Wasion Group Holdings Limited
威勝集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3393)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

- Turnover amounted to approximately RMB1,078.17 million (2008: RMB1,059.39 million), representing an increase of approximately 2%.
- Revenue from sales of three-phase electronic power meters increased by approximately 2% to RMB471.47 million as compared with 2008.
- Revenue from sales of single-phase electronic power meters increased by approximately 7% to RMB283.96 million as compared with 2008.
- Revenue from data collection terminals and power management systems products decreased by approximately 9% to RMB249.69 million as compared with 2008.
- Revenue from water, gas and heat meters increased by approximately 25% to RMB73.05 million as compared with 2008.
- Net profit for the year amounted to approximately RMB262.04 million (2008: RMB261.53 million).
- Basic earnings per share amounted to RMB0.31 (2008: RMB0.32).
- **The Board of Directors has proposed a final dividend of HK$0.11 (equivalent to RMB0.097) per share for the year ended 31 December 2009.**

The board of directors (the "Board") of Wasion Group Holdings Limited (the "Company") is pleased to announce the consolidated annual results of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 31 December 2009, together with the comparative figures for the year ended 31 December 2008, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	**2009** *RMB'000*	2008 *RMB'000*
Turnover	*3*	**1,078,165**	1,059,390
Cost of sales		**(592,853)**	(561,773)
Gross profit		**485,312**	497,617
Other revenue		**13,820**	23,097
Administrative expenses		**(91,756)**	(93,547)
Selling expenses		**(90,419)**	(91,970)
Research and development expenses		**(30,946)**	(29,655)
Loss on disposal of available-for-sale investment		**—**	(3,070)
Finance costs		**(14,277)**	(19,614)
Profit before taxation	*4*	**271,734**	282,858
Income tax expense	*5*	**(9,693)**	(21,328)
Profit for the year		**262,041**	261,530
Exchange difference arising on translation, representing other comprehensive expense for the year		**(1,437)**	(18,429)
Total comprehensive income for the year		**260,604**	243,101
		RMB	*RMB*
Earnings per share	*7*		
Basic		**0.31**	0.32
Diluted		**0.30**	0.31

CONSOLIDATED BALANCE SHEET

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**627,085**	437,275
Deposit paid for acquisition of property, plant and equipment		**3,355**	—
Prepaid lease payments		**124,894**	95,608
Intangible assets		**251,912**	247,948
Available-for-sale investment		**4,961**	4,961
Goodwill		**110,326**	110,326
		1,122,533	896,118
CURRENT ASSETS			
Inventories		**327,423**	255,578
Trade and other receivables	*8*	**943,710**	766,573
Amounts due from related parties		**21,233**	110,690
Prepaid lease payments		**2,714**	2,078
Pledged bank deposits		**113,746**	73,645
Bank balances and cash		**644,668**	439,160
		2,053,494	1,647,724
CURRENT LIABILITIES			
Trade and other payables	*9*	**568,951**	472,085
Amounts due to related parties		**559**	179,831
Tax liabilities		**11,410**	21,451
Borrowings — due within one year		**250,210**	234,137
		831,130	907,504
NET CURRENT ASSETS		**1,222,364**	740,220
		2,344,897	1,636,338
CAPITAL AND RESERVES			
Share capital		**9,427**	8,384
Reserves		**2,138,448**	1,376,719
		2,147,875	1,385,103
NON-CURRENT LIABILITIES			
Borrowings — due after one year		**169,000**	220,000
Deferred tax liability		**28,022**	31,235
		197,022	251,235
		2,344,897	1,636,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

In the current year, the Group has applied the following new and revised standards, amendments to the standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Adoption of new and revised HKFRSs effective in the year

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

3. TURNOVER

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Summarised details of each of the two operating segments are as follows:

(a) electronic meters segment, which engages in the development, manufacture and sale of electronic power, water and gas meters; and

(b) data collection terminals segment, which engages in the development, manufacture and sale of data collection terminals.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2009

	Electronic meters *RMB'000*	**Data collection terminals** *RMB'000*	**Elimination** *RMB'000*	**Consolidated** *RMB'000*
TURNOVER				
External sales	828,472	249,693	—	1,078,165
Inter-segment sales*	3,952	19,531	(23,483)	—
Total	832,424	269,224	(23,483)	1,078,165
Segment profit	202,905	100,129	—	303,034
Unallocated income				5,806
Central administration costs				(22,829)
Finance costs				(14,277)
Profit before taxation				271,734

* *Inter-segment sales were charged at prevailing market rates.*

For the year ended 31 December 2008

	Electronic meters *RMB'000*	Data collection terminals *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
TURNOVER				
External sales	784,341	275,049	—	1,059,390
Inter-segment sales*	824	30,697	(31,521)	—
Total	785,165	305,746	(31,521)	1,059,390
Segment profit	224,059	100,490	—	324,549
Unallocated income				5,633
Central administration costs				(24,640)
Loss on disposal of available-for-sale investment				(3,070)
Finance costs				(19,614)
Profit before taxation				282,858

* *Inter-segment sales were charged at prevailing market rates.*

Segment profit represents profit attributable to each segment without allocation of other income, central administration costs and directors' salaries, loss on disposal of available-for-sale investment and finance costs. This is the measure reported to the Group's Chief Executive Officer, its chief operating decision maker, for the purposes of resources allocation and assessment of segment performance.

Geographical information

The Group's operations are mainly located in the People's Republic of China (the "PRC").

The following table provides an analysis of the Group's turnover by geographical location of customers, irrespective of the origin of the goods.

	Turnover from external customers	
	2009	2008
	RMB'000	*RMB'000*
PRC	**1,044,204**	944,320
Overseas	**33,961**	115,070
	1,078,165	1,059,390

4. PROFIT BEFORE TAXATION

	2009	2008
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Staff costs including directors' emoluments:		
Salaries and benefits	**77,108**	72,868
Retirement benefit scheme contributions	**4,868**	5,621
Share-based payment expenses	**1,990**	6,945
	83,966	85,434
Auditor's remuneration	**2,047**	2,210
Loss on disposal of property, plant and equipment	**17**	338
Depreciation of property, plant and equipment	**20,503**	17,450
Release of prepaid lease payments	**1,902**	1,813
Amortisation of intangible assets	**50,688**	52,684
Allowance for doubtful debts	**—**	672
Cost of inventories recognised as expense	**592,853**	561,773
Net exchange loss	**643**	—

5. INCOME TAX EXPENSE

	2009	2008
	RMB'000	*RMB'000*
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
— Current year	**13,417**	25,694
— Overprovision in prior years	**(511)**	(2,285)
	12,906	23,409
Deferred taxation		
— Current year	**(3,213)**	(2,081)
	9,693	21,328

Notes:

(i) Hong Kong

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 both years.

(ii) PRC

PRC EIT was calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC, except for the followings:

(a) Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the applicable tax rate for the next three years. These tax holidays and concessions will expire between 2008 and 2010.

(b) Certain PRC subsidiaries which are approved as enterprise that satisfied the condition as high technology development enterprises and obtained the Certificate of High New Technology Enterprise will continue to be subject to a preferential rate of 15%.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), the tax holidays and concessions from EIT entitled as set out in (a) above continue to be applicable until the end of the five year transitional period under the Law of the PRC on Enterprise Income Tax (the "New Law"). The preferential treatment set out in (b) above continues on the implementation of the New Law.

For entities which were entitled to unutilised tax holidays (including two-year exemption and three-year half rate) under the then existing preferential tax treatments, the unutilised tax holiday is allowed to be carried forward to 2008 and future years until their expiry. However, if an entity has not yet commenced its tax holiday due to its loss position, the tax holiday is deemed to commence from 2008 onwards. Certain PRC subsidiaries are loss marking up to 2008 and their respective tax holdings are therefore deemed to commence in 2008.

(iii) Other jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, a Macau company incorporated under that Law ("58/99/M Company") is exempted from Macao Complementary Tax (Macao Income Tax) as long as the 58/99/M Company does not sell its products to a Macao resident company.

6. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2008 final dividend — HK$0.11, equivalent to RMB0.097, per share (2008: 2007 final dividend HK$0.09, equivalent to RMB0.08, per share)	**81,940**	66,867
Dividends proposed after the end of the reporting period:		
2009 final dividend — HK$0.11, equivalent to RMB0.097, per share (2008: 2008 final dividend of HK$0.11, equivalent to RMB0.097, per share)	**90,332**	81,940

The proposed dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2009	2008
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**262,041**	261,530

	2009	2008
Number of shares		
Weighted average number of ordinary shares of purpose of basic earnings per share	**845,982,009**	816,589,803
Effect of dilutive potential ordinary shares in respect of:		
Share options	**21,919,074**	8,451,704
Contingently issuable shares for acquisition of subsidiaries	**9,170,927**	19,511,188
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**877,072,010**	844,552,695

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award plan of the Company prior to its termination on 21 July 2009.

8. TRADE AND OTHER RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade and bills receivables	**716,198**	625,163
Less: Allowance for doubtful debts	**(16,623)**	(16,623)
	699,575	608,540
Retentions held by trade customers	**67,216**	53,247
Deposits, prepayments and other receivables	**176,919**	104,786
	943,710	766,573

The Group allows credit periods ranging from 90 days to 365 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2009	2008
	RMB'000	*RMB'000*
0–90 days	**467,503**	395,045
91–180 days	**100,011**	103,277
181–365 days	**123,787**	110,218
Over 1 year	**8,274**	—
	699,575	608,540

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. 98% (2008: 98%) of the trade receivables that are neither past due nor impaired have good credit rating.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB9,767,000 (2008: RMB1,330,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is approximately 365 days (2008: approximately 323 days).

The entire balance of the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB16,623,000 (2008: RMB16,623,000) which had been in severe financial difficulties. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts are as follows:

	RMB'000
At 1 January 2008	15,951
Impairment loss recognised on receivables	672
At 31 December 2008 and 2009	16,623

The Group would provide fully for all receivables over 2 years because historical experience is such that receivables that are past due beyond 2 years are generally not recoverable. However, after the provision of individual impairment loss, no further collective impairment loss is considered necessary.

At 31 December 2009, trade receivables of the Group amounting RMB18,073,000 (2008: RMB11,629,000) were denominated in foreign currency of United States dollars ("USD").

9. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2009	2008
	RMB'000	*RMB'000*
0–90 days	**172,469**	327,798
91–180 days	**184,349**	64,418
181–365 days	**68,012**	11,659
Over 1 year	**52,856**	—
Trade payables	**477,686**	403,875
Other payables	**91,265**	68,210
	568,951	472,085

The average credit period on purchases of goods is 90 to 180 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

On 21 May 2009, the State Grid announced the smart grid development plan to the public for the first time. According to the plan, the construction of the smart grid of the State Grid will be carried out in three phases: first, the planning and pilot work will be completed by 2010; second the large-scale construction will be undertaken from 2010 to 2015 while a unified and strong smart grid will be expected to completed in 2020 in the third phase, and the total investment will exceed RMB4 trillion. AMI is not only the first step to the construction of the smart grid, but is also a very fundamental and key component element of the smart grid, and smart meters and various communication terminals are key component elements of AMI. Along with the worldwide construction of the smart grid, smart meter industry is stepping into a golden period where it is expected to have a rapid development.

The full-scale construction of power consumption data collection system is an important basis for the informationalisation and standardization of marketing measurement, meter recording, and fee charging of the State Grid. It also provides fundamental support for the thorough implementation its development strategy of "conglomeralization, centralization, optimization, standardization" and is an inevitable step to improve service capacity and to implement the escalating pricing scale for electricity tariff to the residential customers. The leading products of Wasion Group, three-phase multi-functional power meters and data collection terminals, enjoy a leading coverage in the domestic market. With full participation in the formulation of the serial standards for the power consumption data collection systems of State Grid, Wasion Group will become a leading force in the construction of the power consumption data collection systems of State Grid.

To deepen its development strategy, the State Grid Corporation of China has gradually carried out a tender mechanism for centralized bulk purchase of its materials. Following the primary equipment, like transformers, reactors, transducers, composite electronic appliance, circuit breakers and disconnectors, secondary equipment, such as power meters were also offered for centralized tender. On 18 November 2009, according to the new principal of "implementing measures by provincial grid corporations under the centralization of the headquarters", the State Grid undertook its first centralized tender for power meters in the regions under its grid, which covered the power grids in North China, as well as about ten provincial grid companies in Zhejiang, Shandong, Hunan, Hubei, Liaoning, Shanxi, Gansu, Anhui, Qinghai and Henan, and it was also the first time that the serial standards for smart meters newly issued by the State Grid has been adopted. On 22 December 2009, the results of the successful bidders for the first batch of smart meters was announced, and more than 20 companies in total shared the orders of approximately 3 million power meters, with the total contract amount of approximately RMB700 million. Wasion Group ranked the top in terms of the number of provinces it won in the tender, and ranked the third in terms of the contract value. The centralized tender of State Grid for the power meters, will significantly affect the structure of the domestic power measurement market, and the new era for the sales of power meters where victory is achieved by relying on quality, scale and services, will benefit the leading enterprises, like Wasion Group, in the industries.

On 22 September 2009, Mr. Hu Jintao, President of the PRC, stated at the United Nations Summit of Climate Change that China would strongly promote the development of renewable energy and nuclear energy, so as to achieve that non-petrochemical resource accounts for about 15% of the primary energy consumption by 2020. On 27 November 2009, a task force in relation to the development modes and the implementation plans of China smart energy network in the "twelfth five-year" plan was held in Beijing, representing that China officially commenced its preparation of a smart energy network. China's "twelfth five-year" plan will promote the smart energy network which fully covers water, electricity, gas and heat while the original planned smart power grid will only be part of this huge smart energy network in the future. Afterwards, smart networks will be required for resources, like water, electricity, gas and even heat. Wasion Group has already fully committed itself in the water, electricity, gas and heat measurement industries, and will be able to seize more business opportunities in the construction of the national smart energy network.

Business Review

Domestic Markets

In terms of the domestic marketing, following the initiative of centralized procurement undertaken by the State Grid, the Group focused it efforts on developing power retail and non-power industry market. In the second half of 2009, under the unfavorable situation where the centralized procurement projects of the State Grid was delayed, the Group adjusted the marketing strategy in a timely manner, and effectively seized the market opportunity for power retail. In addition, the Group has also made significant growth in the Southern Grid, non-grid customers and the water and gas meter markets. The Group passed all the sample tests and ranked the third in terms of the tender value in the first tender of the State Grid, and particularly having acquired the most extensive coverage of the provinces it successfully tendered. In this way, the Group has achieved substantial increase in the market share and a historic breakthrough for its single-phase meters.

Electronic Power Meters

In the year under review, sales of electronic power meters remained the major source of revenue of the Group. Turnover from sales of three-phase electronic power meters and single-phase electronic power meters in 2009 amounted to RMB471.47 million and RMB283.96 million respectively, representing an increase of 2% and 7% respectively as compared with last year and contributed to 44% and 26% of the Group's turnover respectively (2008: 43% and 25%).

Data Collection Terminals and Power Management Systems

In 2009, revenue from sales of data collection terminals and power management systems amounted to RMB249.69 million, representing a decrease of 9% as compared with last year and accounted for 23% (2008: 26%) of the Group's turnover.

Water, Gas and Heat Meters

Revenue from sales of water, gas and heat meters in 2009 amounted to RMB73.05 million, representing an increase of 25% as compared with last year and accounted for 7% (2008: 6%) of the Group's turnover.

Production Plant

Wasion Group's comparative advantages in energy measurement aspect are not only realized in its funds, brand and research and development, etc. Being a leading enterprise in the energy measurement and management services industry, Wasion Group's modern production techniques are also praised by the industry. Our newly constructed Wasion Science and Technology Park is the second largest hi-tech zone inside the State-grade Hi Tech Industrial Development Zone at Changsha. Currently, it is also the largest and the most advanced research and development and manufacturing base for energy measurement and management products. The relocation work of Wasion Science and Technology Park was completed in May 2009.

Energy saving and pollutants discharged reduction service

After a year of fumbling in the energy industry and a preliminary attempt to the market, the Group made new progress and breakthroughs in energy saving projects, like "energy saving on architecture", "energy saving agency and service" and "energy saving on electric motors", and has found a new direction for the development of energy saving business. The Group won the tender in the project related to the Beijing Subway that just completed, implying that the Group had achieved a breakthrough in the development of railway transportation field and power electronic products.

International Markets

Regarding the international markets, Sino-foreign cooperation projects have had substantial progress, and self-produced ANSI products were accredited while the development of keyboard meters and ANSI meters went on smoothly. The establishment of the subsidiaries in Singapore and Shenzhen laid a foundation for exploring the international markets and improving the competitive strength of internationalized talents and technology.

Research and Development

The research expenses for 2009 (including the capitalization part) was approximately RMB85.60 million, representing 7.9% of the total turnover of the Group (2008: 5.4%).

To promote the leading technological and product strength and develop new products to satisfy the future market demand, the Group's research and development of new technology and new products achieved outstanding results. The two postdoctoral projects, namely "0.1S Grid Meters (關口表)" and "Measurement of impact load (衝擊性負荷計量)", have passed the mid-term inspection and prototype testing and achieved remarkable results. The project of the chip-based narrowband spread spectrum PLC technology passed the initial testing successfully. The Group also made achievement in the construction of the transmission system of substations' measurement and won national authoritative recognition, filling the national and international gap in the relevant industry. In addition, Wasion Group is a main drafter of the standards of the national digital power meters, marking the Group's leading position in the digital power meters industry in China.

Financial Review

Turnover

In the year under review, turnover increased by 2% to RMB1,078.17 million (2008: RMB1,059.39 million).

Gross Profit

The Group's gross profit decreased by 2% to RMB485.31 million for the year ended 31 December 2009. The overall gross profit margin has been dropped from 47% in 2008 to 45% in 2009.

Other revenue

The other revenue of the Group amounted to RMB13.82 million (2008: RMB23.10 million) which was mainly comprised of refund of value-added tax, dividend income from available-for-sale investment and bank interest income.

Operating Expenses

In 2009, the Group's operating expenses amounted to RMB213.12 million (2008: RMB215.17 million). The decrease in operating expenses was mainly due to the decrease in amortization of share options and effective cost control on selling expenses. Operating expenses accounted for 20% of the Group's turnover in 2009, which is similar to that of last year.

Finance Costs

For the year ended 31 December 2009, the Group's finance costs amounted to RMB14.28 million (2008: RMB19.61 million). The decrease was attributable to the decrease of bank borrowings and interest rate.

Operating Profit

Earnings before finance costs and tax for the year ended 31 December 2009 amounted to RMB286.01 million (2008: RMB302.47 million), representing a decrease of 5% as compared with 2008.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the year ended 31 December 2009 amounted to RMB262.04 million which is similar to that of last year.

Capital Structure

On 16 April 2009, 31,879,888 ordinary shares were issued for settlement of the remaining balance of the consideration for the acquisition of Hunan Weiming Technology Co., Ltd..

On 21 July 2009, an aggregate of 80,000,000 ordinary shares were placed by the Company to independent investors at a placing price of HK$7.00 per share, amongst which 14,410,000 and 3,590,000 ordinary shares were shares issued to certain employees upon exercise of share options at an exercise price of HK$2.225 and HK$3.200 respectively. The net proceeds from the placement after deducting the commission and expenses of the placement payable by the Company amounted to approximately HK$550 million will be used for the acquisition of production facilities to expand production capacity for the implementation of the State Grid Power Consumption Data Collection System and State Grid Cooperation Project, research and development, external cooperative projects and potential mergers and acquisitions in relation to the smart meter technology used in the smart grid projects, development of the electronic water meter project, development of the sales network and product technology in energy measurement and management in relation to power, water, gas, heat across international markets and general working capital purposes.

During the year, certain employees have also exercised 6,147,000 share options at an exercise price of HK$2.225 and 350,000 share options at an exercise price of HK$3.200. In light of the above, the Company's issued share increased from 812,879,787 as at 31 December 2008 to 931,256,675 as at 31 December 2009.

Liquidity and Financial Resources

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

As at 31 December 2009, the Group's current assets amounted to approximately RMB2,053.49 million (2008: RMB1,647.72 million), with cash and cash equivalents totaling approximately RMB644.67 million (2008: RMB439.16 million).

As at 31 December 2009, the Group's bank borrowings amounted to approximately RMB419.21 million (2008: RMB454.14 million), of which RMB250.21 million (2008: RMB234.14 million) will be due to repay within one year and the remaining RMB169 million (2008: RMB220 million) will be due in the next two years. Net book value of the Group's pledged assets for the bank borrowings was approximately RMB237.27 million (2008: RMB323.97 million). In 2009, the interest rate for the Group's bank borrowings ranged from 3.75% to 5.84% (2008: 4.86% to 9.53%) per annum.

Exchange Rate Risk

Most of the businesses of the Group are settled in Renminbi, which is not freely convertible into foreign currencies. Since the amount of foreign currency of the Group used to purchase raw materials exceeded the amount of foreign currency earned from exports, the appreciation of Renminbi during the period did not have any adverse effect on the Group's results. During the year, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

Charge on Assets

As at 31 December 2009, the pledge deposits are denominated in Renminbi and Hong Kong dollars and are pledged to banks as security for certain loans and bills facilities granted to the Group. In addition, the Group's land and buildings are pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 31 December 2009, the capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements amounted to RMB94.98 million (2008: RMB7.64 million).

Contingent Liabilities

As at 31 December 2009, the Group had no material contingent liabilities.

Prospect

The implementation of smart grid will provide necessary conditions for the grid connection and the transfer of solar, wind, geothermal and other new energy, while reducing the energy consumption. The smart grid industry is the extension of the development of green and new energy industry. The US, Europe, China, Japan, Australia and other countries have all undertaken its own smart grid strategy for becoming the leader of the global green technological competition.

In this low-carbon economic era, the smart grid should shoulder more responsibilities. It is expected that it would be raised to the height of the state strategy. The year of 2010 is an essential year of the overall trial stage of the smart grid. Wasion Group will continue to exploit new products and new market under smart grid while taking advantage of its strength in the research and development of technology, making technological innovation and promoting the development of smart meter technology and the industry. Such an initiative would help the Group to continue to take the lead in the power meter industry with its persistent launch of innovative products and services.

Although the overall investment of the State Grid in 2010 will decrease, the investment in the construction of grid connecting urban and rural areas, the reformation of the rural power grid and the construction of smart power grid remains robust. The China Southern Power Grid will continue to increase its investment in the reformation of urban grid and the improvement of rural grid. It shows that the two companies' investment is shifting gradually from the construction of the power transmission to the construction of the power distribution networks and the marketing of power consumption. All of such development will provide a large market to Wasion Group.

After the trial implementation in some cities of the escalating fee-charging scale for water pricing policy, citizens' consciousness on saving water was intensified greatly, and this promoted work of water saving in other cities. National Development and Reform Commission of the PRC claimed that the readjustment of the water price be in compliance with the orientation of reform and will be beneficial to resource saving and environmental protection. The biggest hurdle for the implementation of the escalating fee-charging scale for water pricing is how to read the meter and calculate the fee accurately on the basis of "One Family, One Meter" for each family. The rising of water price provides economic conditions to water companies to renew the water meters, meter reading and calculation products. The smart water measurement market will experience a rapid development period. Following the upward adjustment to the water price and the promotion of the escalating fee-charging scale for water pricing, the development of the water measurement industry will be expected to repeat the pattern as seen in the development of the power measurement industry. Wasion Group will greatly promote the development of water, gas, heat measurement and management business, making them new highlights of the Group's development.

In addition, Wasion Group will seek breakthroughs in the fields of electric automobile charging stations, digital substations and energy conservation to achieve the industrialized development in the meanwhile of technological innovation, and drive the new development of the Group's entire business.

2010 is a critical year for the development of Wasion Group, and how to cope with the changes of the markets and the development of industries and how to properly seize the opportunities in the markets will be the main focus of the Group's concern. The overall guideline of the Group is to rely on innovative management, innovative technology and innovative products, and the main work includes:

1. In terms of the domestic market, in the meanwhile of ensuring the implementation of the centralized procurement projects of the State Grid, the Group will strengthen the consolidation of the power retail market, further increase the personnel and market input to the large-scale non-grid markets, expand the coverage of the market and the industry, and improve the professional standards of the sales team.

2. In terms of the international market, the Group will further its effort on exploring the market and undertake in-depth research on the market for ensuring timely adjustment to the product demands, and will make investment on cultivating its technological capability.

3. In respect of the technology research, we will intensify the research of new and market-oriented technology, new product and new project; properly formulate the direction of product planning and enhance our awareness to both of our input and output. In the coordination of sales, development, production and logistics management, the production line should bring its core role into full play and give priority to the optimization of the on-site production management and the improvement of production efficiency in order to meet the customers' demand of timely delivery.

4. In terms of the quality control of the Group, we should persistently stick to the guideline that "Quality Comes First" and build a professional quality team.

5. In terms of the Group's operation, we should exploit excellent supplier to guarantee the supply of the required materials as well as intensify the overall control over storage to lift the delivery efficiency of the logistics.

Looking into the future, we are facing huge business opportunities provided by the global energy saving and emissions reduction. With the huge domestic and international demand and opportunities, the Group will leverage on our advanced production plant, Wasion Science and Technology Park, to fully develop the measurement and management market of water, power, gas and heat energy towards the goal of being "Energy Measurement and Management Experts".

OTHER INFORMATION

Employees and Remuneration Policies

As at 31 December 2009, the Group had 2,991 (2008: 2,452) staff. The staff costs (including other benefits and contributions to defined contribution plan) amounted to RMB83.97 million in 2009 (2008: RMB85.43 million). Employee remuneration is determined on performance, experience and prevailing market conditions, with compensation policies being reviewed on a regular basis. The Company has also adopted a share option scheme to recognize and acknowledge the contributions made or will be made to the Group by the eligible participants.

Dividends

The Board has proposed a final dividend of HK$0.11 (2008: HK$0.11) per share to shareholders of the Company whose name appear in the register of members on 10 May 2010 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 or before 11 May 2010.

Closure of Register of Members

The register of members will be closed from 6 May 2010 to 10 May 2010, both days inclusive, during which no transfer of shares will be effected. In order to determine entitlements to the proposed final cash dividend of HK$0.11 per share for the year ended 31 December 2009 and to attend the annual general meeting of the Company to be held on 10 May 2010, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited situated at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 5 May 2010.

Purchase, Sale or Redemption of Listed Securities

On 21 July 2009, the Company entered into placing and subscription agreement (the "Agreement") with Star Treasure Investments Holdings Limited ("Star Treasure") which is wholly owned by Mr. Ji Wei, Total Right Holdings Limited ("Total Right") which holds the Share Award Plan and a placing agent.

Pursuant to the Agreement,

(a) 80,000,000 and 13,461,000 existing shares of the Company which are held by Star Treasure and Total Right, respectively, will be placed to independent third parties at a placing price of HK$7.00 per share;

(b) 62,000,000 new shares of the Company will be issued to Star Treasure at a subscription price of HK$7.00 per share; and

(c) 18,000,000 shares which had been issued to the employees of the Group upon exercise of share options will be purchased by Star Treasure at a price of HK$7.00 per share.

The placing and subscription was completed on 28 July 2009, with the 62,000,000 new shares being issued on the same day. Details of the issuance of the new shares are set out in the Company's announcement dated 28 July 2009.

Save as disclosed above, 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.

Compliance with the Code of Corporate Governance Practices of the Listing Rules

In the opinion of the Board, the Company has been in compliance throughout the year ended 31 December 2009 with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Board acknowledges its responsibility for the Group's systems of internal controls and has assumed this responsibility through formalizing the Group's financial and legal procedures.

Model Code for Securities Transactions by Directors

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

Specific enquiry has been made with all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2009.

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also oversees other duties as assigned by the Board.

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

The annual results of the Group for the year ended 31 December 2009 have been reviewed by the Audit Committee.

POST BALANCE SHEET EVENTS

During the period from the balance sheet date of 31 December 2009 to the announcement date, the Company has repurchased its listed shares on the Stock Exchange and the details are as below:

Month of repurchase	Number of shares	Highest price per share	Lowest price per share	Total Consideration Paid
		HK$	*HK$*	*HK$*
January 2010	1,500,000	5.30	5.08	7,820,280

The repurchased shares have been cancelled and the par value of these shares have been deducted from the issued share capital of the Company.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE") AND THE COMPANY

The electronic version of this announcement will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.wasion.com. The annual report of the Company for the year ended 31 December 2009 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange and the Company in due course.

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

Executive Directors
Ji Wei
Cao Zhao Hui
Zeng Xin
Zheng Xiao Ping
Wang Xue Xin
Liao Xue Dong

Independent non-executive Directors
Wu Jin Ming
Pan Yuan
Hui Wing Kuen

By order of the Board
Wasion Group Holdings Limited
Ji Wei
Chairman

Hong Kong, 30 March 2010