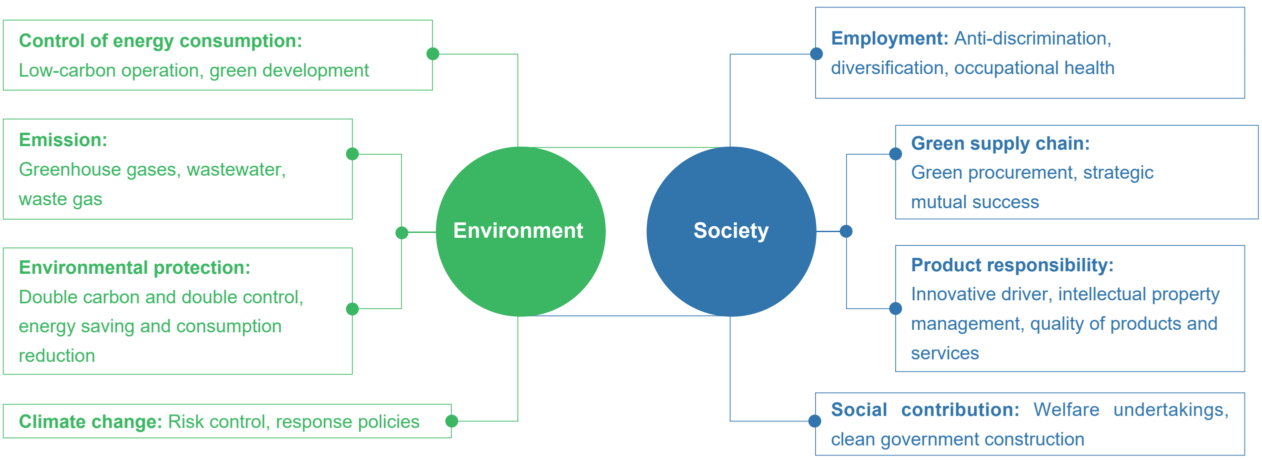
• **Double carbon**	1 Double carbon and double control	2 Energy saving and consumption reduction	3 Green low carbon	4 Green development	5 Ecological impact	6 Environmental protection	
• **Society**	1 Clean government construction	2 Social welfare	3 Career development	4 Compensation and welfare	5 Health and rights	6 Innovative marketing	7 Common development
	8 Voluntary activities	9 Industry innovation	10 Fair competition				
• **Regulation**	1 Compliance operation	2 Quality service	3 Product reliability	4 Development and governance	5 Risk control	6 Return on investment	7 Brand operation

Wasion keeps up with the nation's development strategies and latest development pace and 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.





Wasion proactively responds to relevant 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. 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, we clarify the key performance indicators of main aspects of environment, society and governance of Wasion Holdings Limited in 2022 from four perspectives of materiality, quantification, balance and consistency with participation of main stakeholders.



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 2022. 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.

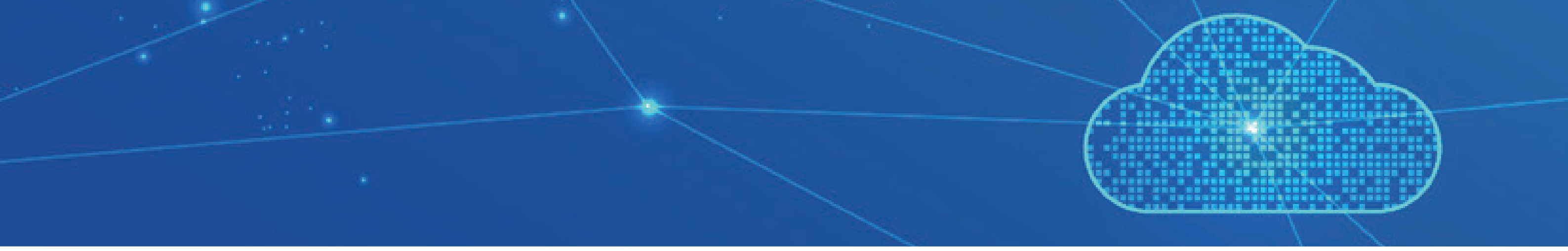
	Unit	Goal of 2021	Goal of 2022	Total consumption of the year	Average consumption per million of annual turnover	Assessment on goal achievement
Electricity	Unit: KWH	<5,600	<5,500 ↓	25,475,625	4,350.46	Achieved
Water resource	Unit: tonne	<144	<140 ↓	580,027	99.05	Achieved
Natural gas	Unit: cubic metre	<130	<126 ↓	556,398	95.02	Achieved
Packaging material[1]	Unit: tonne	—	—	2,195.34	0.36	Achieved

Accurate understanding of the types of emissions and their sources is necessary for enhancing the Company's sustainability and promoting low-carbon environmental operation. Wasion constantly monitors emissions in the industrial park, focuses on main sources of emissions, collect and analyze total annual emissions.

	Unit	Goal of 2021	Goal of 2022	Total emission of the year	Average consumption per million of annual turnover	Assessment on goal achievement
Greenhouse gases[2]	Unit: tonne	<4	<3.8 ↓	17,781	3.03	Achieved
Domestic sewage	Unit: tonne	<92	<90 ↓	427,619	73.02	Achieved
Domestic waste and kitchen waste	Unit: tonne	<0.5	<0.5	1,217.3	0.21	Achieved
Paper/ plastic waste	Unit: tonne			336	0.06	
Tin slag	Unit: tonne	<0.003	<0.003	14.528	0.002	Achieved

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

2 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).

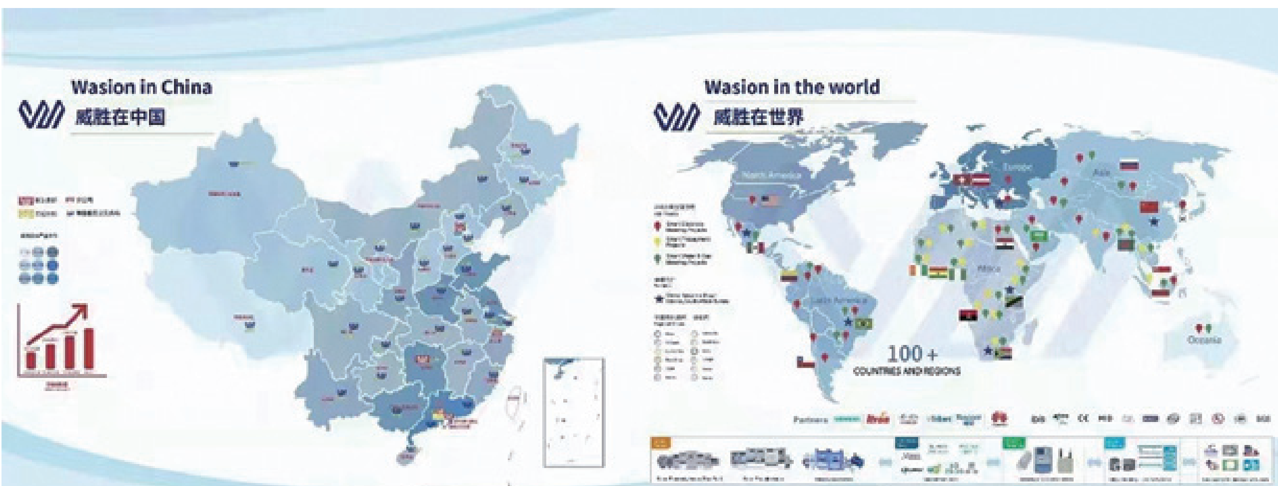


2.5 Expanding market with our brand

Brand, as an intangible asset of an enterprise, condenses the cultural connotation, innovation achievements and value trend of the enterprise. Wasion emphasizes on the combination of quality-"hard strength" and culture-"soft strength" and creates its greatly appealing and inspiring corporate culture and brand image by continuously strengthening itself in terms of integrity operation, energy saving, caring for the environment, kindness to employees and passion to charity, etc.

- ♣ Wasion Group Limited was honoured to be ranked 30th in the field of machinery and equipment manufacturing and scored 900 in brand strength, being the top of energy metering enterprises.
- ♣ Willfar Information listed again on the China Brand Value Evaluation Information List in 2022 and was ranked top 20 in the Electric and Electronic Brand Value List (電子電氣品牌價值榜).

Branding is not only necessary for corporate self-development, it is also an essential element in joining the market competition. 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's products are exported to over 50 countries and regions around the world. We have established business relationships with more than 100 countries and regions, and set up local factories in Tanzania, Brazil, Mexico, etc. In the future, Wasion will continue to explore overseas markets and move forward under our mission of "Committed to becoming a global energy metering and energy saving expert" to build Wasion as an international brand, so as to support construction and development of brands in China.

3. RESPONSIBILITY FULFILLMENT

With the in-depth reform of energy production and utilization, the efficient use and saving of energy and green and low-carbon development have become general concerns of the society. During the "14th Five-Year Plan" period, ways to achieve "Peak Emissions" and "Carbon Neutrality" has become hot topics of the society. To implement practically the ideas of Central Economic Work Conference of the party, Wasion swiftly referred and streamlined as well as decisively optimized its strategic system, emphasizing concepts of high value, high efficiency, low carbon and green as drivers in selection of business, industry layout and product positioning. We have established an operational position to achieve energy saving and emission reduction and improvement in overall utilization of resources through green manufacturing and green production.

3.1 Low-carbon operation and green development

Under the global trend of "Peak Emissions" and "Carbon Neutrality", the globe is anticipating the upcoming technology revolution and industrial revolution. Wasion linked its own development with timely missions. Adopting the attitude of "Aggressive with Keen Determination and Achieving Growth through Innovation" to take action, Wasion adhered to its business position of "concerning ecological efficiency, bearing social responsibilities and practicing concepts of green sustainable development in our development progress (發展過程中要注重生態效益、承擔社會責任、踐行綠色可持續發展理念)" established under the strategic system of the "5th Five-Year Plan". We closely integrated production and operation and practical work, focused on reduction at the source, monitored progress and extended vertically, to orderly promote energy saving and carbon reduction in the Group. We accelerated the construction of modern production base with digital industry, automatic production and intelligent products. Making continuous efforts and accumulating achievement in our field of expertise, we gradually realized a new leap moving from scattered effort in energy saving to systematic carbon reduction.

3.1.1 Strengthening system establishment

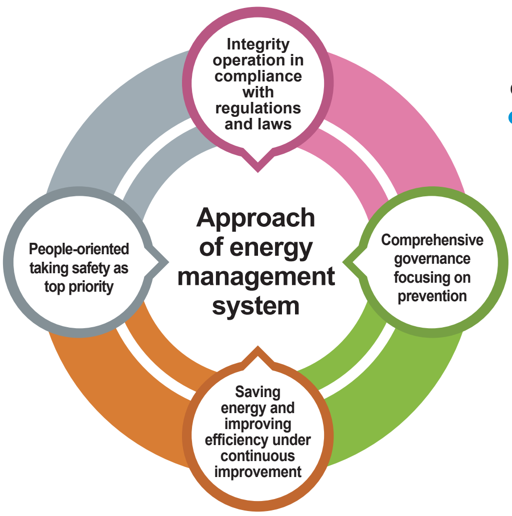
Wasion strictly observes Law of the People's Republic of China on Conserving Energy, Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution and other relevant laws and regulations. Drawing on the scientific and advanced theories of the management system, we optimize the top-level design to create new advantages for green development. Based on in-depth system establishment and with enhancing system implementation as the core, we continue to revise and enrich the system content to construct a long-term mechanism for standardized management and scientific development, providing institutional and systemic protection for the Group's high-quality development.

The Group has been working on the construction of environmental management and measurement management systems for years. The various management systems established have been improving day by day, and have become the main basis for guiding the internal work on deeper environmental protection and resource conservation, as well as an important technology support for energy measurement and statistics.

Construction of energy management system

To keep improving our professional management level and steadily promote integrated works on energy saving and emission reduction, the Group introduced an energy management system in accordance with GB/T23331-2020/ISO 50001:2018 Energy management systems — Requirements with guidance for use in 2022 and established a good foundation for an inter-linking, supporting and reliable, unified and standardized measurement system for carbon emission.

- Establish various management systems to implement energy management and energy saving targets and responsibilities
- Actively carry out clean production assessment and energy efficiency evaluations to reduce energy consumption with systematic management methods
- Convert energy-consuming equipment and process to improve energy utilization efficiency



Relevant major documentation system

- WS-CX/ZL018 Control procedure for monitoring and metering equipment
- WS-CX/En007 Control procedure for management of energy metering equipment
- WS-CX/JL004 Control procedure for tracing measurement of meters
- WS-CX/En005 Control procedure for management of adopting statutory measurement unit
- WS-CX/En008 Control procedure for management of configuration suitability of energy metering equipment
- WS-CX/En006 Control procedure for management of training, assessment and supervision of energy metering staff

3.1.2 Leveraging on digitalization and keeping up the intelligent trend

In the era of digital economy, Digital Power Grid emerged under the deep integration and shock between traditional physical power grid and new generation digital technologies comprising cloud computing, big data, Internet of things, Mobile Internet, artificial intelligence and blockchains. "Smart production and digitalization and upgrades in operation" forms important part of "Wasion Digitalization". With digital technology empowering green upgrade of the industry, we insist on the digitalization development of intelligent manufacturing, to promote green and quality development by orderly promoting digitalization, networking and intelligent production.

"Typical smart production under smart flexible production of smart meters (智能電能表智能化柔性生產智能製造典型場景)" project of Wasion Group Limited was listed on "List of typical application of digital transformation of manufacturing industry in Hunan Province 2022 《2022年湖南省製造業數字化轉型典型應用場景名單》"

- ✓ Realize smart operation collaborating human and machines
- ✓ Make breakthrough to solve multi-system integration, data source unification and data standardization, optimization of the cross-department network collaborative manufacturing system
- ✓ Make breakthrough to solve issues in quality control under the synergy of intensification, scale and greening as well as management and control issues on productivity, progress, cost and network security

Typical smart production under smart flexible production in Wasion Group Limited

Willfar Information was recognized as "Leading" Enterprise in Peak Emissions for China Industry by CFIE

Willfar Information Technology Company Limited became one of the first group of enterprises recognized as "Leading" Enterprise in Peak Emissions for China Industry, evidencing the Company's continuous efforts and positive results in practicing the "Dual Carbon" strategy; and reflecting recognition of the Company's pioneering role in the implementation of "dual carbon" by the country and industry

Supporting clean production with digitalization and smart transformation

Through various measures in all aspects including enhancing management, improving process and digitalization reforms, we have been promoting digitalization of production and smart reform in construction of smart production workshop. We continued to improve the integrated energy utilization efficiency in production and manufacturing procedures and enhance the innovation capacity and production efficiency of the corporate, empowering the transformation and upgrading of the manufacturing industry and contributing to the achievement of the strategic goal of "Strong Province (強省會)" of Hunan Province and promotion Hunan's high quality development and modernization.

- We continued to improve under principle of "Fine, delicate and lean (精細、精致、精益)" in management to strengthen our management basis with scientific concept of lean production. We achieved new breakthroughs in seamless bridging procedures to deliver more precise and efficient production progress and enhance production quality;

- Smooth process flow, shortest flow and balanced rate are set as aims for process technology to optimize production flow and process route. We adjusted layout of workshops to reduce production preparation, and at the same time increased the investment in the construction of automated intelligent production lines, so as to shorten production period and realize the production efficiency;

- In digitalization construction of production workshops, we have constantly been exploring new ways to facilitate consolidation of data channels to expand management systems, to connect and promote deep integration of information technology and industrial equipment, and to realize the upgrades of management and control at production sites by digitalization and smart transformation.

Wasion Group Limited and Willfar Information Technology Company Limited were recognized as "Intelligent manufacturing benchmark workshop in Hunan Province 2022 (2022年度湖南省智能製造標杆車間)"

Integration of application models

Product model, process model, resource model and productivity mode, etc. are established under principle of people, machines, materials, methods, environment and tests, to build excellent smart production application model and the above are utilized as basis to implement smart transformation and upgrade of factories

Transparency of production process

Smart production line, smart equipment, monitoring facilities and equipment, etc., have realized real-time sensing, positioning, connecting and managing and achieved transparent management and control in business processes through various data flow management

Collection of quality data

The inspection manager set inspection standards for products/parts at each position on the system platform in accordance with process quality requirements, test standards or design drawings. After submission of inspection report, inspection will be carried out according to the standard to ensure collection of timely data and complete record

Traceability of production process

We have realized traceable production process cycle through records of equipment resource, 4M information, inspection records and unqualified information in each process in the production process, achieving obverse and reverse traceability of products and materials

Advancing in all aspects with fruitful achievement on construction of green factory

Under the global trend of green development, the Group increased contribution and enhanced implementation continuously with reference to requirement under "Guidelines for the Construction of Green Manufacturing Standard System (綠色製造標準體系建設指南)", to promote the overall efficiency of production and operation, energy saving and carbon reduction. Core subsidiaries of Wasion Holdings Limited have been recognized as "National Green Factory" successively.

- Implement transformation for efficient and intelligent production line, quality improvement of clean production technology and improvement of technologies of saving energy, water and materials
- Introduce new equipment with low pollution and low energy consumption, and adopt new technologies and processes that are environmentally friendly
- Reduce waste and emissions at the end of sessions, cooperate with professional waste recycling organizations, and establish a circulating system for recycling and reusing of old and waste materials

Industry and Information Technology Department of Hunan Province announced the review on demonstrative unit of green manufacturing system in 2022. Wasion Group Limited passed the review successfully and was recognized as "National Green Factory"

The selected enterprises must meet high standards and strict requirements of various indicators in respect of infrastructure, management system, energy input and emission to environment, and must undergo self-evaluation, third-party institutional assessment, provincial industry and information department recommendation, expert verification, review, public announcement

Wasion Group Limited passed the assessment for National Green Factory

Willfar Information Technology Company Limited and Wasion Electric Limited were honoured to be listed on "public announcement of list of green factories (綠色工廠公示名單)" in 2022

Willfar Information Technology Company Limited was recognized as "Water-Saving Enterprise of Hunan Province (2022年湖南省節水型企業)" and categorized as "Water Efficiency Leader (水效領跑者)"

3.1.3 Promoting green recycling and transformation in industrial park

Through a comprehensive analysis on energy use and resource allocation in the industrial park, in 2022, we have planned, graded and implemented step by step the green upgrade of infrastructure and IT equipment, as well as the comprehensive transformation and quality improvement of energy consumption monitoring and intelligent management and control, so as to promote the green and digital upgrade in Wasion's industrial park in a revolving manner, representing a solid step towards building a zero-carbon industrial park.

Increase use of clean energy

A distributed photovoltaic system is built on the roof of the factory, utilizing renewable energy such as solar power. The system adopts a self-generation and self-consumption mode, with annual power generation capacity of about 2 million kWh per year. The system can save about 12% of electricity consumption cost of the industrial park each year

Energy saving and carbon reduction by technology

Architectural design in the industrial park fully utilizes natural ventilation and lighting, and adopts energy-saving lightings and automatic lighting control system, etc. to further reduce energy consumption; The energy management monitoring center can monitor and analyze energy consumption in real time to guide rational use of energy in each area

Part of factories in production base of Wasion Group Limited

As a pioneer and promoter of carbon neutrality, Wasion Electric Limited creates a new energy assets management and service network with a new energy service model covering entire life cycle of intelligent photovoltaic research and development, design, construction, operation and maintenance, and investment

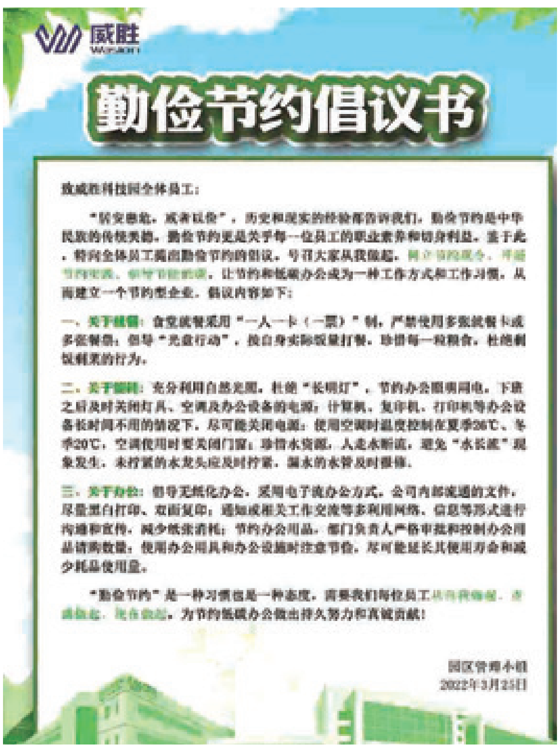
The production base of the company has installed a rooftop distributed photovoltaic system of 4.55 MW, which can reduce carbon dioxide emissions by about 4,385 tonnes per year

Part of factories in production base of Wasion Electric Limited

In implementing tasks of environmental protection and energy saving and carbon reduction, Wasion insists on prevention-driven approach and bases on strengthening ideological education to enhance employees' self-consciousness in missions and responsibilities to fulfill their obligations of energy saving and emission reduction. We encourage everyone to actively contribute and make suggestions, participating in an active role in deployment of energy saving and carbon reduction of the Group and beginning to practice green and low-carbon production and lifestyle from each individual.

The Group conscientiously implements various management systems for energy saving and consumption reduction to enhance the consciousness and initiative of employees in energy saving and emission reduction and green office. On one hand, we create a green office and low-carbon travel scenario for employees, nurturing a common work habit of conservation and low-carbon office; on the other hand, we organize various low-carbon environmental activities guiding employees to adopt lifestyle and consumption patterns of reasonable saving, green and low-carbon and civilized and healthy manner, with an aim to build together a conservation-oriented enterprise.

Act to "be diligent and frugal" from individuals, in details and from now
Make continuous efforts and sincere contribution for
a resource-saving and low-carbon office


威胜

勤俭节约倡议书

致威胜科技园全体员工：

"居安思危，戒奢以俭"，历史和现实的经验都告诉我们，勤俭节约是中华民族的传统美德。勤俭节约更是关乎每一位员工的职业素养和切身利益。鉴于此，特向全体员工提出勤俭节约的倡议，号召大家从我做起，[illegible]，让节约和低碳办公成为一种工作方式和工作习惯，从而建立一个节约型企业。倡议内容如下：

一、关于就餐：食堂就餐采用"一人一卡（一票）"制，严禁使用多张就餐卡或多张餐票，倡导"光盘行动"，按自身实际饭量打餐，珍惜每一粒粮食，杜绝剩饭剩菜的行为。

二、关于能耗：充分利用自然光照，杜绝"长明灯"，节约办公照明用电，下班之后及时关闭灯具、空调及办公设备的电源；计算机、复印机、打印机等办公设备长时间不用的情况下，尽可能关闭电源；使用空调时温度控制在夏季26℃、冬季20℃，空调使用时要关闭门窗；珍惜水资源，人走水断流，避免"水长流"现象发生，未拧紧的水龙头应及时拧紧，漏水的水管及时维修。

三、关于办公：倡导无纸化办公，采用电子化办公方式，公司内部流通的文件，尽量黑白打印、双面复印；通知或相关工作安排等多利用网络、信息等形式进行沟通和宣传，减少纸张消耗；节约办公用品，部门负责人严格审批和控制办公用品请购数量，使用办公用具和办公设施时注意节俭，尽可能延长其使用寿命和减少耗品使用量。

"勤俭节约"是一种习惯也是一种态度，需要我们每位员工从我做起、从小事做起、从现在做起，为节约低碳办公做出持久努力和真诚贡献！

园区管理小组
2022年3月25日

Dining

Promote "Clear your plate (光盤行動)", having meals with volume of actual needs, under the concept to treasure food and avoid leftover

Energy consumption

Utilize fully natural light and switch off power after work; shut doors and windows when using air-conditioners, with temperature set at no lower than 26ºC in summer and no higher than 20ºC in winter; Cut water supply after working hours to avoid "prolonging water flow (長流水)"

Office

Adopt electronic office mode, using double-sided printing and copying for internal circulating documents and utilizing network for notices and communication at work to save office supplies

3.1.4 Supporting industry upgrades with green products

In achieving "Peak Emissions" and "Carbon Neutrality" , energy is considered as the main theme while electricity is the top concern. In 2022, Wasion set the goal of the year as "Mapping out new layout at the new development stage (立足發展新階段，創建發展新格局)", with focus on supporting the development strategy of "three high and four new technologies (三高四新)". Relying on exchanges and cooperation in the industry, we have been actively exploring application solutions of green low-carbon technology in energy and electronics industry. We constantly enhance application of technologies such as intelligent manufacturing and industrial internet to support digitalization, intelligent and green upgrades in the full industry chain of energy and electronics.

In promoting green transformation of products, the Group firmly establishes a concept of whole life cycle management, driven by technological innovation and guaranteed by mechanism innovation. Aiming at minimizing the consumption of energy and resources and minimizing the impact on the ecological environment, we systematically consider the impact on resources and environment of each session in the whole process, including raw material selection, production and manufacturing, product storage and transportation, product use, product recycling and disposal. We continue to promote digitalization for intelligent manufacturing, so as to enhance the Group's green manufacturing level.

Sustainable design in respect of products' life cycle

We incorporate environment factors and pollution prevention measures into product design at the research and development stage. Under the 3R principles — Reduce, Recycle, Reuse, we focus on the environmentally friendliness, functional optimization, and recyclability of our products, committing to exploring and striving to promote research, development, promotion and application of low-carbon and green technologies, so as to benefit numerous enterprises and families with the more intelligent, more stable, and more energy-efficient products of Wasion.

Assessment commenced to review carbon footprint of core products

Carbon footprint certificates of certain products

- Engage third-party energy saving assessment agency
- Base on Life-cycle assessment (LCA)
- Trace upstream and downstream production and sales process of products

Wasion Group Limited passed the review of "Champion Single Manufactured Product (製造業單項冠軍產品)"

On 24 October 2022, the Industry and Information Technology Department of Hunan Province announced "Passing Lists of Seventh Batch of Single Champion Enterprises (Product) in the Manufacturing Industry and Review on First Batch and Fourth Batch of Single Champion Enterprises(Product) in the Manufacturing Industry in Hunan Province (湖南省第七批製造業單項冠軍企業(產品)和第一批、第四批製造業單項冠軍企業(產品)複核通過名單)", with "three-phase electronic power meters" of Wasion Group Limited on the list

Some of the smart energy meters

The 2022 (Hunan) Summit of New Energy Storage Technology Application and Industry Development (2022(湖南)新型儲能技術應用與產業發展高峰論壇) was held in the morning on 21 May in Wasion Electric Industrial Park (威勝電氣產業園). Collaboration and innovation throughout the upstream and downstream industry chain is required for developing "safe, highly efficient and innovation" new energy storage technology application and for industry development. Collaboration in promotion is also necessary for swift and sustainable development of the energy storage industry.

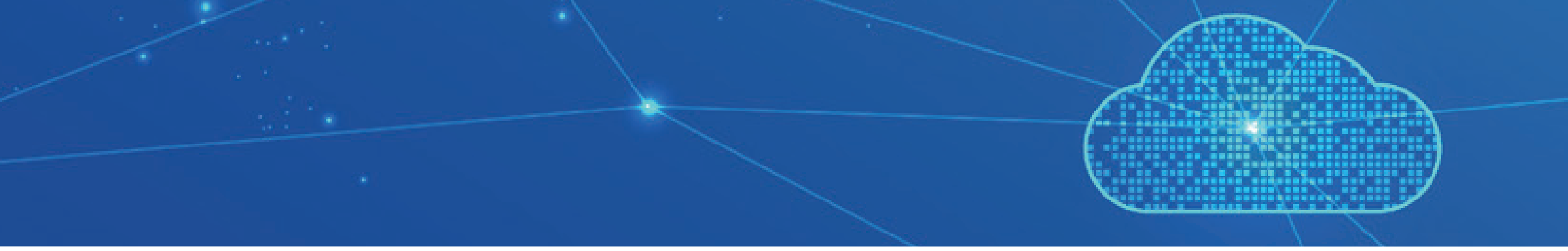
Mr. Zeng Xin, president of Wasion Electric, shared his thoughts on topic of "Thoughts and Practice of Wasion Electric on development of energy storage industrialization (威勝電氣對儲能產業化發展的思考與實踐)". He introduced position and objective of an energy storage smart manufacturing center to be invested and constructed by Wasion Electric. Wasion Electric will strive to make the center a benchmark in energy storage industry in China, meeting energy storage customer's growing needs for products and services of high quality, reliability and price efficiency

Site of the summit

Contribute to "Dual carbon" with our expertise

Wasion will fully utilize its expertise in the field of energy metering, leveraging on our core technologies and industrial advantages to focus on different energy saving and emission reduction solutions for various applications, actively advocate and promote green consumption patterns, and continuously explore and innovate, with an aim to launch more, more energy-saving and more intelligent solutions to support "Dual Carbon".

The Greater Bay Area is the most economically active and densely loaded region in China. On 21 May 2002, a flexible DC back-to-back grid project, with the world's largest capacity and pioneering to realize regional interconnection at a grid load center, was completed and launched in the Greater Bay Area. The completion of the project will greatly enhance the security of power supply in the Greater Bay Area. Power grid in the Greater Bay Area become more intelligent, efficient, reliable and green, supporting Guangdong to achieve the goal of "Peak Emissions" and "Carbon Neutrality".



Wasion provided precise metering products for the DC back-to-back project in the Greater Bay Area

Our three-phase electronic smart power meters(high stability) are applicable to gateway measure points at inter-regional liaison lines, provincial network liaison lines and provincial off-grid for power generation enterprises and electrified railroads and large industrial users with frequent load changes

In order to achieve the strategic goal of "Peak Emissions and Carbon Neutrality", China has formulated a number of plans, including the construction of a new-type power system focusing on new energy. The proportion of new energy, such as photovoltaic and wind power, connected to the power grid is bound to grow rapidly under the new trend. The large-scale connection of new energy to the grid will pose new challenges to the accuracy and fairness of power measurement on the power source side. Wasion will ride on the new development stage , keep a close eye on the trend of integration of energy and digital reforms and cope with the new demand for new-type power systems driven by "low carbon", to launch suitable products, services and solutions for new energy power grid application.

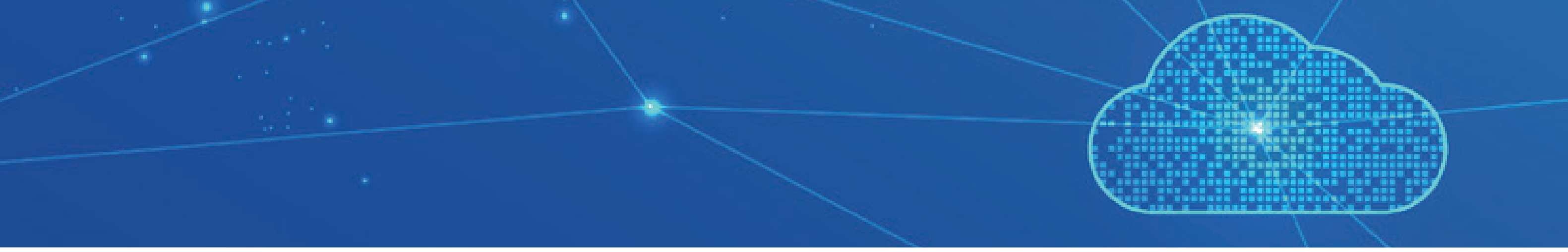
Distributed photovoltaic development pilot project in Shuangfeng County

China Power collaborated with Wasion Electric in proactive response to "Notice on Submitting the County (City, District) Roof Distributed Photovoltaic Development Pilot Scheme (關於報送整縣（市、區）屋頂分佈式光伏開發試點方案的通知)" issued by the National Energy Administration. The distributed photovoltaic development pilot project in Shuangfeng County is one of the 12 whole county distributed projects in Hunan Province approved by the Chinese government. As key initiative to achieve "Peak Emissions" and "Carbon Neutrality" as well as the strategic deployment to develop rural areas, the project reflects substantive importance in accelerating development and utilization of clean energy, enhancing utilization efficiency of resources, facilitating sustainable development of green energy and accelerating the optimization and upgrade of economic structure in Shuangfeng County

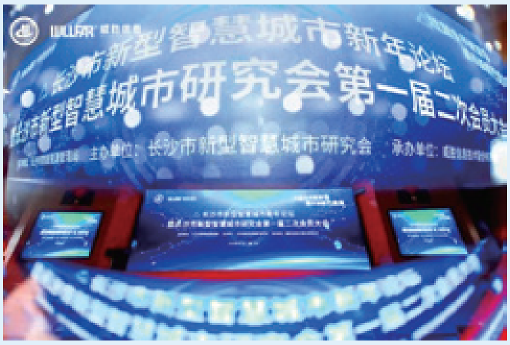
Wasion Electric held the commencement ceremony of distributed photovoltaic development pilot project in Shuangfeng County

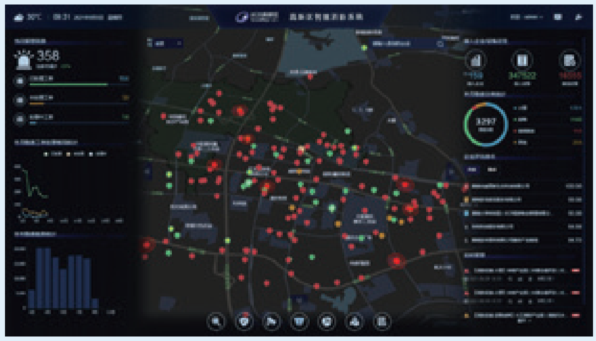
Wasion Electric is one of the first private enterprises in the province to enter the field of photovoltaic power stations and has achieved outstanding performance in the distributed photovoltaic field. In first half of 2022, the company has achieved success application in various scenarios of nearly 1000 MW. The projects covered over ten provinces across China, covering 11 municipalities in Hunan.

Since 2021, Willfar Information has been promoting the strategic cooperation with Tencent to comprehensively launch the construction of digital smart city. Based on Tencent Cloud IoT cloud service platform, Willfar Information combined its profound business understanding and overall solution advantages in electricity, water and fire protection industries, to jointly develop the industry internet and provide joint solutions to the market.



On 11 January 2022, the first secondary member meeting of Changsha Smart City New Year Forum cum Changsha Smart City Conference (長沙市新型智慧城市新年論壇暨長沙市新型智慧城市研究會) hosted by the Changsha Smart City Research Institute and undertaken by Willfar Information was held in Wasion Science & Technology Park (威勝科技園).

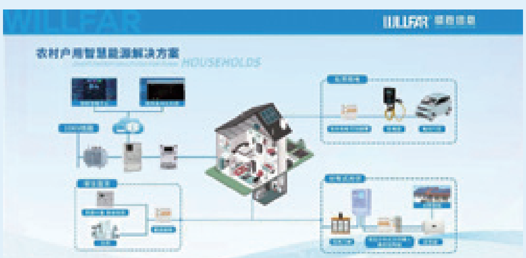




Smart fire system solution presentation

First Rural Energy Development Conference and Clean Energy Equipment Exhibition 2022

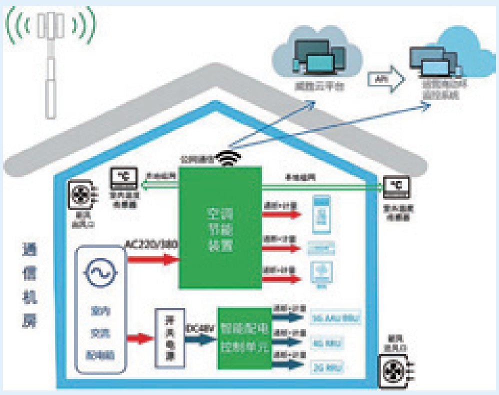
Smart energy solutions for rural households of Willfar Information revealed at the first Rural Energy Development Conference and Clean Energy Equipment Exhibition 2022.



Smart energy solutions for rural households of Willfar Information

Smart energy solutions for rural households of Willfar Information provide households and villages in rural areas digital value-added services of analysis for energy consumption, diagnosis for energy saving, load adjustment, electricity safety and alerts for electrical appliance failure, etc., with an aim to achieve smart consumption in households and villages in rural areas and make energy usage of them observable, measurable, controllable and adjustable.

Tian Yulong(田玉龍), press spokesman of the Ministry of Industry and Information Technology, expressed at a press conference of the State Council Information Office that, 2022 is a critical year for the large-scale development of 5G applications. The total number of base stations will reach 2 million by the end of 2022, and with the large-scale commercialization of 5G and the vigorous development of intelligent applications, the issue of base station energy consumption has become a hot topic continuously drawing social attention. The power consumption of 5G base stations is about 4 times higher than of that of 4G base stations of the same level, and the number of 5G base stations required in the same coverage area is about 3-4 times of that of 4G. Therefore, energy saving of base stations is the basis of green and low carbon development for operators. Under this background, Wasion has launched an energy-saving solution for telecommunication equipment room to reduce emissions and carbon from the source.



Energy-saving solution for telecommunication equipment room of Wasion

Solutions for

Energy saving for air conditioning and base station equipment in the server room, with features including separate precise metering and independent control, flexible configuration of energy-saving strategies, overall installation requiring no debugging and support from cloud platform.

Applicable to

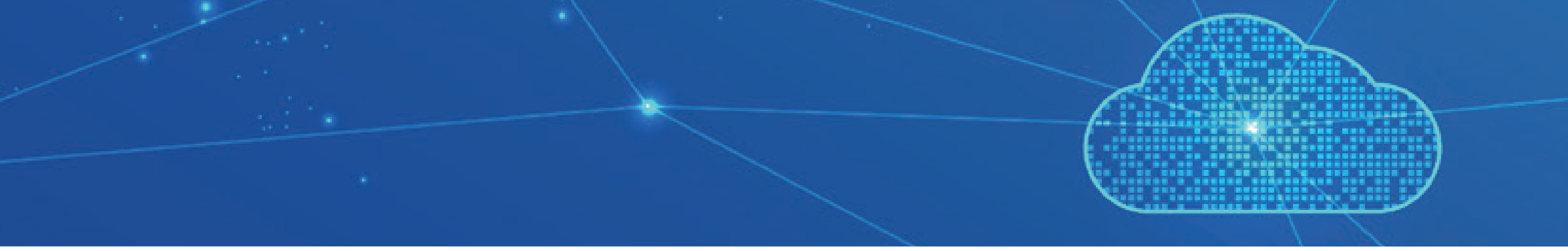
Various scenarios such as telecommunication base stations, green field equipment rooms and outdoor telecommunication shelters to achieve energy saving and energy efficiency statistics of base station air conditioning and base station equipment and realize equipment-level power consumption monitoring and remote control to bring energy saving benefits to telecommunication operators.

3.2 Innovation and development with our own strength

3.2.1 Insisting on innovation to promote growth

Innovation-driven development has become core strategy of various countries in pursuing competitive advantages, while technological innovation is an important element in innovative development. Technology innovation has become main concern in international strategic layout.

Wasion adheres to sustainable development under “Four Innovation (四個創新)”. Emphasizing the leading role of technology and product innovation on green development, Wasion guides research and development investment on energy-saving and environment protection, new energy and new green materials, etc., focuses on challenging and making breakthroughs on original technologies, promotes self-developed and controllable essential core technology as well as strives to enhance our technology innovative capability, so as to provide support for digitalization construction of China’s power grid and to contribute to advancement and development of the global power metering industry.



In August 2022, the Industry and Information Technology Department of Hunan Province completed the examination for the fourth batch of cultivation of "Little Giant" enterprises with niche (專精特新) features. Willfar Information Technology Company Limited successfully passed and was selected in the examination. The "Little Giant" enterprises with niche features are recognized to fulfil highest standards, being pioneer of high-quality small and medium-sized enterprises to become key support for the future industrial chain and the main force for strengthening and replenishing the chain. "Niche" features mean to be new, distinctive, specialized and sophisticated. Being selected to be a nationally recognized "Little Giant" enterprise with niche features reflects the company's leading scientific research strength and innovation capability.

List of fourth batch of niche enterprises		
Number	Province (Region, City)	Company Name
1	Huanan province	長沙韶光半導體有限公司
	.....	
52	Huanan province	湖南子宏生態科技股份有限公司
53	Huanan province	Willfar Information Technology Company Limited
54	Huanan province	湖南三德科技股份有限公司

As the digitalization of the power grid progresses, chips become more important to power grid. Chips constitute basic business unit of power grid, penetrating from the equipment level to the component level and are gaining more importance in technology development. In order to meet the demand for precise measurement and control under the development of digitalization and networking development, China Southern Power Grid Company Limited concentrated its research and development effort on resolving challenges based on the domestically developed CPU core and closed beta test technology under the National Key Research and Development Programme. After five years of research and development and verification on various scenarios, "Fuxi" was launched as China's first dedicated electric power master chip based on domestic command architecture and domestic core.

Under this background, Wasion participated in the "Fuxi" project of key technology and application of dedicated electric power master chip, and specially established a professional team to research and develop security protection technology for industrial chips and software and hardware development platform technology for industrial chips, as well as to construct new software structure for electricity metering equipment and collection terminals. Based on the "Fuxi" chip architecture, Wasion has developed the electricity metering terminal and collection terminal with communication encryption and data storage encryption functions, enhancing the security and interactivity of communication and realizing the integration and application of electricity-dedicated algorithms in the core of the chip.


中国南方电网

中国南方电网公司科技进步奖

获奖证书

获奖项目：“伏羲”国产自主电力专用芯片关键技术与应用

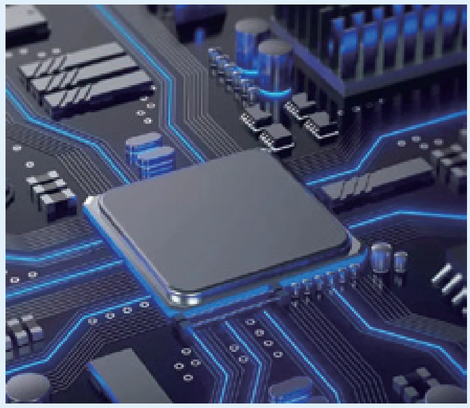
获奖等级：特等奖

获奖单位：威胜集团有限公司

奖励年度：2022年

证书号：2022-特-01-D09

中国南方电网有限责任公司



Wasion Group Limited was granted scientific and technological progress award by China Southern Power Grid Company Limited

- Independent and controllable domestic chip. The success of this project symbolizes the transformation of core chips in the field of power metering in China from “imported for general purpose” to “self-developed dedicated”, achieving self-developed and controllable nature of core components in electricity secondary equipment.

- Enhancing research and development to achieve continuous innovation. The key technology and application of “Fuxi”, the domestic dedicated electric power master chip, marked an important milestone of Wasion’s product development.

“Continual Innovation Contributing to Wasion’s Centennial History” is our great vision rooted in our heart and spreading through our work, and is also the everlasting power underlying in our healthy corporate development.

In February 2022, the General Office of the National Development and Reform Commission issued evaluation results of "National Enterprise Technology Centre (國家企業技術中心)" of year 2021. The enterprise technology centre of Wasion Group Limited was recognized and passed the evaluation.

Wasion Group Limited passed the annual evaluation as "National Enterprise Technology Centre (國家企業技術中心)"

The China Instrument and Control Society issued the list of awardees of 2022 Science and Technology Award of China Instrument and Control Society (中國儀器儀表學會科學技術獎). "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)" was awarded the Second Prize in Science and Technology Progress (科技進步二等獎) and "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)", "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)" were awarded the Third Prize in Science and Technology Progress (科技進步三等獎), all of which involved Wasion Group Limited in the projects.

Wasion Group Limited was granted the scientific and technological progress award by China Instrument and Control Society

3.2.2 Creating an atmosphere of comprehensive innovation for every employee

Wasion always keeps in mind the idea of General Secretary Xi to "enhance research and development and keep innovate (加强研發，不斷創新)" and uphold our vision of "Continual Innovation Contributing to Wasion's Centennial History". The Group optimizes its internal green technology to build an innovative environment and enhance management and service of scientific research activities to nurture an intense creative atmosphere, stimulating talents' vitality of innovation and entrepreneurship, so as to constantly adding momentum into Wasion's foundation of centennial history.

In 2022, Innovation and Entrepreneurship Fund Management Task Force (創新創業基金管理專項工作組) of Wasion Holdings launched the first and second quarterly applications for the Innovation and Entrepreneurship Fund under the theme of "Following the new opportunities of new power system construction to promote Wasion's innovative development (緊隨新型電力系統建設新機遇，推進威勝創新發展)". In addition to the original awards, the fund focuses on supporting projects, innovative projects and outstanding papers related to "new power system construction", and to speed up the progress of acceptance and evaluation and implement top-class award.

In 2022, Wasion received 98 innovation fund application awards, granted 71 awards with the award rate up to 72%, with fund of more than RMB1 million distributed.

"Create the Future in Wasion (相約威勝　創享未來)" — "Wasion Cup" Dual Innovation Competition

The first innovation and entrepreneurship competition of Wasion targeted from the Group's internal technical teams to outstanding teams from major universities in Hunan. Since its launch in April 2022, the competition attracted application from 32 project teams, including 20 projects under Wasion Holdings and 12 projects from five well-known universities in the province.

Among the 9 projects participating in the final round, there were projects with high technological content and great development potential, as well as projects that closely follow the strategic needs of enterprises and have wide range of application prospects.

In the face of the existing electricity carbon accounting method cannot reflect the carbon emission situation on the side of electricity consumption in real time, accurately and comprehensively, and the smart meter does not support the carbon emission measurement function. Wasion Group Limited together with Guangdong Power Grid Co. Ltd. (廣東電網有限責任公司計量中心) and Harbin Electric Instrument Research Institute Co. (哈爾濱電工儀表研究所有限公司) jointly established a metering team to develop new generation electricity carbon integrated smart meter. This smart meter is the first domestic energy meter for real-time measurement of carbon emissions on the source, grid and load sides, which fills the gap in the domestic energy meter market segment. It is of great significance to the development of energy Internet of Things and digital power grid.

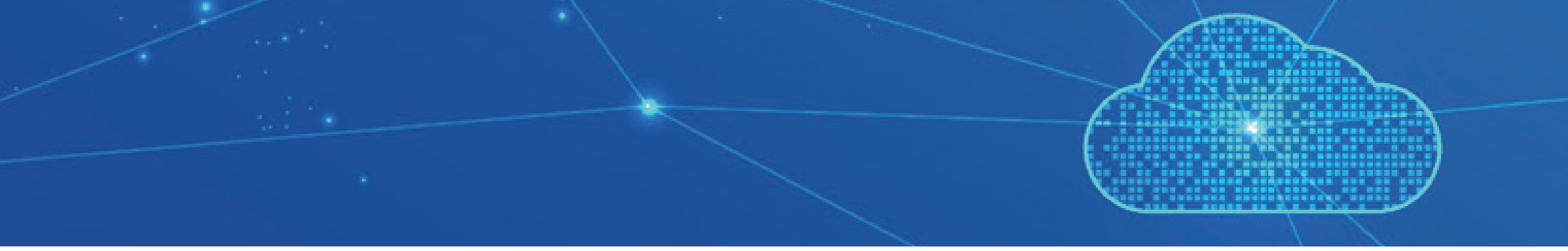
2022 "Silk Road" Innovation Award comprises preliminary rounds, repechage, semi-finals and grand final, lasted for over 4 months

The metering team established by Wasion Group Limited, metrology center of Guangdong Power Grid Co. Ltd. (廣東電網有限責任公司計量中心) and Harbin Electric Instrument Research Institute Co. (哈爾濱電工儀表研究所有限公司) jointly developed the new generation electricity carbon integrated smart meter and won the Second Prize in Creative Design Competition (創意設計賽道二等獎)

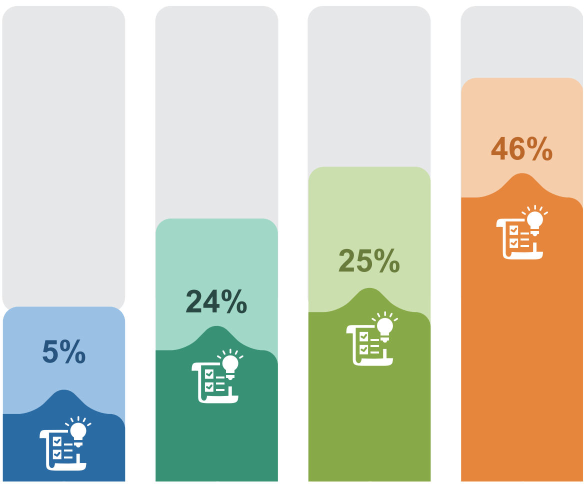
Venue of 2022 "Silk Road" Innovation Award

3.2.3 Protecting intellectual property to promote innovation

Nowadays, intellectual property, as one of the important symbols of technological innovation capability, has increasingly become the core resource of national competitiveness. Wasion is deeply aware of the contemporary connotation and strategic significance of intellectual property in the development process of enterprises, and has established a sound intellectual property rights protection mechanism as an important part of corporate development. Wasion will fully utilize intellectual property in stimulating innovation internally and expanding cooperation externally, so as to create sustainable competitive advantages of innovation, advancement and differentiation.



The Group accurately grasps the core requirements of GB/T 29490-2013 Code for Enterprise Intellectual Property Management and has strengthened construction of intellectual property management system. It established a comprehensive intellectual property protection and management mechanism, to realize standardization, systematization, streamlining and long-lasting of management; combined with the Company's practicing intellectual property incentive policy with industry and professional features to promote deep integration of intellectual property construction and daily work; combined with intellectual property education and training to improve the patent awareness of all employees, promote the property rights of innovation achievements, and steadily realize the new leap from quantity to quality of intellectual property work. In addition, in the overseas patent layout, the key core technology of the relevant products is protected by overseas patents, empowering the Company's products to explore overseas market. With better protection for products and technology, we have achieved solid result from enterprise key technology patent layout and high value patent cultivation.



New inventions or patents 2022

Item	New	Accumulated	Accumulated percentage
① Invention patent	24	169	5%
② Utility model patent	146	736	24%
③ Design patent	123	761	25%
④ Software copyright patent	99	1,431	46%

"Controller reset circuit and meter made by this circuit (控制器復位電路和用該電路製成的計量儀表)", a patent applied by **Wasion Group Limited,** was granted Third Prize of Patent Award in Hunan province (湖南省專利獎三等獎)

Leveraging on our strategies of technology layout, time layout and geographical layout, we launched enterprise key technology patent layout and high value patent cultivation in respect of principal business fields including high-end smart energy meters, digital power grid and digital smart city IoT

Recognition of key intellectual property protection enterprises

On 6 July 2022, Hunan Provincial Administration for Market Regulation issued " Announcement on Intellectual Property Strategic Special Funding Arrangement of Hunan Province 2022 (關於2022年湖南省知識產權戰略專項經費計劃安排的公示)". Willfar Information Technology Company Limited obtained the Intellectual Property Strategic Special Funding of Hunan Province 2022

Successful approval of Willfar Information's key intellectual property enterprise protection project reflected recognition from provincial competent authority for intellectual property on the company's achievement in protecting the corporate's innovation, enhancing and standardizing application, maintenance, promotion, protection and management for corporate intellectual property, prevention of infringement of intellectual property as well as establishment of internal intellectual property management system


实用新型专利证书

3.3 Gaining advantages with quality and developing under accumulation

3.3.1 Constructing full lifecycle quality management

Wasion upholds the quality concept of "Quality is Wasion's life and also the dignity of every Wasion person". It utilizes a strict quality management system and an excellent performance management model, continuously improves its quality management level and solidifies its foundation for high quality development of the company.

Driven strategically by "Wasion Digitalization" and by implementing digitalized quality platform through integration of three management procedures, we strengthened procedures for the full lifecycle quality management and connected data chain for quality management to achieve interconnection of customer quality data, design and development quality data, supply chain quality data, testing and verification quality data, production and manufacturing quality data, issue retrospect and closed-loop management data. We also constructed a visible platform for corporate quality management statistical analysis, online monitoring and alert and collaborative improvement, achieving digitalized and informative full lifecycle quality management, which in turns provide enterprise operators with efficient decision-making platform support and provide data backup for improvement of product quality and services.

"Digitalized quality platform for energy IoT products (面向能源物聯網產品的數字化質量平台)" of Willfar Information Technology Company Limited was selected for the List of Excellent Application Scenarios for Quality Management in Manufacturing Industry 2022 (2022年製造業質量管理數字化優秀應用場景名單), and was qualified for early support for reporting quality benchmarking in Hunan manufacturing industry. The "30+60" application scenarios released covers main points of the whole chain of enterprise quality management, such as intelligent inspection system, intelligent process control system, man-machine collaboration, intelligent storage management and control, product quality tracing, quality control, industrial chain management, full lifecycle management for digital chemical plants and cloud service platforms, realizing features such as intelligent quality inspection, precise quality collaborative control, quality assurance platform transformation, quality decision automation, and efficiency facilitation for quality improvements. These provided good reference and guidance to in-depth introduction to accelerate the digitalization innovation for quality management for the province's manufacturing industry and promotion of high-quality development of manufacturing industry.

湖南省工业和信息化厅
Industry and Information Technology Department of Hunan Province
湖南省国防科技工业局

创新 专业 高效 廉洁

请输入关键词进行检索

网站首页 政府信息公开 办事服务 互动交流 专题专栏

首页>信息公开>文件通知

关于发布2022年制造业质量管理数字化优秀应用场景和典型应用场景名单的通知

湖南省工业和信息化厅 gxt.hunan.gov.cn 时间：2022年09月16日 18:03 【字体：大 中 小】

List of excellent application scenarios for digitalized manufacturing quality management 2022

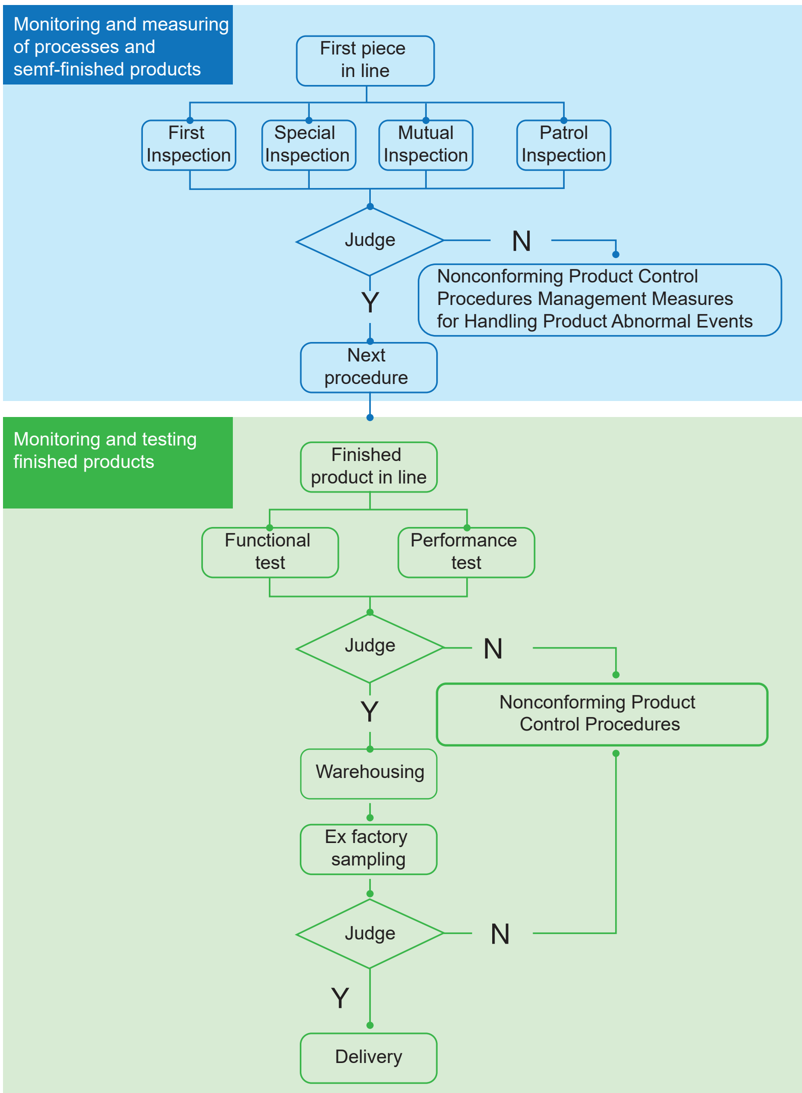
Number	Application unit	Scenario name	Application approach	City and Zhou
1	Lens Technology Co Ltd (藍思科技股份有限公司)	Digitalized factory based on big data platform of Lens (藍思)	Digitalization of product quality formation process	Changsha
	......			
6	Ausnutria Dairy (China) Co. Ltd.	Quality management information system of Ausnutria	Quality data management and modeling application analysis	Changsha
7	Willfar Information Technology Company Limited	Digitalized quality platform for energy IoT products	Digitalization of product quality formation process	Changsha
8	湖南星邦智能裝備股份有限公司	Full lifecycle management based on Digitalized factory	Product quality collaboration management platform	Changsha

The Group cares about our customers and 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 and other relevant laws and regulations, and seriously performs our duties and obligations under relevant requirement and contracts. We are also committed to immediate launch of tracing and procedures upon any safety and quality issues, and will be responsible for follow-up and undertake penalty and accountability for safety and quality issues in accordance with relevant requirement, to ensure safe use by customers.

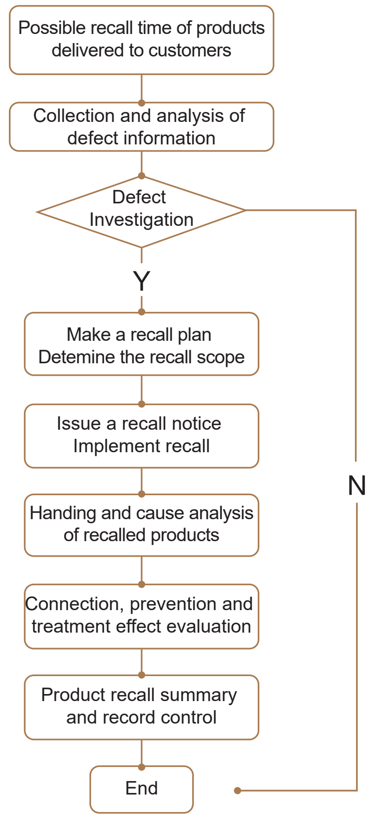
During the reporting period, the Group had no product recall due to safety and health causes, and no case has been identified constituting a breach of the laws and regulations in relation to product and service quality.

Inspection process and recall procedure of product

Quality inspection flow chart



Product recall flow chart



Client information security protection

Wasion strictly abides by the Law of the People's Republic of China on the Protection of Consumer Rights and Interests. It continuously improves the information security management mechanism and working mechanism by strengthening technological control means to enhance our protection for data encryption and secured storage. It also establishes a strong organizational structure for client information protection, which fully respects the privacy of clients and highlights the client information protection in operation process.

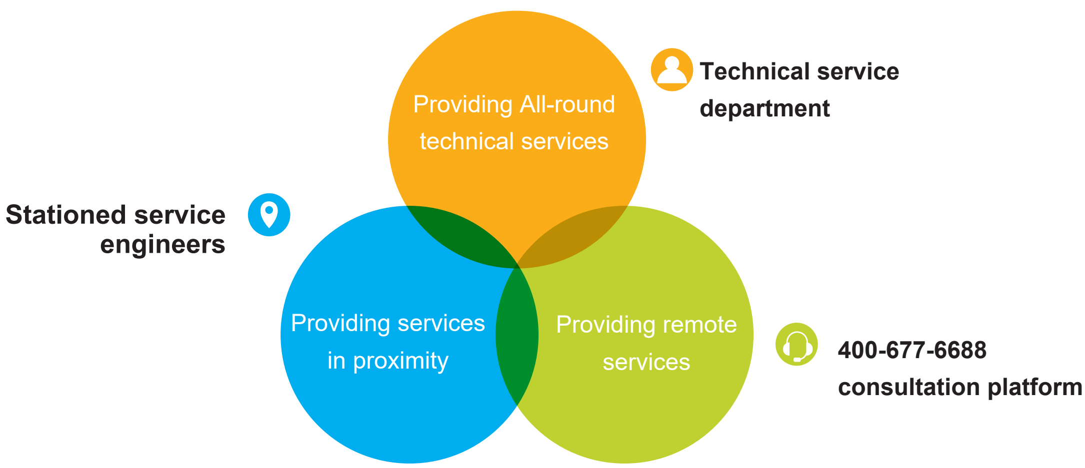
In accordance with GB/T 22080-2016/ISO/IEC 27001:2013 Information Technology — Security Technology — Information Security Management Systems — Requirements, we established Information Security Risk Management Procedure, Information Security Control Procedure and other relevant systems. We have strengthened trainings and alertive case-study education for employees in all aspects, so as to prevent non-compliant handling and leakage of client information due to "unawareness" and "fearlessness" of employees.

3.3.2 Fast service response mechanism

Wasion always abides by its service policy of "Provide considerate services and constantly improve our service value by professional skills" and upholds the idea of "client-oriented and market-based" proposed by the board of directors. We treasure each valuable chance given by the market and clients and endeavor to provide considerate services, protect client's interests and go beyond expectations.

All-round, whole process service system

With customers as our main concern, the Group establishes re-sales, in-sales and after-sales services in respect of whole process, to provide timely, professional and efficient support and services to customers. We consider quality customer service as a new way to consolidate our competitive advantage and help our business develop into new areas. We have nearly 40 service branches nationwide, with specialized technical personnel at the site to provide 24/7 service, enabling timely, fast, professional and sincere technical support and services to our customers.



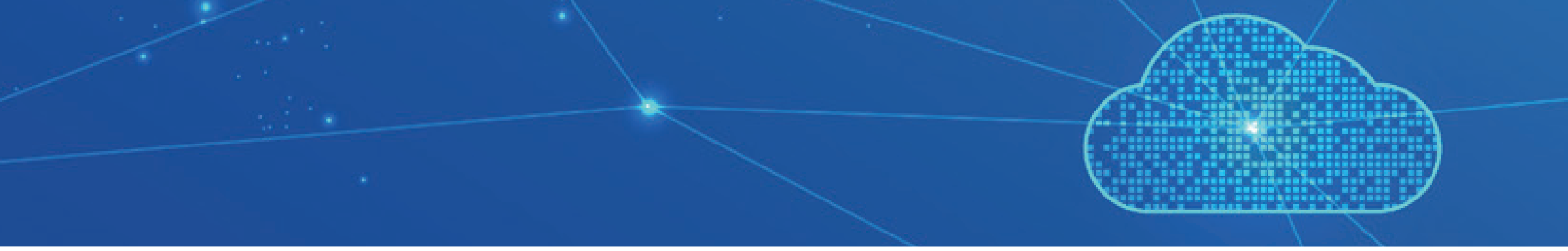
▲The 3-level whole process service system

Professional and intelligent technical means

Scientific mechanism for service management and monitoring

In order to continuously improve the level of our technical services, we continue to move forward in system construction and enrichment of service content. In 2022, we accomplished the standard of ISO/IEC 20000-1 Service Management System Requirements, improved the service management system model covering the whole chain from implementation, operation, monitoring, evaluation, maintenance to improvement and emphasized scientific management, process standardization and service refinement, and formed an effective customer-oriented technical service system. At the same time, in order to promote the Group's more comprehensive understanding of customer needs, we have established a customer service monitoring platform, including satisfaction feedback, monitoring and analysis. Through the dismantling and analysis of customer feedback, we can guide product development from the consumer's perspective and drive high-quality corporate development.

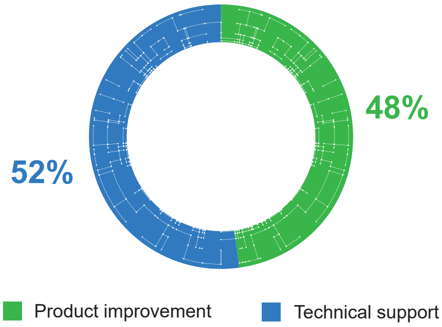
Receiving certification for service management system



In 2022, with the cooperation of domestic marketing, international marketing and technical service team, the quality center planned the annual customer satisfaction evaluation conducted through online channels, telephone or visits. After compilation, statistics and analysis of data collected in accordance with the evaluation plan, the results are presented below:

Note: The above data is from Wasion Group Limited

Analysis of market feedback and opinion



In hotline calls received in 2022, 99 feedbacks involved product and service improvement from hotline.

Professional Service Team

Technical service engineers of Wasion have extensive expertise in software engineering, automation, electronic information engineering, electronic information science and technology and other professions and possess successful and practical experience, enabling them to provide caring and efficient services for customers regarding electricity, water, gas, heat and energy efficiency management. At the same time, with the support from systematic training mechanism, we constantly update our knowledge system in terms of service consciousness and technical ability to create a first-class service team.

Intelligent Remote Network Service Center

We have set up an online technical service center to provide online technical support services to our customers. Upon receipt of a customer's service request, technical engineers can remotely connect to customer's system, conduct remote fault analysis and diagnosis, and help customers solve problems conveniently, quickly and safely.

3.4 Green procurement and collaborative development

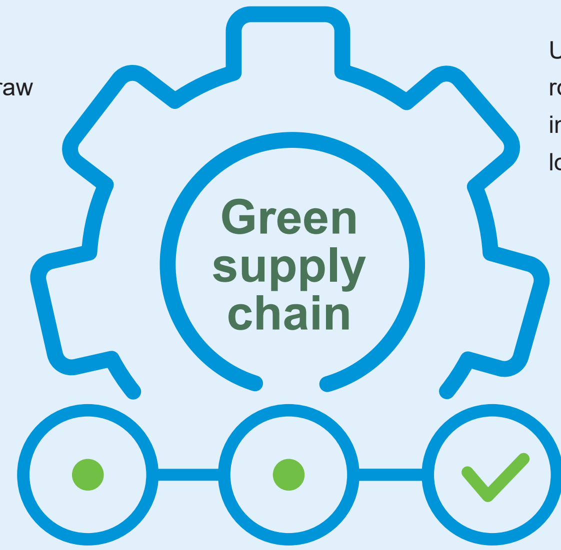
In response to the challenges of global climate change and President Xi Jinping's call to "accelerate the reform of ecological civilization system to build beautiful China (加快生態文明制改革，美麗中國)", Wasion has incorporated green supply chain management into the corporate development strategy. In order to realize environmental compliance management and compliance operation, and to actively fulfill our commitment to jointly protect the environment and reduce emissions, we have issued a top management commitment letter, which clearly defines the relevant responsibilities and duties of the company executives in the green supply chain management, to realize Wasion's value in comprehensive green transformation of economy and society.

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)", Wasion further improve relevant requirement on green supply chain management, to implement thoroughly the concept of " low energy consumption, low pollution, high efficiency and high accountability" to full processes including research and development, procurement, production, packaging, transportation, storage, use, and disposal.

Concern the carbon emission footprint of logistics suppliers, require use of new energy logistics vehicles as priority to reduce waste gas emission

Procure as priority green and low-carbon raw materials and raw materials easy to use for integrated purpose

Use technology to plan the best routes with logistics providers to improve vehicle load rate and logistics transportation efficiency



Add relevant management requirement of green supply chain in management document and strictly follow

Require suppliers in the city to use logistic box for transportation and delivery to reduce use of disposable packaging cartons and tapes

Geographical Distribution of Suppliers

Domestic: 822

Overseas: 38

3.5 Cooperating to face climate change

The more frequent occurrence of extreme weather has greatly affected life of people all over the world. The intensifying climate change has even significantly endangered terrestrial and marine ecosystems, posing a difficult challenge for mankind. On 7 June 2022, 17 authorities including the Ministry of Ecology and Environment jointly issued "National Climate Change Adaptation Strategy 2035 (國家適應氣候變化戰略2035)"(referred as "Adaptation Strategy 2035" below) to plot and design the deployment for adaptation to climate change from nowadays to 2035.

In face of the systemic crisis triggered by climate change, we start from the reduction of greenhouse gas emissions to mitigate climate change and strengthening risk control to reduce the adverse effects of climate change, to explore new ways to save energy and reduce carbon emissions and to strive for new breakthroughs in enhancing climate risk prevention and resilience.

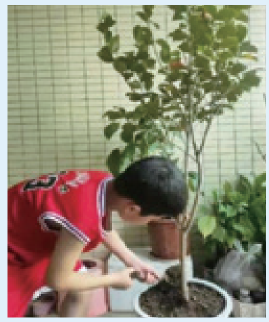
3.5.1 Enhancing awareness on risk prevention and control

In terms of strengthening risk awareness, we have been promoting the concept of low carbon development and spreading knowledge about climate change, including the causes, impacts, predictions and countermeasures of climate change, to enhance employees' awareness of low carbon. Adhering to the themes of "National Energy Saving Promotion Week (全國節能宣傳周)" and "National Low Carbon Day (全國低碳日)" , we launched a variety of activities for promotion and education of low-carbon and environmental protection, with an aim to enhance the awareness of environmental protection and ecological consciousness, and to facilitate spreading of concept of green environmental protection to the people.

Forum on the Implementation of "Dual Carbon" Action (落實「雙碳」行動圓桌論壇) and "Exploring Carbon" of Hunan Economy TV (湖南經視《「碳」索之路》), the special programmes of the Low Carbon Day, started a live broadcast on the stage. The discussion concerned three hot topics on transition to green and low-carbon energy, energy saving and carbon reduction of buildings, and carbon credits platform in the industrial park.

In the morning of 15 June 2022, the main event of **National Low Carbon Day** in Hunan was grandly launched, motivating the whole community to participate extensively in the low-carbon actions and cultivating the new low-carbon trend.

During early spring in March, under the sprouting season with light rain and warm sunshine, Wasion delivered employees some saplings in the 2022 Arbor Day, offering them a green breeze at home.



3.5.2 Enhancing capability of risk prevention and control

With reference to the standard of "GB/T 30146-2013/ISO 22301: 2012 Business Continuity Management System" , the Group established contingency plan for natural disasters including low temperature and cold damage, high temperature and drought, heavy rain and flood, to actively withstand with climate risks. The system enhances risk management and response capabilities to maintain business operation continuity. By actively monitoring the environment to enhance precautions for climate change as well as by regularly organizing compliance evaluation every year in respect of the monitoring result and material environment factors to understand the changing trend of environmental impact changes in a timely manner, we provide data to support establishment of effective environment management measures and measures for proactive adaptation to climate change.

Important documents in relation to business continuity

- WB-CX/FK001 Management and control procedure for business continuity
- WS-BCP01 Response plan for information security
- WS-BCP02 Response plan for interruption of material supply
- WS-BCP03 Response plan for damage in production base
- WS-BCP05 Response plan for power outage
- WS-BCP06 Response plan for fire
- WS-BCP07 Response plan for floods

3.6 Walking into sunshine to make a better future

"Wasion Well-being" gathers our development momentum. We respect our employees, understand our employees, protect our employees and care for our employees, we always strive to provide them with decent jobs so as to make our homeland a better place together. By deeply integrating our work concept of "Harmonious Peers (和諧同行)" with the Company's mottos of "Perfect Work with Passion, and Success Achieved with Integrity", we actively promote collaborative work, joint construction of mechanisms, cooperation to create benefits, sharing of benefits with employees, with an aim to create "community of interests, fortune and career" among the enterprise and employees.

The Company strictly complies with the requirements of the laws and regulations including the Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, the Law on the Protection of Women's Rights and Interests of the People's Republic of China, the Provisions on the Prohibition of Using Child Labor and Law on Prevention and Control of Occupational Diseases of the People's Republic of China. We fully implement the labor contract system, effectively protect the legitimate rights and interests of employees, encourage employees to pursue enhancement and all-round development, so as to achieve a better future with mutual success and common prosperity between the enterprise and employees. Looking forward, Wasion will focus on enhancing employees' sense of participation, achievement, accomplishment, happiness and belonging, to complement our labor relations with harmony.

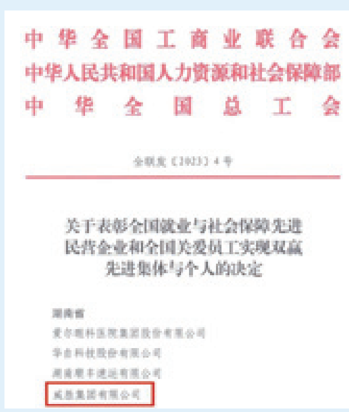
- Continuously improve the remuneration and promotion system and the examination and incentive mechanism
- Internally establish and promote various management measures to prohibit recruitment of and avoid misuse of child labor
- stress to suppliers and sellers to transmit our policy of prohibition of using child labor

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

Wasion was entitled the "Best Employers" for the 12th successive year and granted the honour of "Contract-abiding and Credit-worthy (守合同重信用)" for several times. In 2022, Wasion was entitled the "National Demonstrative Enterprise for Harmonious Labor Relations (全國和諧勞動關係創建示範企業)", "National Outstanding Private Enterprise in Employment and Social Security (全國就業與社會保障先進民營企業)", "Grade A Unit for compliance and integrity (守法誠信A級單位)". All these honors represent a high recognition for development and establishment of a harmonious labor relationship between the Company and the employees.

Wasion was honored as:

- "National Outstanding Private Enterprise in Employment and Social Security(全國就業與社會保障先進民營企業)"
- "National Demonstrative Enterprise for Harmonious Labor Relations (全國和諧勞動關係創建示範企業)"


中华全国工商业联合会
中华人民共和国人力资源和社会保障部
中华全国总工会

关于表彰全国就业与社会保障先进民营企业和全国关爱员工实现双赢先进集体与个人的决定

3.6.1 Developing in harmony with an open and inclusive mind

The Company incorporates the cultures of openness, inclusiveness, democracy and innovation into the Company's human resources strategy, establishes and implements 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 the employees, and take many measures to enhance the sense of happiness, accomplishment and belongings of the employees.

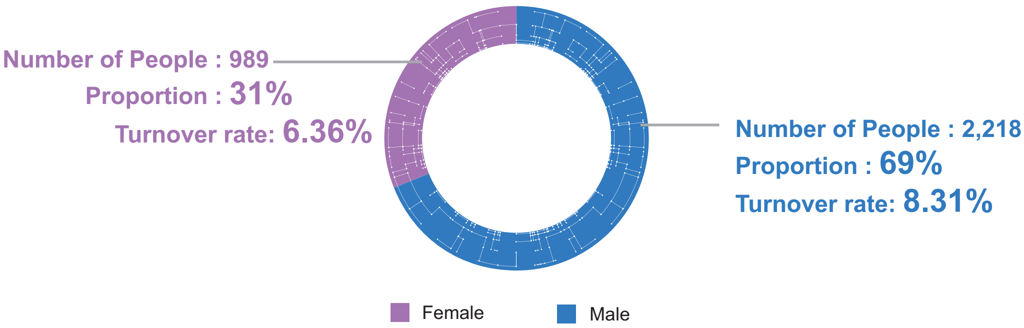
- Establish the trade unions to build the "Mind Bridge (心橋)" between the employees and the enterprise
- Set up a direct mail box for operation and management to extensively collect management suggestions
- Organize regularly dedication surveys, communication meetings for back-office management and employee seminar to listen to the voices of employees
- Organize various sports, cultural and entertainment activities to enhance the team cohesion
- Provide various welfare policies to all employees

Welfare and Compensation

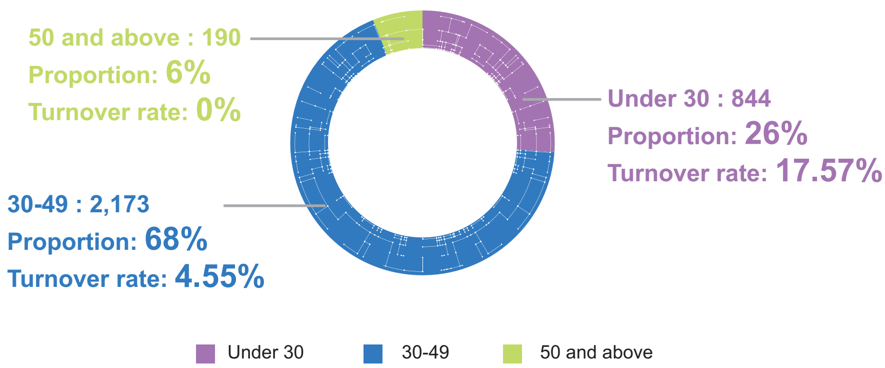
The Company adheres to "people-oriented" concept. We treat employees as a family and sincerely care for employees. We purchase insurance for employees, organize professional skill training, provides free meals at work, free shuttle buses, free accommodation in company dormitory, distribute festival benefits, regularly organize employee body checks, and hold activities such as "Cool in Summer" and "Employee Birthday Party", to enhance employees' sense of participation, achievement, accomplishment, happiness, and belongings.

As at 31 December 2022, Wasion Holdings Limited had a total of approximately 3,207 employees[3] as follows:

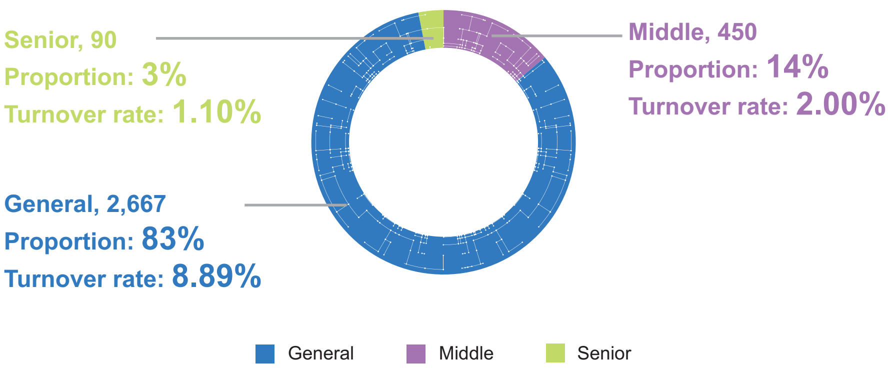
Gender distribution and turnover rate of employees



Gender distribution and turnover rate of employees



Position distribution of employees



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

Wasion continues to care for the physical and mental development of employees, and creates a healthier and safer production and living environment for employees.

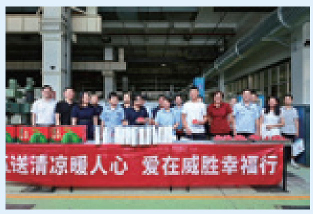
We strive to explore and carry out internal growth in a mind-based, happiness-oriented manner to enhance happiness of all employees and promote combination of psychology and management concepts, so as to contribute to the sustainable development of the enterprise.

We have also built facilities for sports, cultural and entertainment events such as football fields, basketball courts, badminton courts, fitness rooms and staff bookstores, which are open to employees for free. With the quality facilities and friendly services provided, employees can exercise and relax after work.

- Employees enjoy the benefit of free shuttle buses provided by the Company at the beginning of their employment

- Clean, comfortable and tidy working environment

- Clean and bright staff canteen



- Cool in Summer Charity Activity

- Staff basketball friendly match

- Employee birthday party

- Staff sports meeting

- Quality knowledge contest

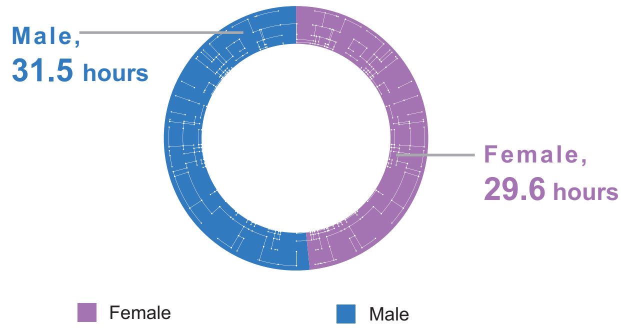
3.7 Empowering to grow and move forward

Wasion continues to deepen our talent concept of "Success of All Employees through Comprehensive Development (全員成才、全面發展)" by encourageing employees to constantly learn new knowledge and new technologies. We cultivate skilled talents under all-round development in terms of professionalization, specialization, systematization and diversification; stimulate innovation and creativity of various talents vigorously with goals of high morality, high quality, high energy, and high performance, so as to inject the strong momentum into high quality economic development.

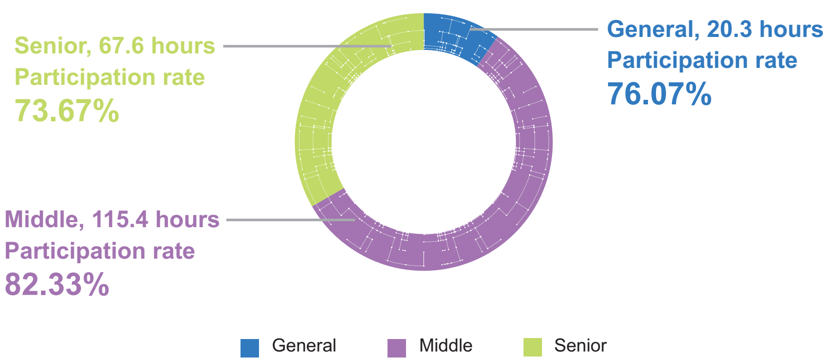
In order to continuously optimize the allocation of human resources and determine the new layout of talent development, the Company has further promoted the construction of "Talent Production Line (人才生產綫)", leveraging on key value chain of talents to facilitate fundamental process of talent management and solidifying management mechanism covering from talent introduction, talent training, talent selection, talent retention to talent incentives, to achieve full chain management of human resources selection, employment, cultivation and retention.

By creating a talent system for management cadres, professional skills and craftsmen, we implement talent cultivation and build an education and training system of "Nurturing Wasion's dedicated talents (威勝人才，威勝製造)".

Average training hours of employees (by gender)



Average training hours of employees (by position)



Cultivation of mid-low management cadres — Cultivate and enhance the leadership of management cadres in an all-round way

Empowerment to grow — Improve sales, business English, supply chain management and other skills training

Special training for new talents — Help new employees quickly integrate into the enterprise

Wasion was honored as one of the "Top 100 Advanced Enterprise Education Units in China (中國企業教育先進單位百强)", "Pilot Unit for the Construction of Industrial Workers in Hunan Province" (湖南省產業工人建設試點單位), "Cultivation and Competition Base of "Huxiang Craftsmen" in Hunan Province" (湖南省『湖湘工匠』培育和競賽基地), " Outstanding organization in pairing highly-Skilled Leading Talents and model craftsmen in Changsha City" (長沙市高技能領軍人才、勞模工匠師徒結對活動優秀組織單位) and other titles. Wasion Training Center was also recognized as the "Excellent Enterprise Staff Training Center in Changsha City" (長沙市優秀企業職工培訓中心) and awarded the "Changsha Craftsman Training and Competition Base" (長沙工匠培育和競賽基地). In 2022, Wasion was entitled the "Top 100 Advanced Enterprise Education Units in China" (中國企業教育先進單位百强)".

Wasion Holdings Limited is entitled "Top 100 Advanced Enterprise Education Units in China" in 2022

3.8 Preparing for future challenges wholeheartedly

3.8.1 Preventing and minimizing risks to secure safe production

A healthy and strong workforce is the basis for stable operation of the Company. The Company attaches great importance to the health and rights of employees, and is committed to continuously improving safety management. We strive to create a healthy and safe working environment for employees, protecting their interests through a sound basic welfare system to help employees handle the risks of illness and sudden accidents.

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 in an intelligent manner 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 bottom line and red line of safe production.

Safe Production Management

- Maintain a safety committee which defines safe production goals, enters into safety production accountability system, and specifies the first responsible person
- Establish safe production management system to organize and carry out risk identification and evaluation
- Establish an emergency rescue team, formulate drill plans, and carry out safety training and emergency drills on a regular basis
- Plan Safety Month activities
- Carry out annual safe production commendation and incentive activities

Safety Production Implementation

- Equip employees with safe and effective safety protective equipment
- Install leakage circuit breaker in equipment, and set up the 24-hour monitoring and automatic alarm system in workshops
- Implement the safety inspection system to conduct a safety inspection every two hours, and undergo safety inspection before major holidays and various special safety inspections
- Construct a compact safe production protection net in an all-round way through the "online + offline" combination mode

- We carried out the fire evacuation emergency drills to improve the Company's capability of dealing with emergencies, the capability of the Company's voluntary fire brigade to put out fire and lead upon evacuation , as well as the self-rescue capability employees to escape and retreat safely.

- We organized emergency response competitions on electric shock and mechanical injury and online safety knowledge quiz competitions, encouraging management staff and front-line employees to participate extensively. The activities practically link learning, education, training and competitions and in turns improve emergency response capability in our Science Park.

In the past three years (including 2022), 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 workplace.

Company occupational health and safety management targets (partial extract)

No case of serious work-related injuries per year

2020	2021	2022
0	0	0

3.8.2 Protecting health and caring for employees

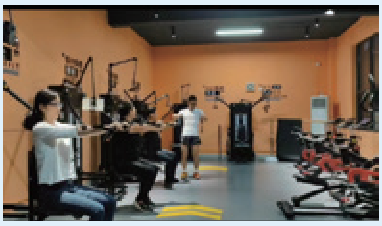
The Company attaches great importance to the physical and mental health of employees, and has formulated the "Environmental and Occupational Health Operation Management Control Procedures" (《環境與職業健康運行管理控制程序》), "Occupational Health Protection Management Measures" (《職業健康防護管理辦法》), "Occupational Hazard Prevention 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. The Company also regularly identify and evaluate the risks and opportunities of the Company's occupational health and safety management system, and formulate countermeasures to protect employees and reduce occupational health and safety risks.

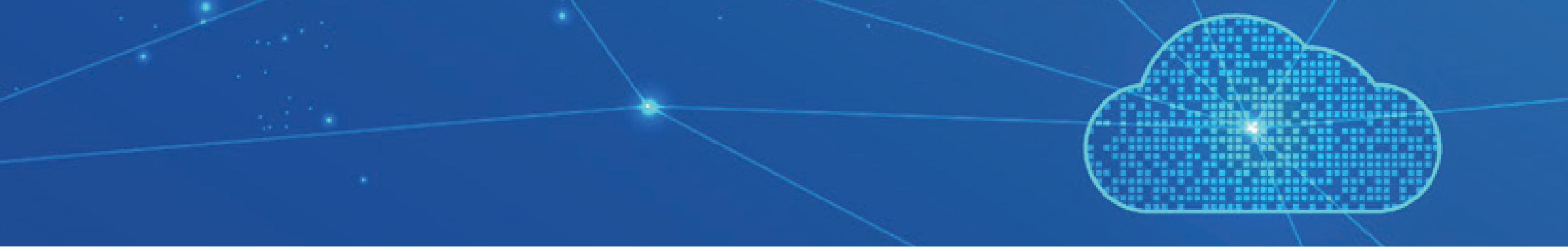
The Company establishes and implements the " Identification and Evaluation Control Procedures for Environmental Factors (環境因素的識別與評價控制程序)", "Hazard Sources and Evaluation Control Procedures (危險源與評價控制程序)", "Operation Management Control Procedures for Environment and Occupational Health (環境與職業健康運行管理控制程序)"

- Evaluate occupational health and safety risks from identified sources of hazards, and review effectiveness of existing control measures
- Improve other opportunities for the occupational health and safety management system
- Determine and evaluate other risks associated with establishing, implementing, operating and maintaining the occupational health and safety management system
- Improve occupational health and safety opportunities for occupational health and safety performance, and consider for changes in the proposed organization and its policies, processes or activities


- Organizing activities such as talks on health knowledge, employee body checks, nucleic acid testing, fitness classes, and healthy walk to enrich the healthy cultural life of employees and promote their physical and mental health.







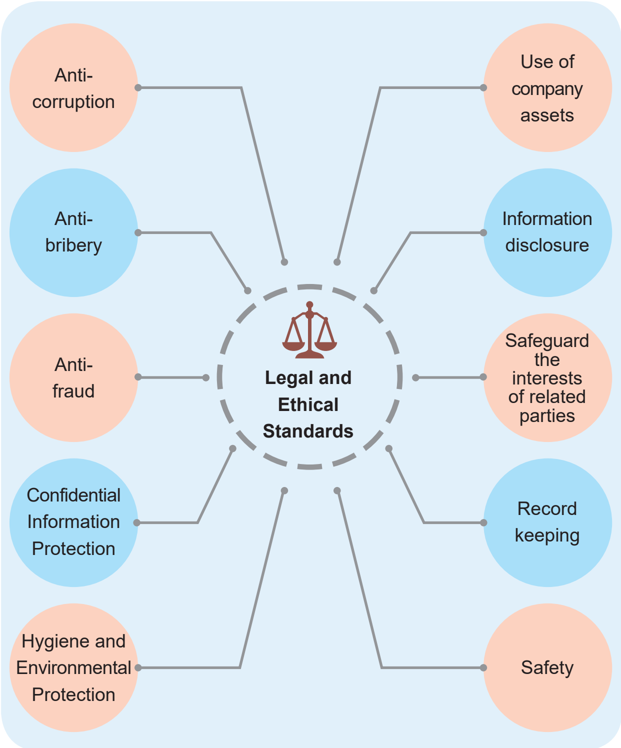
3.9 Keeping up our business and upholding our integrity discipline

Wasion upholds integrity discipline, and takes "Ten Prohibits of Wasion" as the important code of conduct for maintaining internal and external relations of enterprise and the "spiritual guide" for its steady development. We enhance employees' awareness of integrity and self-discipline and their capability to defend against corruption and deterioration, and create favoring atmosphere for clean, upright and practical entrepreneurship, so as to provide sound promise for healthy development of the Company.

The Company specifies a competent department responsible for tasks on management of internal whistleblowing, including the formulation, modification and implementation of the work system of "Management Measures for Complaints and Whistleblowing (投訴與舉報管理辦法)" and other documents, and reception for employees' reports and the organization of investigations and analyses, as well as relevant nature verification. At the same time, the Company also sets up a safe whistleblowing channel to encourage employees to actively participate in the Company's management, report violations of laws and disciplines to the Company through reporting hotlines, sending emails and attending to designated reception places, etc.. All relevant information is kept confidential in accordance with regulations. Based on the principle of timely handling and strict investigation on the content of the report, 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.

Wasion has always organically integrated and jointly promoted the construction of integrity culture and corporate documents, and strictly complies with the "Criminal Law of the People's Republic of China (中華人民共和國刑法)", the "Anti-Unfair Competition Law of the People's Republic of China (中華人民共和國反不正當競爭法)", and the "Anti-corruption and Anti-bribery Law of the People's Republic of China (中華人民共和國反貪污賄賂法)". Wasion also formulated the "Ten Prohibitions of Wasion" and the "Letter of Commitment on Integrity (廉潔守法承諾書)", with the principal goal of "Be responsible for own position and fulfil duties with integrity (在其位，謀其事，盡其責，廉其政)". We continue to optimize environment for internal and external development, enhance the cohesion and centripetal force and increase inherent competitiveness to promote healthy and sustainable development of the enterprise.



Construction and strict implementation of relevant mechanism

- Strictly implement special management systems such as "Wasion Holdings Supervision System", "Management Measures for Complaints and Whistleblowing (投訴與舉報管理辦法)", "Administrative Measure for the Code of Conduct of Procurement Personnel" and other special management systems;
- Supervise the decision-making of major matters, the appointment of personnel in key positions, the use of expenses, assets management, and the procurement of bulk items, and promote the normalization of a lifelong accountability system that must be questioned and strictly held accountable.

Widespread of knowledge

- Use various forms, channels and diversified manners such as the company's internal journals, WeChat official account and OA to widely spread the knowledge of integrity and self-discipline, and create a clean and upright business environment;
- Continuously carry out integrity and self-discipline training for the management team and personnel in key positions.

Raising awareness

- Strengthen the awareness of integrity and self-discipline, promote the publicity and signing of the Letter of Commitment on Integrity and Self-discipline, and establish a crisscross responsibility network throughout the Company

Compliance Audit

- Daily audit, key supervision, and inspection on internal implementation

In 2022, Wasion carried out **5** training sessions on anti-corruption and other related laws and regulations

3.10 Practicing public welfare and building dreams with love

3.10.1 Inheriting love and giving back to the society

"Love nature and our homeland and to be a social responsible person by actively act for public welfare (愛大自然，愛祖國，積極做有利於公共福祉的事，做一個有社會責任感的人)" is one of Wasion's codes of conduct. Since its establishment, Wasion has always been adhering to our mottos of "Perfect Work with Passion, and Success Achieved with Integrity". Wasion actively contributes to social public welfare We aim to promote mutual assistance and as well as care and give back to the society, to achieve "Wasion public welfare".

The Company has formed a team of volunteers, being eager to work for social welfare, and actively participating in activities such as epidemic prevention and disaster relief, flood fighting and emergency rescue, donation, public welfare education and visits. In March each year, Wasion actively responds to and participates in learning from Xue Lei Feng activities (學雷鋒活動), paying visits to socially disadvantaged groups. We regularly arrange employees to participate in voluntary blood donation activities every year to spread love to the society. As a social enterprise, we create value for the society with a high sense of responsibility and contribution .

While actively fulfilling social responsibilities, Wasion also pays great attention to the special situation of employees. In June 2007, Mr. Ji Wei, chairman of the Board of Wasion Holdings, personally funded and established the Wasion Assistance Fund (威勝扶助基金). The initial investment of the fund was **RMB5 million**, with the fund pool of RMB 5 million revolved and replenished automatically . The purpose of the fund is to help employees, especially front-line employees, with difficulties in living and with urgent needs. The fund has accumulatively released a total of **131 instalments**, helping **more than 2,400** employees to overcome the most difficult period of themselves or their families, distributed fund amounting to **more than RMB7 million** in aggregate. We care for and treat our employees as family, aiming to create spiritual bonds with them.

Society Investment

Social welfare in 2022
Capital investment of more than RMB 0.8 million and time contribution of more than 400 hours

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Wasion Assistance Fund (威勝扶助基金) in 2022
Accumulated release of 8 instalments totaling to more than RMB 0.28 million

Donation activity of Across Mountains and Seas, Caring for Tibetans (跨越山海心繫藏民)

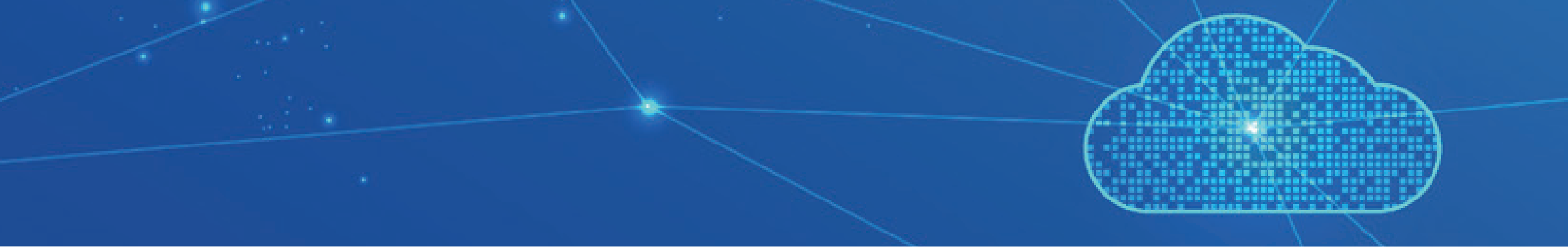
Donation Activity for students with difficulties in Longshan County (龍山縣困難學子)

Entrepreneurial Planning Competition (創業規劃大賽) of “Wasion Cup” of Huang Yanpei’s Vocational Education (「威勝杯」黃炎培職業教育)

“Jinqiu Scholarship” (金秋助學) Caring and Support Activity

“Wasion Cup” Dual Innovation Competition

“Continuous Care”(持續關懷) Caring and Support Activity



3.10.2 Integration of production and research to align knowledge and practices

In order to further promote the high quality development of the Company and build a school-enterprise mutual interest community under the principle of "talent co-cultivation, process co-management, achievement sharing, and responsibility sharing (人才共育、過程共管、成果共享、責任共擔)", Wasion further promotes school-enterprise cooperation, striving to construct a school-based skilled talents cultivation system with enterprise contribution. We work with many colleges to formulate talent cultivation programs, to nurture skilled talents in a targeted manner, and ultimately achieve mutual success for schools and the enterprise.

Visit to and exchange communication with the School of Intelligent Engineering and Intelligent Manufacturing of Hunan University of Technology And Business

Contract signing and awarding ceremony in relation to school-enterprise cooperation with University of South China

Contract signing and awarding ceremony in relation to school-enterprise cooperation with Hunan University

Wasion was awarded two medals from "Red Cross Society of China"

Listing on the "The 2nd (2021) Changsha Charity List of Changsha City" (長沙市第二屆（2021年度）長沙慈善榜), Wasion Group Limited was ranked on the "Unit Donation List" (單位捐贈榜), "Enterprise Influence List" (企業影響力榜), etc. with its monetary and in-kind donation of RMB1.01 million

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 2022 and the undertaking and development for 2023:

10 principles of "Global Compact"	Undertaking	Evaluation of responsibility performance in 2022	Development direction in 2023
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 2022	Development direction in 2023
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 2022	Development direction in 2023
	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.
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 5% compared to 2021 (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.

10 principles of "Global Compact"	Undertaking	Evaluation of responsibility performance in 2022	Development direction in 2023
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.

EXECUTIVE DIRECTORS

Mr. Ji Wei (吉為), aged 66, 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 date. 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 39, 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. Mr. Kat is also a director of Willfar Information Technology Company Limited ("**Willfar Information Technology**"), a non-wholly owned subsidiary of the Company, the shares of which are listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange. 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 47, 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 a director and chairman (董事長) of Willfar Information Technology, 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 "Star of Honesty in Changsha City 2021 (二零二一年長沙市誠信之星)". 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 59, is a senior engineer, a master of engineering in automation, an executive Director 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" and "National Top Ten Technological Worker in Electronic Devices and Meters Industry".

Mr. Tian Zhongping (田仲平), aged 42, 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 55, 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 "Excellent Entrepreneur in Hunan Province" and the "Most Socially Responsible Entrepreneur in China 2017". 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 73, 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: 938) 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 58, is 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 65, 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 54, 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 32 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 2022.

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 33 and "Environmental, Social and Governance Report" section set out on pages 34 to 93 and "Corporate Governance Report" section set out on pages 105 to 126 of this annual report. This discussion forms part of this Directors' Report.

DIVIDENDS

The results of the Group for the year ended 31 December 2022 and the Group's financial position at that day are set out in the consolidated financial statements on pages 132 to 134 of the annual report.

The directors have proposed a final dividend of HK$0.23 (2021: HK$0.20) per share to shareholders of the Company whose names appear in the register of members on 23 May 2023 and a resolution to this effect will be proposed and subject to the shareholders' approval in the forthcoming annual general meeting. The final dividend is expected to be paid on 12 June 2023.

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 2022 comprised the share premium, merger reserve and retained profits of RMB756,626,000 (2021: RMB845,140,000) 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)* (redesignated on 1 June 2022)
Li Hong
Zheng Xiao Ping
Tian Zhongping

Non-executive director:

Cao Zhao Hui (redesignated on 1 June 2022)

Independent non-executive directors:

Chan Cheong Tat
Luan Wenpeng
Cheng Shi Jie (retired on 1 June 2022)
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. Kat Chit, Ms. Li Hong and Mr. Luan Wenpeng 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 and 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 2022, 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)	532,966,888	53.52%
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 2022.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, 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	532,966,888	53.52%
Star Treasure	Beneficial owner	532,966,888	53.52%

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 2022.

RELATED PARTY TRANSACTIONS

Related party transactions entered into for the year are set out in Note 40 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 and RMB14,500,000 for the years ended 31 December 2021 and 2022 respectively, and RMB15,000,000 for the year ending 31 December 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**	**2022 RMB'000**	2021 RMB'000
Zhuhai Duochuang	Purchase of electronic parts and components	**13,340**	10,628

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: As at 1 January 2022	Exercised during the year	As at 31 December 2022	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$
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 105 to 126 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 2022.

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 2022.

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 240 of the annual report.

AUDIT COMMITTEE

The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2022.

AUDITOR

Ernst & Young ("EY") was appointed as the new auditor of the Company on 9 July 2020 to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu, who resigned from the office with effect from 9 July 2020. A resolution for re-appointment of EY as auditor of the Company is to be proposed at the 2023 annual general meeting.

The consolidated financial statements of the Company for the year ended 31 December 2022 have been audited by EY.

On behalf of the Board

Ji Wei
CHAIRMAN

Hong Kong
27 March 2023

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

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

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

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 2022.

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 94 to 96 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")* (redesignated on 1 June 2022)

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 (redesignated on 1 June 2022)

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. Cheng Shi Jie, member of the Audit Committee and the Internal Control and Risk Management Committee (retired on 1 June 2022)

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 39 and 73. 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 2022, 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 non-executive Director and 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 2023 annual general meeting
Mr. Luan Wenpeng	:	up to the 2023 annual general meeting
Mr. Wang Yaonan	:	up to the 2023 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 2022, the training participated by each Director is set out below:

Directors	Training received
Executive Directors:	
Mr. Ji Wei	A, C, D
Mr. Kat Chit (redesignated on 1 June 2022)	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 (redesignated on 1 June 2022)	A, C, D
Independent Non-executive Directors:	
Mr. Chan Cheong Tat	A, D
Mr. Luan Wenpeng	A, B, D
Mr. Cheng Shi Jie (retired on 1 June 2022)	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 2022, 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 (redesignated on 1 June 2022)	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 (redesignated on 1 June 2022)	6/6
Independent Non-executive Directors:	
Mr. Chan Cheong Tat	6/6
Mr. Luan Wenpeng	6/6
Mr. Cheng Shi Jie (retired on 1 June 2022)	2/2
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 (before 1 June 2022: Ms. Cao Zhao Hui) 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 106 to 107.

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. Kat Chit, Ms. Li Hong and Mr. Luan Wenpeng 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 (before 1 June 2022: four) 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. Cheng Shi Jie (retired on 1 June 2022)	1/1
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 2022 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. Cheng Shi Jie (retired on 1 June 2022)	1/1
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 2022, 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 127 to 131 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 2022 amounted to RMB3.8 million, which comprises RMB3.3 million for the audit of the Group's consolidated financial statements for the year ended 31 December 2022 and RMB0.5 million for the review of the Group's interim report for the six months ended 30 June 2022.

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 2022 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 2022, 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 2022.

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 2022, 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 2022, 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 2022, 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 Unit 2605, 26/F West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, 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 Unit 2605, 26/F West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, 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 Unit 2605, 26/F West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, 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 2022, the 2022 AGM was held on 1 June 2022. All the resolutions proposed at the 2022 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. Ji Wei, the chairman of the Board and Nomination Committee, chaired the 2022 AGM and answered Shareholders' questions. Mr. Wang Yaonan, an independent non-executive Director and member of Audit Committee and Internal Control and Risk Management Committee, failed to attend the 2022 AGM due to conflicts with his schedule. The external auditor of the Company, Ernst & Young, attended the 2022 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 2022 AGM is set out below:

Directors	AGM Attended/held
Executive Directors:	
Mr. Ji Wei *(Chairman)*	1/1
Mr. Kat Chit (redesignated on 1 June 2022)	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 (redesignated on 1 June 2022)	1/1
Independent Non-executive Directors:	
Mr. Chan Cheong Tat	1/1
Mr. Luan Wenpeng	1/1
Mr. Cheng Shi Jie (retired on 1 June 2022)	0/1
Mr. Wang Yaonan	0/1

The forthcoming annual general meeting of the Company ("2023 AGM") will be held on 12 May 2023. The notice convening the 2023 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 2023.

During the year ended 31 December 2022, 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 2022.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, certain amendments (the "Amendments") have been made by the Company to the existing articles of association of the Company (the "Existing Articles") to bring the Existing Articles in line with the Core Shareholder Protection Standards set out in Appendix 3 of the Listing Rules, to reflect certain updates in relation to the applicable laws of the Cayman Islands and the Listing Rules and other house-keeping amendments that are consistent with the Amendments. The adoption of the amended and restated articles of association (the "New Articles") in substitution for the Existing Articles has been approved by the Shareholders by way of a special resolution at the 2022 AGM held on 1 June 2022.

The major areas of the Amendments include:

(1) to reflect the change of name of the Company;

(2) to include certain defined terms to align with the applicable laws of the Cayman Islands and the Listing Rules including "announcement", "close associate", "electronic communication", "electronic meeting", "hybrid meeting", "Listing Rules", "Meeting Location", "physical meeting, "Principal Meeting Place", and "substantial shareholder", and to update the relevant provisions in the New Articles in this regard;

(3) to replace certain defined terms and to align with the relevant provisions in the New Articles including "Law" to "Act";

(4) to provide that the Board may accept the surrender for no consideration of any fully paid share;

(5) to clarify the opening hours for the register and branch register of members for public inspection with charge;

(6) to remove the requirement, subject to compliance with the Listing Rules, that the record date may be on, or at any time not more than thirty (30) days before or after, the date on which dividend, distribution, allotment or issue is declared, paid or made;

(7) to add notice for the registration of transfers of shares may be given by announcement or by electronic communication;

(8) to revise that an annual general meeting of the Company shall be held in each financial year other than the financial year of the Company's adoption of the Articles and such annual general meeting must be held within six (6) months after the end of the Company's financial year (unless a longer period would not infringe the Listing Rules, if any) at such time and place as may be determined by the Board;

(9) to provide that meeting of members or any class thereof may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence at such meeting;

(10) to provide two members entitled to vote and present in person or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorised representative or proxy shall form a quorum for all purposes;

(11) to provide that all members have the right to (a) speak at a general meeting; and (b) vote at a general meeting except where a member is required, by the rules of the designated stock exchange, to abstain from voting to approve the matter under consideration;

(12) to provide that if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical Board meeting rather than a written resolution;

(13) to provide that the members may, at any general meeting convened and held in accordance with these Articles, by ordinary resolution remove the auditor at any time before the expiration of his term of office; and

(14) to update that notices, including corporate communication, of the Company could be given by way of electronic communication.

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 132 to 239, which comprise the consolidated statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies.

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 2022, 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 2022, the gross carrying amount of the Group's trade receivables was RMB4,258,163,000, which represented approximately 32.7% of total assets of the Group. As at 31 December 2022, the loss allowances of trade receivables amounted to RMB270,834,000. 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 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 43 to the consolidated financial statements.	Our procedures in relation to the impairment assessment of trade receivables included: • understanding 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 2022, the carrying amount of the Group's capitalised development costs was RMB493,047,000, which represented approximately 3.8% of total assets of the Group. The Group capitalises 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 to 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

27 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**5,855,844**	4,590,762
Cost of sales		**(3,926,620)**	(3,091,992)
Gross profit		**1,929,224**	1,498,770
Other income, gains and losses, net	5	**162,675**	182,413
Selling expenses		**(512,914)**	(437,708)
Administrative expenses		**(215,652)**	(177,407)
Research and development expenses	6	**(577,443)**	(424,476)
Impairment losses on financial assets and contract assets, net	6	**(94,191)**	(69,592)
Finance costs	7	**(112,500)**	(99,267)
Share of profits of an associate		**3,235**	—
Profit before tax	6	**582,434**	472,733
Income tax expense	10	**(71,274)**	(44,759)
PROFIT FOR THE YEAR		**511,160**	427,974
Profit for the year attributable to:			
— Owners of the parent		**323,797**	268,084
— Non-controlling interests		**187,363**	159,890
		511,160	427,974
OTHER COMPREHENSIVE LOSS:			
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Change in fair value		**(14,082)**	(7,716)
Tax effect		**982**	(1,157)
		(13,100)	(8,873)
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(20,207)**	(2,238)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(33,307)**	(11,111)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**477,853**	416,863
Attributable to:			
— Owners of the parent		**289,947**	256,973
— Non-controlling interests		**187,906**	159,890
		477,853	416,863
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**RMB32.9 cents**	RMB27.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	**2022 RMB'000**	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,615,569**	1,472,208
Investment properties	14	**14,370**	15,235
Right-of-use assets	15	**191,627**	198,143
Goodwill	16	**330,636**	338,317
Other intangible assets	17	**546,483**	568,210
Investment in a joint venture	18	**—**	—
Investment in an associate	19	**8,395**	—
Equity investments designated at fair value through other comprehensive income	20	**66,670**	66,996
Financial assets at fair value through profit or loss	21	**218,000**	200,000
Loan receivables	25	**85,000**	108,176
Prepayments, other receivables and other assets	26	**61,560**	54,370
Deferred tax assets	33	**91,464**	62,143
		3,229,774	3,083,798
CURRENT ASSETS			
Inventories	22	**1,080,835**	990,758
Trade and bills receivables	23	**4,395,215**	4,095,153
Contract assets	24	**552,693**	567,313
Prepayments, other receivables and other assets	26	**907,226**	937,650
Financial assets at fair value through profit or loss	21	**—**	2,269
Structured deposits	27	**70,000**	—
Pledged deposits	28	**762,384**	416,252
Cash and bank balances	28	**2,027,928**	2,578,946
		9,796,281	9,588,341
CURRENT LIABILITIES			
Trade and bills payables	29	**3,641,627**	3,312,712
Other payables and accruals	30	**408,992**	316,879
Financial liabilities at fair value through profit or loss	31	**37,940**	—
Interest-bearing bank borrowings	32	**1,714,799**	2,046,566
Lease liabilities	15	**9,291**	7,891
Tax payable		**100,053**	74,530
		5,912,702	5,758,578
NET CURRENT ASSETS		**3,883,579**	3,829,763
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,113,353**	6,913,561

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	32	**946,843**	790,335
Lease liabilities	15	**4,535**	8,898
Deferred tax liabilities	33	**33,499**	34,466
		984,877	833,699
Net assets		**6,128,476**	6,079,862
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	**9,906**	9,906
Reserves		**4,645,998**	4,622,020
		4,655,904	4,631,926
Non-controlling interests	44	**1,472,572**	1,447,936
Total equity		**6,128,476**	6,079,862

Ji Wei
Director

Kat Chit
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the Company												
	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 44)	Total equity RMB'000
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 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**
At 1 January 2021	9,906	1,011,659	49,990	(39,628)	463,816	27,730	(34,277)	(36,998)	219,253	2,851,850	4,523,301	1,153,157	5,676,458
Profit for the year	–	–	–	–	–	–	–	–	–	268,084	268,084	159,890	427,974
Other comprehensive loss for the year:													
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(8,873)	–	–	–	(8,873)	–	(8,873)
Exchange differences on translation of foreign operations	–	–	–	(2,238)	–	–	–	–	–	–	(2,238)	–	(2,238)
Total comprehensive income for the year	–	–	–	(2,238)	–	–	(8,873)	–	–	268,084	256,973	159,890	416,863
Transfer to PRC statutory reserves	–	–	–	–	58,331	–	–	–	–	(58,331)	–	–	–
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	–	–	–	(60)	–	–	60	–	–	–
Deemed partial disposal of interests in subsidiaries (note 36(v))	–	–	–	–	–	–	–	–	16,519	–	16,519	181,561	198,080
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(46,672)	(46,672)
Dividend paid (note 11)	–	(164,867)	–	–	–	–	–	–	–	–	(164,867)	–	(164,867)
At 31 December 2021	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

* These reserve accounts comprise the consolidated reserves of RMB4,645,998,000 (2021: RMB4,622,020,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**582,434**	472,733
Adjustments for:			
Share of profits of an associate		**(3,235)**	—
Bank interest income	5	**(36,747)**	(36,395)
Interest income from structured deposits	5	**(12,593)**	(12,513)
Interest income from loan receivables	5	**(10,386)**	(12,632)
Interest income from consideration receivable for disposal of a subsidiary	5	**(4,421)**	(4,421)
Interest income from financial assets at fair value through profit or loss ("FVTPL")	5	**(14,878)**	(16,382)
Dividend income from equity investments designated at fair value through other comprehensive income ("FVTOCI")	5	**(464)**	(511)
Fair value loss/(gain) on financial instruments at FVTPL	5	**40,209**	(2,269)
Gain on disposal of property, plant and equipment	5	**(595)**	(443)
Depreciation of property, plant and equipment	6	**86,225**	72,826
Depreciation of investment properties	6	**865**	625
Depreciation of right-of-use assets	6	**14,778**	15,432
Amortisation of other intangible assets		**165,131**	130,339
Write-down of inventories to net realisable value	6	**33,343**	16,641
Impairment losses on financial assets and contract assets, net	6	**94,191**	69,592
Impairment of goodwill	6	**7,681**	7,672
Share-based payment expenses for share awards granted	6	**2,104**	—
Finance costs	7	**112,500**	99,267
Operating cash flows before movements in working capital		**1,056,142**	799,561
Increase in inventories		**(109,740)**	(488,616)
Increase in trade and bills receivables		**(450,818)**	(235,266)
Decrease/(increase) in prepayments, other receivables and other assets		**8,034**	(121,379)
Decrease in contract assets		**14,455**	83,893
Increase in trade and bills payables		**328,915**	266,913
Increase/(decrease) in other payables and accruals		**92,113**	(6,507)
Cash generated from operations		**939,101**	298,599
Interest paid		**(814)**	(852)
Income tax paid		**(75,057)**	(46,124)
Net cash flows from operating activities		**863,230**	251,623

	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	**(246,336)**	(216,651)
Additions to other intangible assets	**(143,404)**	(155,108)
Additions to right-of-use assets	**—**	(7,674)
Advance to a joint venture	**(17,850)**	(17,850)
Repayment of advance made to a joint venture	**17,850**	17,850
Repayment of loan receivable	**20,000**	—
Acquisition of an associate	**(5,160)**	—
Proceeds from disposal of equity investments designated at FVTOCI	**—**	3,060
Interest received	**82,201**	83,551
Acquisition of a subsidiary	**—**	(44,483)
Dividends received from equity instruments at FVTOCI	**464**	511
Proceeds from disposal of property, plant and equipment	**20,072**	6,246
Purchase of equity investments designated at FVTOCI	**(11,898)**	—
Purchase of financial assets at FVTPL	**(18,000)**	—
Placement in structured deposits	**(2,404,000)**	(2,320,000)
Withdrawal of structured deposits	**2,334,000**	2,400,000
Placement in bank deposits with maturity over 3 months	**(40,000)**	(250,000)
Withdrawal of bank deposits with maturity over 3 months	**80,000**	152,000
Placement of pledged deposits	**(631,418)**	(1,188,306)
Withdrawal of pledged deposits	**285,286**	1,074,283
Net cash used in investing activities	**(678,193)**	(462,571)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**2,629,438**	2,569,618
Repayment of bank loans	**(2,793,940)**	(2,003,256)
Dividends paid	**(168,526)**	(164,867)
Dividend paid to non-controlling shareholders	**(53,932)**	(46,672)
Interest paid on borrowings	**(111,686)**	(98,415)
Repurchase of shares by a listed subsidiary	**(157,098)**	—
Principal portion of lease payments	**(11,236)**	(10,631)
Proceeds from partial disposal of subsidiaries	**45,920**	198,080
Payment of partial acquisition of subsidiaries	**(97,707)**	—
Net cash (used in)/from financing activities	**(718,767)**	443,857

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(533,730)**	232,909
Cash and cash equivalents at beginning of the year	**2,208,946**	1,983,473
Effect of foreign exchange rate changes, net	**22,712**	(7,436)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1,697,928**	2,208,946
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,697,928**	2,208,946
Time deposits	**310,000**	370,000
Cash and bank balances as stated in the consolidated statement of financial position	**2,007,928**	2,578,946
Less: Time deposits with original maturity over three months	**(310,000)**	(370,000)
Cash and cash equivalents as stated in the statement of cash flows	**1,697,928**	2,208,946

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 Unit 2605, 26/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, 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 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		
			2022	2021	**2022**	2021	
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")/ Mainland China	RMB200,000,000	**—**	—	**71.7%**	82.2%	Development, manufacture and sale of energy saving products and related services
Changsha Weisheng Import and Export Trading Company Limited	PRC/ Mainland China	RMB10,000,000	**—**	—	**100%**	100%	Trading of power meters
Willfar Information Technology Company Limited ("Willfar")*@	PRC/ Mainland China	RMB500,000,000	**—**	—	**59.5%**	58.5%	Development, manufacture and sale of data collection terminals and related services
Changsha Vitae Plastic Technology Co., Ltd.#	PRC/ Mainland China	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 2022	Directly 2021	Indirectly 2022	Indirectly 2021	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/ Mainland China	HK$100,000,000	**—**	—	**100%**	100%	Development, manufacture and sale of power meters
Hunan Weiming Technology Co., Ltd.*	PRC/ Mainland China	RMB500,000,000	**—**	—	**55.9%**	54.9%	Development, manufacture and sale of water, gas and heat meters
Wasion Energy Technology Co., Ltd. (formerly known as "Wasion Electric Limited")#	PRC/ Mainland China	RMB511,404,848	**—**	—	**71.7%**	76.2%	Development, manufacture and sale of smart distribution devices
Wasion Group Limited#	PRC/ Mainland China	RMB1,209,900,000	**—**	—	**100%**	100%	Development, manufacture and sale of power meters
Hunan Switchgear Co., Ltd.	PRC/ Mainland China	RMB100,000,000	**—**	—	**46.61%**	49.5%	Development, manufacture and sale of switchgears
Zhuhai Zhonghui Microelectronics Co., Ltd#	PRC/ Mainland China	RMB110,000,000	**—**	—	**59.52%**	58.5%	Development, manufacture and sale of electronic components
Changsha Zomkun Electronic Science and Technology Co., Ltd.	PRC/ Mainland China	RMB38,000,000	**—**	—	**100%**	100%	Development, manufacture and sale of electronic components
Wasion Da Amazonia Industria De Instrumentos Eletronicos SA	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.

2.1 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income and financial liabilities at fair value through profit or loss which have been measured at fair value. 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 2022. 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.

2.1 BASIS OF PREPARATION (CONTINUED)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*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*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, 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

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) 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 between an investor and its associate or joint venture 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 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

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.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to 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. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is 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 1 *Disclosure of Accounting Policies* 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

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. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 12 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 are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT 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 is in a position to exercise 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, respectively. 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.

Investments in associates and joint ventures (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, 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.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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 that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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.

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.

Fair value measurement (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

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 represents buildings and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. 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 is 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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)

Research and development costs (Continued)

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

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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.

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

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.

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, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

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 equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

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

Simplified approach

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 (loans and borrowings)

After initial recognition, interest-bearing loans and 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

- 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.

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

- 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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.

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.

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 SUMMARY OF SIGNIFICANT 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

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, 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.

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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. 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 for grants after 7 November 2002 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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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 the PRC 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 note 11 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.

2.4 SUMMARY OF SIGNIFICANT 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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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. On disposal of a foreign operation, the component of other comprehensive income 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 2022 was RMB330,636,000 (2021: RMB338,317,000). 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 43 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 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
	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
Investments 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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021

	Power advanced metering infrastructure RMB'000	Communication and fluid advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Total RMB'000
Segment revenue (note 5):				
Sales to external customers	1,714,446	1,719,375	1,156,941	4,590,762
Intersegment sales	22,701	98,434	449	121,584
	1,737,147	1,817,809	1,157,390	4,712,346
Reconciliation:				
Elimination of intersegment sales				(121,584)
				4,590,762
Segment results	56,118	323,041	112,457	491,616
Reconciliation:				
Elimination of intersegment results				15,651
Interest income				82,343
Dividend income and unallocated gains				511
Corporate and other unallocated expenses				(18,973)
Finance costs (other than interest on lease liabilities)				(98,415)
Profit before tax				472,733
Segment assets	6,035,587	3,837,488	3,212,572	13,085,647
Reconciliation:				
Elimination of intersegment receivables				(526,839)
Corporate and other unallocated assets				113,331
Total assets				12,672,139
Segment liabilities	3,286,735	1,095,745	2,066,384	6,448,864
Reconciliation:				
Elimination of intersegment payables				(850,571)
Corporate and other unallocated liabilities				993,984
Total liabilities				6,592,277

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021 (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:					
Impairment losses on financial assets and contract assets, net	56,061	9,037	4,004	—	69,102
Provision for inventories included in cost of inventories sold	12,879	3,283	479	—	16,641
Depreciation and amortisation	104,455	54,258	57,195	3,314	219,222
Capital expenditure*	179,346	75,917	164,349	—	419,612

* Capital expenditure represents additions to property, plant and equipment, leasehold lands and other intangible assets including assets from the acquisition of a subsidiary.

Geographical information

(a) Revenue from external customers

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

(b) Non-current assets

	2022 RMB'000	2021 RMB'000
PRC	**2,629,974**	2,521,245
America	**74,424**	69,763
Asia, except for the PRC	**2,102**	2,239
Africa	**580**	547
	2,707,080	2,593,794

The non-current asset information above excludes financial assets and deferred tax assets.

Information about major customers

None of the sales to a single customer contributed over 10% of the consolidated revenue in any of the years ended 31 December 2022 and 31 December 2021.

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	**5,855,844**	4,590,762

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET (CONTINUED)

Revenue from contracts with customers

Disaggregated revenue information

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
	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 revenue from contracts with customers	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 revenue from contracts with customers	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)

Year ended 31 December 2021

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	1,714,446	—	—	1,714,446
Sales of communication terminals and water, gas and heat metering products	—	1,719,375	—	1,719,375
Sales of smart power distribution devices	—	—	1,141,646	1,141,646
System solution services	—	—	15,295	15,295
	1,714,446	1,719,375	1,156,941	4,590,762
Geographic markets				
PRC	1,224,856	1,496,512	1,156,941	3,878,309
America	189,911	—	—	189,911
Africa	182,689	132,721	—	315,410
Asia, except for the PRC	28,141	81,297	—	109,438
Europe	77,024	23	—	77,047
Others	11,825	8,822	—	20,647
Total revenue from contracts with customers	1,714,446	1,719,375	1,156,941	4,590,762
Timing of revenue recognition				
Goods transferred at a point in time	1,714,446	1,719,375	1,141,646	4,575,467
Services rendered over time	—	—	15,295	15,295
Total revenue from contracts with customers	1,714,446	1,719,375	1,156,941	4,590,762

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:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of smart power meters	**39,381**	48,112
Sales of communication terminals and water, gas and heat metering products	**40,604**	41,459
Sales of smart power distribution devices	**31,261**	13,404
	111,246	102,975

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.

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET (CONTINUED)

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.

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

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

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

6. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**3,847,245**	3,062,754
Cost of service rendered		**46,032**	12,597
Depreciation of property, plant and equipment	13	**86,225**	72,826
Depreciation of investment properties	14	**865**	625
Depreciation of right-of-use assets	15(a)	**14,778**	15,432
Amortisation of other intangible assets (excluding the deferred expenditure amortised)*	17	**15,529**	6,636
Impairment of goodwill	16	**7,681**	7,672
Lease payments not included in the measurement of lease liabilities	15(c)	**10,286**	6,585
Research and development costs:			
Research and development expenses		**551,601**	448,371
Less: capitalised development costs		**(123,760)**	(147,598)
		427,841	300,773
Amortisation of capitalised development costs	17	**149,602**	123,703
		577,443	424,476
Auditor's remuneration		**3,810**	3,584
Employee benefit expense (including directors' and chief executive's remuneration (note 8))			
Wages and salaries		**649,790**	433,120
Equity-settled share award expenses		**2,104**	—
Pension scheme contributions***		**71,951**	53,033
		723,845	486,153
Provision/(reversal of provision) of impairment losses, net:			
Trade receivables		**79,600**	69,592
Contract assets		**(609)**	—
Other receivables		**15,200**	—
		94,191	69,592
Fair value losses/(gains), net:			
Derivative instruments — transactions not qualifying as hedges		**40,209**	(2,269)
Gain on disposal of items of property, plant and equipment		**(595)**	(443)
Write-down of inventories to net realisable value**		**33,343**	16,641
Foreign exchange (gains)/losses, net	5	**(29,188)**	3,167

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:

	2022 **RMB'000**	2021 RMB'000
Interest on bank loans	**111,686**	98,415
Interest on lease liabilities	**814**	852
	112,500	99,267

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:

	2022 **RMB'000**	2021 RMB'000
Fees	**644**	725
Other emoluments:		
Salaries, allowances and benefits in kind	**4,182**	1,742
Pension scheme contributions	**160**	15
	4,986	2,482

No share option was granted to directors during the years ended 31 December 2022 and 2021.

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:

	2022 RMB'000	2021 RMB'000
Mr. Luan Wenpeng	**103**	100
Mr. Cheng Shi Jie (retired on 1 June 2022)	**104**	151
Mr. Chan Cheong Tat	**334**	375
Mr. Wang Yaonan	**103**	100
	644	726

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

(b) Executive directors and chief executive

	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**
		—	**4,182**	**160**	**4,342**

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
2021					
Executive director and chief executive:					
Ms. Cao Zhao Hui	(ii)	—	249	—	249
Executive directors:					
Mr. Ji Wei		—	498	15	513
Ms. Zheng Xiao Ping		—	249	—	249
Mr. Tian Zhongping		—	249	—	249
Ms. Li Hong		—	249	—	249
Non-executive director:					
Mr. Kat Chit	(i)	—	249	—	249
		—	1,743	15	1,758

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 (2021: four) directors of the Company. Details of the remuneration for the year of the remaining one (2021: one) highest paid employee who is a non-director of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**1,489**	1,437
Pension scheme contributions	**15**	15
	1,504	1,452

The number of non-director highest paid employee whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
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 2022 and 2021.

Under the share award scheme, no 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 2022 and 2021.

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 2022 and 2021.

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

In addition, according to relevant laws and regulations promulgated by the State Administration of Tax of the PRC, certain of the subsidiaries established in the PRC engaging in research and development activities are entitled to claim 100% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year.

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

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

	2022 **RMB’000**	2021 RMB’000
Current		
Charge for the year	**94,641**	68,841
Underprovision/(overprovision) in prior years	**2,942**	(3,314)
PRC withholding tax	**—**	2,447
	97,583	67,974
Deferred tax (note 33)	**(26,309)**	(23,215)
Total tax charge for the year	**71,274**	44,759

10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the majority of its subsidiaries are domiciled is as follows:

	2022 **RMB'000**	2021 RMB'000
Profit before tax	**582,434**	472,733
Tax at the statutory tax rate at 25%	**145,609**	118,183
Expenses not deductible for tax	**37,155**	4,676
Income not subject to tax	**(5,685)**	(4,563)
Lower tax rate enacted by local authority	**(8,564)**	(2,389)
Tax concessions/exemption granted to PRC and Macau subsidiaries	**(69,164)**	(51,539)
Additional tax deduction on research and development expenses of PRC subsidiaries	**(48,493)**	(41,860)
Tax losses not recognised	**20,484**	20,979
Tax losses utilised from previous periods	**(4,883)**	(1,672)
Adjustments in respect of current tax of previous periods	**2,942**	(3,314)
Profits attributable to an associate	**(809)**	—
Withholding tax at 10% on the PRC subsidiary's dividend income	**2,682**	6,258
Tax charge	**71,274**	44,759

The share of tax attributable to an associate amounting to RMB30,000 (2021: Nil) is included in "Share of profits of an associate" in the profit or loss.

11. DIVIDENDS

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

A final dividend of HK23 cents (2021: HK20 cents) per share amounting to approximately HK$229,052,000 (equivalent to RMB201,337,000) (2021:HK$199,176,000 (equivalent to RMB168,526,000)) in respect of the year ended 31 December 2022 has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

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 985,255,264 (2021: 984,985,675) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021 because the exercise price of the share options granted to employees and consultants as disclosed in note 35 to the financial statements was higher than the average market price of the Company's shares during the years.

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

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

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 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/written 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

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 2021							
At 1 January 2021							
Cost	1,273,245	48,213	366,142	88,224	29,446	38,497	1,843,767
Accumulated depreciation	(180,827)	(17,911)	(237,498)	(68,336)	(17,078)	—	(521,650)
Net carrying amount	1,092,418	30,302	128,644	19,888	12,368	38,497	1,322,117
At 31 December 2020 and 1 January 2021, net of accumulated depreciation	1,092,418	30,302	128,644	19,888	12,368	38,497	1,322,117
Additions	19,434	9,894	54,745	13,990	4,947	113,641	216,651
Transfer	907	2,399	3,842	—	—	(7,148)	—
Disposals/written off	—	(597)	(5,124)	(7)	(75)	—	(5,803)
Depreciation provided during the year	(23,300)	(12,243)	(25,951)	(9,337)	(1,995)	—	(72,826)
Acquisition of a subsidiary	—	226	4,847	2,776	90	—	7,939
Transfer from investment properties (note 14)	15,839	—	—	—	—	—	15,839
Transfer to investment properties (note 14)	(8,353)	—	—	—	—	—	(8,353)
Exchange realignment	(497)	(272)	(1,720)	(302)	—	(565)	(3,356)
At 31 December 2021, net of accumulated depreciation	1,096,448	29,709	159,283	27,008	15,335	144,425	1,472,208
At 31 December 2021:							
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 2022, the Group's owned buildings with a carrying amount of RMB37,470,000 (2021: RMB112,692,000) were pledged as security for the Group's bank loans, as further detailed in note 32 to the financial statements.

14. INVESTMENT PROPERTIES

	2022	2021
	RMB'000	RMB'000
At 1 January		
Cost	**17,985**	27,425
Accumulated depreciation	**(2,750)**	(4,079)
Net carrying amount	**15,235**	23,346
At 1 January	**15,235**	23,346
Transfer from property, plant and equipment (note 13)	**—**	8,353
Transfer to property, plant and equipment (note 13)	**—**	(15,839)
Depreciation provided during the year	**(865)**	(625)
At 31 December, net of accumulated depreciation	**14,370**	15,235
At 31 December		
Cost	**17,985**	17,985
Accumulated depreciation	**(3,615)**	(2,750)
Net carrying amount	**14,370**	15,235

The Group's investment properties consist of 3 (2021: 3) commercial properties 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 values of the Group's investment properties at 31 December 2022 were RMB23,762,000 (2021: RMB22,124,000), 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 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**

	Fair value measurement as at 31 December 2021 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	—	—	22,124	22,124

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 (2021: Nil).

Set out below is a summary of the valuation technique used and the key input to the valuation of investment properties:

	Valuation techniques	**Significant unobservable inputs**	**Range or weighted average 2022**	2021
Investment properties	Direct comparison approach	Prevailing market price (per sq.m.)	**RMB3,946 to RMB4,899**	RMB3,938 to RMB4,843

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 6 months and 12 years (2021: 8 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 2021	178,653	9,461	188,114
Additions	7,674	17,742	25,416
Depreciation provided for the year	(4,597)	(10,835)	(15,432)
Exchange realignment	—	45	45
As at 31 December 2021 and 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	**178,286**	**13,341**	**191,627**

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**16,789**	9,643
New leases	**8,714**	17,742
Accretion of interest recognised during the year	**814**	852
Payments	**(12,050)**	(11,483)
Exchange realignment	**(441)**	35
Carrying amount at 31 December	**13,826**	16,789

The Group as a lessee (Continued)

(b) Lease liabilities (Continued)

	2022 RMB'000	2021 RMB'000
Analysed into:		
Current portion	**9,291**	7,891
Non-current portion	**4,535**	8,898
Carrying amount at 31 December	**13,826**	16,789

The maturity analysis of lease liabilities is disclosed in note 43 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**814**	852
Depreciation charge of right-of-use assets	**14,778**	15,432
Expense relating to short-term leases (included in administrative expense)	**10,286**	6,585
Total amount recognised in profit or loss	**25,878**	22,869

(d) The total cash outflow for leases is disclosed in note 37(b) to the financial statements.

The Group leases its investment properties (note 14) consisting of 3 (2021: 3) industrial properties 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 RMB1,431,000 (2021: RMB2,281,000), details of which are included in note 5 to the financial statements.

15. LEASES (CONTINUED)

The Group as a lessee (Continued)

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:

	2022 RMB'000	2021 RMB'000
Within one year	**362**	1,155
After one year but within two years	**—**	378
	362	1,533

16. GOODWILL

	2022 RMB'000	2021 RMB'000
At 1 January		
Cost	**345,989**	313,372
Accumulated impairment	**(7,672)**	—
Net carrying amount	**338,317**	313,372
At 1 January	**338,317**	313,272
Acquisition of a subsidiary	**—**	32,717
Impairment during the year	**(7,681)**	(7,672)
At 31 December, net of accumulated impairment	**330,636**	338,317
At 31 December		
Cost	**345,989**	345,989
Accumulated impairment	**(15,353)**	(7,672)
Net carrying amount	**330,636**	338,317

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;
- Advanced distribution operations CGU; and
- Brazil power advanced metering infrastructure CGU.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2022 **RMB'000**	2021 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
Brazil power advanced metering infrastructure CGU	**—**	7,681
	330,636	338,317

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

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 rate				
2022	2.0%	2.0%	2.0%	3.0%
2021	2.5%	2.5%	2.4%	3.0%
Pre-tax discount rates				
2022	15.0%	14.1%	12.9%	24.4%
2021	14.9%	14.7%	14.6%	21.5%

Assumptions were used in the cash flow projections of the CGUs for 31 December 2022 and 2021. 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 (2021: RMB7,672,000) because the market conditions were out of the management's expectation and an impairment loss of RMB7,681,000 (2021: RMB7,672,000) was recognised in the profit or loss during the year.

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 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**
31 December 2021					
At 1 January 2021					
Cost	1,238,336	90,472	95,257	63,669	1,487,734
Accumulated amortisation	(743,342)	(82,008)	(95,257)	(55,926)	(976,533)
Net carrying amount	494,994	8,464	—	7,743	511,201
Cost at 1 January 2021, net of accumulated amortisation	494,994	8,464	—	7,743	511,201
Additions	147,598	7,510	—	—	155,108
Amortisation provided during the year	(123,703)	(4,310)	—	(2,326)	(130,339)
Acquisition of a subsidiary	—	323	30,768	1,149	32,240
Net carrying amount	518,889	11,987	30,768	6,566	568,210
At 31 December 2021					
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

* 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

	2022 RMB'000	2021 RMB'000
Cost of investment	**24,000**	24,000
Cumulative share of post-acquisition losses and other comprehensive expenses	**(24,000)**	(24,000)
	—	—

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Smart Metering Solution (Changsha) Co., Ltd. Limited ("Smart Metering")	Ordinary shares	The PRC/Mainland China	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 RMB2,990,000 (2021: RMB1,640,000) and RMB9,962,000 (2021: RMB12,952,000), respectively.

19. INVESTMENT IN AN ASSOCIATE

	2022 RMB'000
Cost of investment	5,160
Gain on bargain purchase	3,123
	8,283
Share of post-acquisition profits	112
	8,395

Particulars of the Group's associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Xiang Tan Wei Tai Photovoltaic Power Generation Co., Ltd. ("Wei Tai")	Ordinary shares	The PRC/Mainland China	21.5%	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.

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:

	2022 RMB'000
Share of the associate's profit for the year	112
Share of the associate's total comprehensive income	112
Carrying amount of the Group's investment in the associate	8,395

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	**2022 RMB'000**	2021 RMB'000
Equity investments designated at FVTOCI			
Equity investments listed in Hong Kong, at fair value		**17,103**	25,397
Equity investments listed in the PRC, at fair value		**1,530**	9,996
Unlisted equity investments — A, at fair value	(i)	**35,504**	31,603
Unlisted equity investments — B, at fair value	(ii)	**4,235**	—
Unlisted equity investments — C, at fair value	(iii)	**8,298**	—
		66,670	66,996

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, and the Group's shareholding was 2.58% 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 period, and the remaining investment costs of RMB2,400,000 will be settled upon the notice of the controlling shareholder.

(iii) During the year ended 31 December 2022, the Group invested in a private entity in the PRC, and the Group's shareholding was 7.88% with total cash consideration of RMB8,298,000 paid by the Group in cash during the year.

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 2022, the Group received dividends in the amount of RMB464,000 (2021: RMB511,000) from certain of its equity investments listed in Hong Kong.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2022 RMB'000	2021 RMB'000
Unlisted investments in a trust fund, at fair value	(i)	**200,000**	200,000
Forward currency contracts	(ii)	**—**	2,269
Unlisted preference shares, at fair value	(iii)	**10,000**	—
Unlisted fund investments, at fair value	(iv)	**8,000**	—
		218,000	202,269
Less: Current portion		**—**	(2,269)
		218,000	200,000

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 will expire in 2024, and the balances are classified as non-current assets as at 31 December 2022.

(ii) As at 31 December 2021, the Group has entered into forward currency contracts, which are not designated for hedge purposes and are measured at fair value through profit or loss. There were changes in the fair values of non-hedging currency derivatives of RMB2,269,000 charged to profit or loss during the year ended 31 December 2021.

(iii) 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 during the year, and the Group has preferential right to subscribe any future shares allotted to maintain its 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.

(iv) During the year ended 31 December 2022, the Group invested in a private limited partnership in the PRC, and the Group's shareholding was 18.1% with total cash consideration of RMB8,000,000 paid by the Group in cash during the year.

22. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**347,476**	432,076
Work in progress	**391,906**	364,111
Finished goods	**341,453**	194,571
	1,080,835	990,758

23. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

Details related to ECLs are set out in note 43 to the financial statements.

24. CONTRACT ASSETS

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

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

Included in the Group's contract assets is an amount due from the Group's joint venture of RMB8,112,000 (2021: RMB12,637,000), 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 43 to the financial statements.

25. LOAN RECEIVABLES

	2022 RMB'000	2021 RMB'000
Loan receivables	**85,000**	108,176

The amounts represent loans advanced by the Group to independent third parties under entrusted loan contracts. These entrusted loans carry fixed interest at 12% (2021: 12%) per annum and are repayable in August 2025.

As at 31 December 2022, the Group's loan receivables amounting to RMB85,000,000 (2021: RMB88,176,000) 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 43 to the financial statements.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2022 RMB'000	2021 RMB'000
Life insurance products	(i)	**61,560**	54,370
Non-current portion		**61,560**	54,370
Purchase prepayments	(ii)	**357,373**	416,983
Bidding deposits		**37,278**	25,038
Other prepayments		**35,438**	39,158
Other receivables		**75,732**	136,618
Consideration receivable for disposal of subsidiaries	(iii)	**69,350**	77,000
Consideration receivable for disposal of unlisted equity instruments	(iv)	**21,302**	23,652
Loan receivable from a joint venture	(v)	**17,850**	17,850
VAT recoverable		**292,903**	201,351
Current portion		**907,226**	937,650
		968,786	992,020

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 2022, 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 of RMB77,000,000 carries fixed interest at 4.35% (2021: 4.75%) per annum and is repayable in 2027 with a repayable on demand clause.

(iv) The balance is unsecured, non-guaranteed, carries fixed interest at 4.35% (2021: 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% (2021: 4.35%) per annum and is repayable in 2023.

Details related to ECLs are set out in note 43 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 2022, the Group had investment in structured deposits of RMB70,000,000 (2021: Nil) and total interest income of approximately RMB12,593,000 (2021: RMB12,513,000) 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	**2022** **RMB'000**	2021 RMB'000
Cash and bank balances		**2,480,312**	2,625,198
Time deposits		**310,000**	370,000
		2,790,312	2,995,198
Less: Pledged for bank loans	32(b)	**(762,384)**	(416,252)
		2,027,928	2,578,946

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 RMB2,540,228,000 (2021: RMB2,792,975,000). The RMB is not freely convertible into other currencies, however, under Mainland China'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

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

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

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

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

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

30. OTHER PAYABLES AND ACCRUALS

	Notes	**2022 RMB'000**	2021 RMB'000
Accruals		**115,253**	81,593
Other payables	(a)	**118,330**	124,040
Contract liabilities	(b)	**175,409**	111,246
		408,992	316,879

Notes:

(a) Other payables are non-interest-bearing and have an average term of three months.

(b) Details of contract liabilities are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000	1 January 2021 RMB'000
Short-term advances received from customers			
Sale of goods	**175,409**	111,246	102,975

Contract liabilities include short-term advances received from customers to deliver metering products. The increase in contract liabilities in 2022 was mainly due to the increase in short-term advances received from customers in relation to the sale of products at the end of the year.

31. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss comprise:

	2022 RMB'000	2021 RMB'000
Forward currency contracts (note)	**37,940**	—

Note: As at 31 December 2022, 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 RMB37,940,000 charged to profit or loss during the period.

32. INTEREST-BEARING BANK BORROWINGS

	2022			2021		
	Effective interest rate	**Maturity**	**RMB'000**	Effective interest rate	Maturity	RMB'000
Floating interest rate						
Bank loans — unsecured	**2.40%–4.75%**	**2023–2026**	**1,999,096**	2.10%–5.22%	2022–2024	1,932,065
Bank loans — secured	**4.80%**	**2026**	**45,360**	3.90%	2022	146,000
			2,044,456			2,078,065
Fixed interest rate						
Bank loans — unsecured	**3.00%–4.80%**	**2023–2026**	**509,821**	1.18%–4.80%	2022–2026	584,408
Trust receipt loans — unsecured	**1.55%–2.00%**	**2023**	**107,365**	1.45%–4.40%	2022	174,428
			617,186			758,836
			2,661,642			2,836,901

The maturity of the above bank borrowings is as follows:

	2022 RMB'000	2021 RMB'000
Analysed into:		
Within one year or on demand	**1,714,799**	2,046,566
In the second year	**411,973**	581,335
In the third to fifth years, inclusive	**534,870**	209,000
	2,661,642	2,836,901

Notes:

(a) As at 31 December 2022, bank borrowings of RMB1,122,096,000 were denominated in HK$ at the Hong Kong Interbank Offered Rates ("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 4.8% or floating rate at the Loan Prime Rate ("LPR") plus 0% to 1.37%.

As at 31 December 2021, banking borrowings of RMB898,951,000 were denominated in HK$ at HIBOR plus 2.0% to 3.0% and RMB58,656,000 were denominated in US$ at the London Interbank Offered Rate ("LIBOR") plus 2.0% to 2.5%, respectively and the remaining bank borrowings of RMB1,879,294,000 were denominated in RMB 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	2022 RMB'000	2021 RMB'000
Property, plant and equipment	13	**37,470**	112,692
Pledged deposits	28	**762,384**	416,252
		799,854	528,944

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 2020 and 1 January 2021	(12,541)	—	5,817	21,006	—	14,282
Deferred tax (debited)/credited to profit or loss during the year (note 10)	632	(3,811)	—	14,240	12,154	23,215
Deferred tax credited to other comprehensive income	—	—	(1,157)	—	—	(1,157)
Acquisition of a subsidiary	(8,663)	—	—	—	—	(8,663)
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	(9,790)	(3,496)	5,642	44,373	21,236	57,965

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:

	2022 RMB'000	2021 RMB'000
Deferred tax assets	**91,464**	62,143
Deferred tax liabilities	**(33,499)**	(34,466)
	57,965	27,677

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2022, deferred tax of RMB3,496,000 (2021: RMB3,811,000) 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 the PRC (note 10). Except for this, the aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities of approximately RMB409,806,000 (2021: RMB347,520,000) at 31 December 2022 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 RMB196,264,000 (2021: RMB168,359,000) that will expire in one to five years for offsetting against future taxable profits and tax losses arising in Brazil of RMB31,935,000 (2021: RMB34,470,000) 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 utilised.

There are no income tax consequences attaching to the payment of dividend by the Company to its shareholders.

34. SHARE CAPITAL

	2022 HK$'000	2021 HK$'000
Authorised:		
100,000,000,000 ordinary shares of HK$0.01 each	**1,000,000**	1,000,000

	2022 RMB'000	2021 RMB'000
Issued and fully paid:		
995,879,675 (2021:995,879,675) ordinary shares of HK$0.01 (2021: 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 2022, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 18,000,000 (2021: 18,000,000), representing approximately 1.8% (2021: 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 of the Group must not in aggregate exceed 10% of the Company's shares in issue as at the first date of listing. The limit may be increased to 20% of the then issued share capital of the Company from time to time upon shareholders' approval at a general meeting of the shareholders. The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Group shall not exceed such number of Company's shares as equal to 30% of the issued share capital of the Company from time to time. 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.

35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share option scheme (Continued)

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.

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 2021	Exercised during the year	Outstanding 31 December 2021	Exercise during the year	Outstanding 31 December 2022
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 2022 (2021: 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 RMB160,794) and share premium of HK$84,060,000 (equivalent to RMB75,091,000) (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.

35. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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.

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. In any given financial year of the Company, the maximum number of shares to be purchased by the trustee for the purpose of the Share Award Scheme shall not exceed 10% of the total number of issued shares as at the beginning of that financial year.

The directors would notify the trustee of the Share Award Scheme in writing upon the 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. As at 31 December 2022, 9,694,000 (2021: 10,894,000) ordinary shares of the Company were held by the trustee of the Share Award Scheme.

On 10 October 2022, 1,200,000 shares (equivalent to 0.1% of the then equity interest in the Company) were granted to 4 selected employees of the Group. There was no vesting period for the equity interest granted. During the year ended 31 December 2022, share based payment of 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.

Subsequent to the reporting period, on 16 February 2023, 89 employees have been awarded 2,700,000 ordinary shares of the Company under the Share Award Scheme which has a vesting period of 12 months. The fair value of the share awards was RMB6,908,000.

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 RMB103,061,000 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 recognises any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received in other reserve.

During the year ended 31 December 2022, the Group acquired 4,999,877 ordinary shares, equivalent to 1.00% equity interests in Willfar Information Technology Company Limited, 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 RMB70,492,000 between the non-controlling interests derecognised and the consideration was debited to other reserve.

During the year ended 31 December 2022, Wasion Energy Technology Co., Ltd. (formerly known as "Wasion Electric Limited") ("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 derecognised 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.

36. RESERVES (CONTINUED)

(v) (Continued)

During the year ended 31 December 2021, Wasion Electric, a non-wholly-owned subsidiary of the Group, issued 42,988,235 ordinary shares at RMB1.7 per share and 28,000,000 ordinary shares at RMB2.7 per share, with total consideration of RMB148,080,000, which represented 14.4% equity interests, to its non-controlling shareholders. The difference of RMB6,624,000 between the non-controlling interests recognised and the consideration was credited to other reserve.

During the year ended 31 December 2021, Hunan Weiming Technology Co., Ltd., a non-wholly-owned subsidiary of the Group, issued 20,000,000 ordinary shares, equivalent to 6.25% equity interests, to its non-controlling shareholder at a consideration of RMB2.5 per share, for a total consideration of approximately RMB50,000,000. The difference of RMB9,895,000 between the non-controlling interests recognised and the consideration was credited 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 135 of this financial statements.

37. 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 2021	2,290,123	9,643
Changes from financing cash flows	467,947	(10,631)
Additions	—	17,742
Interest expenses	98,415	852
Interest paid classified as operating cash flows	—	(852)
Acquisition of a subsidiary	5,000	—
Foreign exchange movement	(24,584)	35
As at 31 December 2021 and 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	**2,661,642**	**13,826**

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	**11,100**	7,437
Within financing activities	**11,236**	10,631
	22,336	18,068

38. 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.

39. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**63,367**	51,514
Investment in equity investments designated at FVTOCI	**2,400**	—
Investment in financial assets at FVTPL	**72,000**	—
	137,767	51,514

40. RELATED PARTY DISCLOSURES

(a) The Group had the following transactions with related parties during the year:

	Notes	2022 RMB'000	2021 RMB'000
Sales of goods to a joint venture	(i)	**71,892**	111,883
Purchase of goods from a company of which a close member of the director's family is a controlling shareholder	(ii)	**13,340**	10,628
Interest received from a joint venture	(iii)	**720**	744
Rental income received from a joint venture		**375**	310

Notes:

(i) The sales to the joint venture were made according to the prices and conditions offered to the major customers of the Group.

(ii) The purchase constitute continuing connected transaction, as defined in Chapter 14A of the Listing Rules.

(iii) The loan to the joint venture is unsecured and bears interest at 4.35% (2021: 4.35%) per annum and is repayable in 2023.

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

	2022 RMB'000	2021 RMB'000
Short-term benefits	**6,315**	5,482
Retirement benefit scheme contributions	**175**	135
	6,490	5,617

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

41. 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:

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
	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
	37,940	6,471,301	6,509,241

41. 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)

2021

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	—	—	4,095,153	4,095,153
Loan receivables	—	—	108,176	108,176
Financial assets included in prepayments, other receivables and other assets	54,370	—	280,158	334,528
Equity instruments designated at FVTOCI	—	66,996	—	66,996
Financial assets at FVTPL	202,269	—	—	202,269
Pledged deposits	—	—	416,252	416,252
Cash and bank balances	—	—	2,578,946	2,578,946
	256,639	66,996	7,478,685	7,802,320

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	3,312,712
Financial liabilities included in other payables and accruals	145,137
Interest-bearing bank borrowings	2,836,901
Lease liabilities	16,789
	6,311,539

42. 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	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments designated at FVTOCI	**66,670**	66,996	**66,670**	66,996
Financial assets at FVTPL	**218,000**	202,269	**218,000**	202,269
Structured deposits	**70,000**	—	**70,000**	—
Life insurance products	**61,560**	54,370	**61,560**	54,370
	416,230	323,635	**416,230**	323,635
Financial liabilities				
Financial liabilities at FVTPL	**37,940**	—	**37,940**	—
Interest-bearing bank borrowings	**2,661,642**	2,836,901	**2,660,494**	2,820,356
	2,699,582	2,836,901	**2,698,434**	2,820,356

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 chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The chief financial officer 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.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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:

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 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 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 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.

42. 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:

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

2021

	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	7.24	1% increase/decrease in the multiple would result in increase/decrease in fair value by RMB277,000

42. 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 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
	18,633	357,858	39,739	416,230
Liabilities measured at fair value:				
Financial liabilities at FVTPL	—	37,940	—	37,940

As at 31 December 2021

	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	35,393	—	31,603	66,996
Financial assets at FVTPL	—	202,269	—	202,269
Life insurance products	—	54,370	—	54,370
	35,393	256,639	31,603	323,635

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2022	2021
	RMB'000	RMB'000
Equity investments designated at FVTOCI:		
At 1 January	**31,603**	29,619
Total gains recognised in the statement of comprehensive income	**4,536**	5,044
Additions	**3,600**	—
Disposals	**—**	(3,060)
At 31 December	**39,739**	31,603

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities (2021: Nil), and no transfers into or out of Level 3 (2021: Nil).

As at 31 December 2022, 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 RMB2,660,494,000 (2021: RMB2,820,356,000). 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).

43. 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 other than derivatives, equity investments designated at FVTOCI, trade and bills receivables, other receivables, trade and bills payables, other payables and lease liabilities.

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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

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) in basis points	Increase/ (decrease) in profit before tax RMB'000
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)**
31 December 2021		
RMB	100	15,763
RMB	(100)	(15,763)
HK$	100	(8,809)
HK$	(100)	8,809
US$	100	803
US$	(100)	(803)

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 21.2% (2021: 15.5%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, while approximately 83.3% (2021: 97.3%) 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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

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 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**
31 December 2021		
If RMB weakens against US$	5	4,490
If RMB strengthens against US$	(5)	(4,490)
If RMB weakens against HK$	5	(44,043)
If RMB strengthens against HK$	(5)	44,043

Credit risk and impairment assessment

As at 31 December 2022 and 2021, 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 91% (2021: over 94%) of its total receivables as at 31 December 2022. 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.

43. 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 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 2022, the Group assessed the ECLs on loan receivables, other receivables and deposits and corresponding loss allowance of RMB15,200,000 (2021: Nil) 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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

Loan receivables, other receivables and deposits (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

43. 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 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
	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
	—	—	—	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
	3,401,408	118,502	—	4,816,091	8,336,001

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

As at 31 December 2021

	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	352,123	—	—	2,033,475	2,385,598
— Grade 2	—	—	—	354,961	354,961
— Grade 3	—	—	—	1,394,427	1,394,427
— Grade 4	—	—	—	51,403	51,403
— Loss	—	—	—	99,998	99,998
	352,123	—	—	3,934,264	4,286,387
Contract assets					
— Grade 1	—	—	—	256,785	256,785
— Grade 2	—	—	—	51,610	51,610
— Grade 3	—	—	—	260,584	260,584
— Grade 4	—	—	—	4,178	4,178
	—	—	—	573,157	573,157
Financial assets included in prepayments, other receivables and other assets					
— Grade 3	262,308	—	—	—	262,308
Loan receivables					
— Grade 1	108,176	—	—	—	108,176
Loan receivable from a joint venture*					
— Grade 3	—	17,850	—	—	17,850
Pledged deposits					
— Grade 1	416,252	—	—	—	416,252
Cash and bank balances					
— Grade 1	2,578,946	—	—	—	2,578,946
	3,717,805	17,850	—	4,507,421	8,243,076

* 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 RMB83,685,000 (2021: RMB64,981,000) in aggregate, management considered the ECL impact was minimal as the Group expects to recover the full amount of the balances.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

As at 31 December 2022, debtors which are credit-impaired with a gross carrying amount of RMB145,234,000 (2021: RMB99,998,000) 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

	2022			2021		
Internal credit rating	**Average loss rate**	**Trade receivables RMB'000**	**Contract assets RMB'000**	Average loss rate	Trade receivables RMB'000	Contract assets RMB'000
Grade 1–2	**2.2%**	**3,276,012**	**369,622**	0.8%	2,388,436	308,395
Grade 3	**2.6%**	**801,593**	**187,382**	1.8%	1,394,427	260,584
Grade 4	**95.8%**	**35,324**	**924**	95.8%	51,403	4,178
Loss	**100%**	**145,234**	**—**	100%	99,998	—
		4,258,163	**557,928**		3,934,264	573,157

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:

	2022 RMB'000	2021 RMB'000
At beginning of year	**191,234**	123,624
Provision for impairment losses, net	**79,600**	69,592
Amount written off as uncollectible	**—**	(1,982)
At end of year	**270,834**	191,234

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

Gross carrying amounts (Continued)

The movements of impairment allowance of contract assets are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**5,844**	5,844
Reversal of provision for impairment losses, net	**(609)**	—
At end of year	**5,235**	5,844

The movements of impairment allowance of other receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**—**	—
Provision for impairment losses, net	**15,200**	—
At end of year	**15,200**	—

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 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
Interest-bearing bank borrowings	—	1,747,795	1,010,718	—	2,758,513
Lease liabilities	—	9,594	3,628	1,280	14,502
	155,068	5,399,016	1,014,346	1,280	6,569,710

31 December 2021

	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	—	3,312,712	—	—	3,312,712
Other payables and accruals	145,137	—	—	—	145,137
Interest-bearing bank borrowings	—	2,095,282	866,989	—	2,962,271
Lease liabilities	—	8,053	8,162	1,583	17,798
	145,137	5,416,047	875,151	1,583	6,437,918

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 2022. 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 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)**
31 December 2021		
Investments listed in:		
Hong Kong — Equity investments designated at FVTOCI	25,397	2,540/(2,540)
PRC — Equity investments designated at FVTOCI	9,996	1,000/(1,000)

* Excluding accumulated losses

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate benchmark reform

As at 31 December 2021, the Group had certain interest-bearing bank borrowings denominated in USD. The interest rates of these instruments are based on the LIBOR with a tenor of two months or twelve months, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract

- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group)

- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

	2022 **RMB'000**	2021 RMB'000
Non-derivative financial liabilities — carrying value		
Interest-bearing bank borrowings		
— United States dollar LIBOR	**—**	58,656

43. 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 2022 and 2021.

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:

	2022 **RMB'000**	2021 RMB'000
Total debt	**2,661,642**	2,836,901
Total assets	**13,026,055**	12,672,139
Gearing ratio	**20.4%**	22.4%

44. 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 2021	1,153,157	—	1,153,157
Profit for the year	159,890	—	159,890
Deemed partial disposal of interest in subsidiaries	181,561	—	181,561
Dividend paid to non-controlling interests	(46,672)	—	(46,672)
At 31 December 2021 and 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	1,629,670	(157,098)	1,472,572

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2022	2021
Percentage of equity interest held by non-controlling interests:		
Willfar	**40.5%**	41.5%

	2022 RMB'000	2021 RMB'000
Profit for the year attributable to non-controlling interests:		
Willfar	**161,849**	143,523
Dividends paid to non-controlling interests of Willfar	**53,932**	46,672
Accumulated balances of non-controlling interests at the reporting date:		
Willfar	**1,260,055**	1,179,108

44. 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	
	2022	2021
	RMB'000	RMB'000
Revenue	**2,003,614**	1,817,810
Total expenses	**(1,592,133)**	(1,466,173)
Profit for the year	**411,481**	351,637
Total comprehensive income for the year	**411,481**	351,637
Current assets	**3,494,513**	3,257,620
Non-current assets	**582,173**	524,859
Current liabilities	**(1,128,074)**	(974,346)
Non-current liabilities	**(23,048)**	(6,953)
Net cash flows from operating activities	**271,169**	243,462
Net cash flows used in investing activities	**(255,422)**	(53,832)
Net cash flows used in financing activities	**(280,841)**	(64,342)
Net (decrease)/increase in cash and cash equivalents	**(265,094)**	125,288

45. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,210,330**	1,192,506
Other non-current assets	**65,865**	61,727
Total non-current assets	**1,276,195**	1,254,233
CURRENT ASSETS		
Other receivables	**274**	10,603
Cash and bank balances	**38,507**	8,473
Total current assets	**38,781**	19,076
CURRENT LIABILITIES		
Other payables	**5,107**	4,675
Due to subsidiaries	**472,672**	324,284
Interest-bearing bank borrowings	**44,665**	65,408
Total current liabilities	**522,444**	394,367
NET CURRENT LIABILITIES	**(483,663)**	(375,291)
TOTAL ASSETS LESS CURRENT LIABILITIES	**792,532**	878,942
NET ASSETS	**792,532**	878,942
EQUITY		
Issued capital	**9,906**	9,906
Reserves (note)	**782,626**	869,036
Total equity	**792,532**	878,942

45. 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 2021	1,011,659	198,399	27,730	(36,998)	33,164	(151,690)	1,082,264
Total comprehensive loss for the year	—	—	—	—	—	(48,361)	(48,361)
Dividend paid	(164,867)	—	—	—	—	—	(164,867)
At 31 December 2021 and 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	678,266	198,399	27,730	(34,894)	33,164	(120,039)	782,626

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2023.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Revenue	3,340,321	3,655,646	3,948,750	4,590,762	**5,855,844**
Profit (loss) for the year attributable to:					
Owners of the Company	270,817	280,567	231,190	268,084	**323,797**
Non-controlling interests	59,954	76,811	112,979	159,890	**187,363**
	330,771	357,378	344,169	427,974	**511,160**

ASSETS AND LIABILITIES

	As at 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Total assets	8,608,295	10,096,774	11,270,083	12,672,139	**13,026,055**
Total liabilities	(3,866,011)	(5,250,374)	(5,593,625)	(6,592,277)	**(6,897,579)**
	4,742,284	4,846,400	5,676,458	6,079,862	**6,128,476**
Equity attributable to:					
Owners of the Company	4,186,660	4,216,317	4,523,301	4,631,926	**4,655,904**
Non-controlling interests	555,624	630,083	1,153,157	1,447,936	**1,472,572**
	4,742,284	4,846,400	5,676,458	6,079,862	**6,128,476**

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