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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 2010

FINANCIAL HIGHLIGHTS

- Turnover reached RMB1,330.78 million.
- Net profit for the year amounted to RMB191.23 million.
- Basic earnings per share amounted to RMB0.21.
- The Board of Directors has proposed a final dividend of HK$0.11 (equivalent to RMB0.093) per share for the year ended 31 December 2010.

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 2010, together with the comparative figures for the year ended 31 December 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	3	**1,330,781**	1,078,165
Cost of sales		**(903,052)**	(592,853)
Gross profit		**427,729**	485,312
Other revenue and gains	4	**54,599**	13,820
Administrative expenses		**(112,411)**	(91,756)
Selling expenses		**(92,920)**	(90,419)
Research and development expenses		**(40,485)**	(30,946)
Finance costs		**(27,916)**	(14,277)
Profit before taxation	5	**208,596**	271,734
Income tax expense	6	**(17,363)**	(9,693)
Profit for the year		**191,233**	262,041
		RMB	*RMB*
Earnings per share	8		
Basic		**0.21**	0.31
Diluted		**0.20**	0.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
Profit for the year	**191,233**	262,041
Other comprehensive income (expense)		
Exchange difference arising on translation	**(6,888)**	(1,437)
Fair value gain on available-for-sale investments	**3,573**	—
Other comprehensive expense for the year	**(3,315)**	(1,437)
Total comprehensive income for the year	**187,918**	260,604

CONSOLIDATED BALANCE SHEET

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**665,766**	627,085
Deposit paid for acquisition of property, plant and equipment		**—**	3,355
Investment property		**8,997**	—
Prepaid lease payments		**73,984**	124,894
Intangible assets		**214,336**	251,912
Available-for-sale investments		**56,604**	4,961
Goodwill		**110,326**	110,326
Long-term receivable	9	**178,200**	—
		1,308,213	1,122,533
CURRENT ASSETS			
Inventories		**443,085**	327,423
Trade and other receivables	9	**1,144,766**	943,710
Amounts due from related parties		**21,338**	21,233
Prepaid lease payments		**1,655**	2,714
Pledged bank deposits		**142,378**	113,746
Bank balances and cash		**553,530**	644,668
		2,306,752	2,053,494
CURRENT LIABILITIES			
Trade and other payables	10	**832,729**	568,951
Amount due to a related party		**205**	559
Tax liabilities		**28,294**	11,410
Borrowings — due within one year		**391,332**	250,210
		1,252,560	831,130
NET CURRENT ASSETS		**1,054,192**	1,222,364
		2,362,405	2,344,897
CAPITAL AND RESERVES			
Share capital		**9,406**	9,427
Reserves		**2,225,291**	2,138,448
		2,234,697	2,147,875
NON-CURRENT LIABILITIES			
Borrowings — due after one year		**110,000**	169,000
Deferred tax liability		**17,708**	28,022
		127,708	197,022
		2,362,405	2,344,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

2. PRINCIPAL ACCOUNTING POLICIES

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the HKICPA.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK - Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HKFRS 3 (as revised in 2008) Business Combinations

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. The Group has applied the amendments in advance of their effective dates (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

	2010	2009
	RMB'000	*RMB'000*
Sales of goods	**1,292,828**	1,078,165
Service income	**37,953**	—
	1,330,781	1,078,165

The Group's operating segments, identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance, are summarised as follows:

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

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

(c) energy efficiency solution segment, which engages in providing energy efficiency solution services (the operation of the energy efficiency solution segment commenced during the year ended 31 December 2010).

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 2010

	Electronic meters *RMB'000*	**Data collection terminals** *RMB'000*	**Energy efficiency solution** *RMB'000*	**Elimination** *RMB'000*	**Consolidated** *RMB'000*
TURNOVER					
External sales	**1,032,616**	**260,212**	**37,953**	**—**	**1,330,781**
Inter-segment sales*	**12,164**	**15,083**	**1,615**	**(28,862)**	**—**
Total	**1,044,780**	**275,295**	**39,568**	**(28,862)**	**1,330,781**
Segment profit	**115,972**	**92,345**	**11,907**	**—**	**220,224**
Unallocated income					**10,256**
Gain on disposal of property, plant and equipment					**33,300**
Central administration costs					**(27,268)**
Finance costs					**(27,916)**
Profit before taxation					**208,596**

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

For the year ended 31 December 2009

	Electronic meters *RMB'000*	Data collection terminals *RMB'000*	Energy efficiency solution *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.*

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents profit attributable to each segment without allocation of certain other revenue and gains, central administration costs, directors' salaries, finance costs and taxation. This is the measure reported to the Group's Chief Executive Officer, its chief operating decision maker, for the purposes of resources allocation and performance assessment.

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, and information about its non-current assets by geographical location of the assets.

	Turnover from external customers Year ended 31 December		**Non-current assets (note)**	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**1,287,608**	1,044,204	**1,069,102**	1,114,065
Overseas	**43,173**	33,961	**4,307**	3,507
	1,330,781	1,078,165	**1,073,409**	1,117,572

Note: Non-current assets excluded financial instruments.

4. OTHER REVENUE AND GAINS

	2010	2009
	RMB'000	*RMB'000*
Other revenue and gains include:		
Gain on disposals of property, plant and equipment	**33,523**	—
Net foreign exchange gain	**6,978**	—
Bank interest income	**3,899**	2,450
Refund of value-added tax ("VAT", note)	**3,380**	5,857
Dividend income from an available-for-sale unlisted equity securities investment	**2,947**	4,535
Rental income from investment property	**903**	—

Note: Pursuant to the relevant regulations in the PRC, certain subsidiaries of the Group operated in the PRC are entitled to refunds of VAT on the sale of high technology products. The amount represents the refunds of VAT paid or payable in excess of 3% of income generated from the sales of these products and is recognised when the refund is approved by the relevant tax authorities.

5. PROFIT BEFORE TAXATION

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Staff costs including directors' emoluments:		
Salaries and benefits	**111,508**	77,108
Retirement benefit scheme contributions	**5,229**	4,868
Share-based payment expenses	**172**	1,990
	116,909	83,966
Auditor's remuneration	**2,147**	2,047
Loss on disposal of property, plant and equipment	**—**	17
Depreciation of property, plant and equipment	**31,844**	20,503
Depreciation of investment property	**183**	—
Release of prepaid lease payments	**2,560**	1,902
Amortisation of intangible assets	**59,146**	50,688
Cost of inventories recognised as expense (including write-down of inventories of RMB1,999,000 (2009: nil))	**882,740**	592,853
Impairment of other receivables	**1,876**	—
Net foreign exchange loss	**—**	643

6. INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
— Current year	**25,259**	13,417
— Under(over)provision in prior years	**2,418**	(511)
	27,677	12,906
Deferred taxation		
— Current year	**(10,314)**	(3,213)
	17,363	9,693

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 have been expired in 2010.

(b) 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 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 had continued to be applicable until the end of the five year transitional period under the Law of the PRC on Enterprise Income Tax (the "EIT Law"). The preferential treatment set out in (b) above continues on the implementation of the EIT Law.

(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 Macao 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.

7. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2009 final dividend — HK$0.11, equivalent to RMB0.097, per share (2009: 2008 final dividend HK$0.11, equivalent to RMB0.097, per share)	**90,196**	81,940
Dividends proposed after the end of the reporting period:		
2010 final dividend — HK$0.11, equivalent to RMB0.093, per share (2009: 2009 final dividend of HK$0.11, equivalent to RMB0.097, per share)	**86,394**	90,196

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

8. 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:

	2010	2009
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**191,233**	262,041

	2010	2009
Number of shares		
Weighted average number of ordinary shares of purpose of basic earnings per share	**929,339,031**	845,982,009
Effect of dilutive potential ordinary shares in respect of:		
Share options	**12,133,483**	21,919,074
Contingently issuable shares for acquisition of subsidiaries	**—**	9,170,927
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**941,472,514**	877,072,010

The weighted average number of ordinary shares for the year ended 31 December 2009 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.

9. LONG-TERM RECEIVABLE AND TRADE AND OTHER RECEIVABLES

Long-term receivable

Long-term receivable represents the remaining consideration receivable in respect of the disposal of certain assets of the Group during the year.

The amount is repayable within 2 years from the date of the agreement and carries interest at 6 months benchmark lending rate offered by the People's Bank of China. The assets disposed have been pledged in favour of the Group subsequent to the end of the reporting period. Such pledge will be released upon settlement of the balance of the consideration.

Trade and other receivables

	2010	2009
	RMB'000	*RMB'000*
Trade and bills receivables	**835,944**	716,198
Less: Allowance for doubtful debts	**(16,623)**	(16,623)
	819,321	699,575
Retentions held by trade customers	**83,109**	67,216
Deposits, prepayments and other receivables	**242,336**	176,919
	1,144,766	943,710

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:

	2010	2009
	RMB'000	*RMB'000*
0–90 days	**411,677**	467,503
91–180 days	**187,073**	100,011
181–365 days	**209,707**	123,787
Over 1 year	**10,864**	8,274
	819,321	699,575

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% (2009: 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 RMB15,076,000 (2009: RMB9,767,000) which are past due at the reporting date for which the Group has not provided for impairment loss. In view of no significant change in credit quality and substantial subsequent settlement from those debtors of the

Group which are past due but not impaired for the relevant period, the directors consider that no allowance is required. The Group does not hold any collateral over these balances. The average age of these receivables is approximately 365 days (2009: approximately 365 days).

The entire balance of the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB16,623,000 (2009: 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 is as follow:

	RMB'000
At 1 January 2009, 31 December 2009 and 2010	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.

At 31 December 2010, trade receivables of the Group amounting to RMB9,689,000 (2009: RMB18,073,000) were denominated in foreign currency of United States dollars.

Retentions held by trade customers are expected to be realised after twelve months from the end of the reporting period.

10. 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:

	2010	2009
	RMB'000	*RMB'000*
0–90 days	**425,745**	172,469
91–180 days	**220,305**	184,349
181–365 days	**13,105**	68,012
Over 1 year	**9,723**	52,856
Trade payables	**668,878**	477,686
Other payables	**163,851**	91,265
	832,729	568,951

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The power market of China was full of rapid changes and was stepping into consolidation in 2010. During the year, according to the new principle of "implementing measures by provincial grid corporations under the centralization of the headquarters", the State Grid ("State Grid") centralized procurement of smart meters. This changed the traditional practice of organizing tenders by headquarters and provincial grid corporations separately. Although the large-scale centralized procurement put pressure on prices, it contributed to the consolidation of the industry, mass production and decrease in cost. State Grid undertook four tenders in 2010 in Shanghai, Chongqing, Shenyang, Lanzhou and Changsha respectively, with a total tender volume of approximately 45 million units. Leveraging on the comprehensive strength in brand, technology, market, quality and scale, Wasion Group achieved steady and outstanding results in all the bids, with an accumulated tender value of RMB 830 million. Among which three-phase meters amounted to 760,000 units, representing 20% of the total tender volume and ranked the top in terms of market share. Single-phase meters had a tender volume of 2.6 million units and ranked the second in the industry in terms of tender value and volume. The Group continued to maintain its leading position in the three-phase meters market share while the market share in single-phase meters rapidly increased, which further strengthened the leading position of the Group in the power field.

2010 is the beginning year of the policies of energy performance contract business in China. On 2 April 2010, the State Council of the PRC issued the "Opinions on Accelerating the Implementation of Energy Performance Contracting to Promote the Development of Energy Saving Service Industry". The State also promulgated a series of policies and documents thereafter on supporting the energy saving, emissions reduction and energy performance contract business, to further guide and carry out the implementation of the promotion of energy performance contract in China. This marked the new era of the energy performance contract business in the country, which eventually gained the support of governmental policies. As one of the energy saving service corporations qualified by the National Development and Reform Commission, Wasion Group honorably received rewards of national technology advancement among the corporations in the energy saving industry. Leveraging on its own strengths in the industry and technology, Wasion seized opportunities for the development in the energy saving service area, and was stepping forward to the newly established aim of becoming the "Energy Metering and Energy Saving Expert".

Business Review

Domestic Markets

In the past year, while facing the complicated, ever-changing and competitive market, the Group emphasized on strengthening and expanding the development of power retail business, based on the premise of ensuring the leading role in market share in the centralized procurement of State Grid and tenders of provincial power corporations. Meanwhile, the Group also emphasized on strengthening the business development of the non-power market, optimized sales resources structure and expanded the business model, so as to further focus on the major industries and substantial customers in various provinces as well as to greatly enhance the development of energy metering such as water, gas and heat, and the energy efficiency management business.

As the country's value on energy saving and emission reduction was deepened, the testing procedures were continuously reinforced. Governments and corporations became aware of energy saving and lowering consumption work. Based on the original energy efficiency supervision and management business, the Group strictly followed the policies to enhance the development of self-energy-saving technology and electricity-saving products with core ideas of energy saving technology. Meanwhile, the Group strengthened the capacity of integrated energy saving solutions, and focused on the expansion of key areas such as energy saving in electric machinery systems, highly reliable power saving techniques, air source heat pumps, ground source heat pumps, and energy saving in architecture, and achieved an effective breakthrough. Energy efficiency solution business has become a new source for the Group's income and will become the driving force for the Group's profit growth in the future.

Electronic Power Meters

During 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 for the year ended 31 December 2010 amounted to RMB486.42 million and RMB471.19 million respectively, representing an increase of 3% and 66% respectively as compared with last year and contributed to 36% and 35% of the Group's total turnover respectively (2009: 44% and 26% respectively). As State Grid's centralized procurement had led to a competitive market and a change on product structure, the gross profit margin of three-phase and single-phase meters had been dropped by different extents.

Data Collection Terminals

In 2010, revenue from sales of data collection terminals amounted to RMB260.21 million, representing an increase of 4% as compared with last year and accounted for 20% (2009: 23%) of the Group's total turnover.

Water, Gas and Heat Meters

Smart fluid measurement market, which is represented by smart water, gas and heat meters, was satisfactory in 2010. The market coverage expanded, customers obviously increased, and the sales structure became reasonable as compared with 2009. Although the overall smart fluid measurement products recorded a lower sales volume than power measurement products, its potential growth is substantial and will act as an important support for the Group's switch from power measurement to energy measurement business in the future.

Revenue from sales of water, gas and heat meters in 2010 amounted to RMB75 million, representing an increase of 3% as compared with last year and accounted for 6% (2009: 7%) of the Group's total turnover.

Energy Efficiency Solution

As the macro-economic situation changed in the market, the Group not only ensured the steady growth of business for traditional measurement products, but also strived to develop high margin energy efficiency solution business. In 2010, the Group's revenue from energy efficiency solution business amounted to RMB 37.95 million (2009: Nil), representing 3% of the total revenue (2009: Nil). The twelfth five-year plan of the country imposed important plans on energy saving and emission reduction, therefore the Group put energy efficiency solution as its key development area and anticipated that it will be the Group's business highlight in the future.

International Markets

In terms of international markets, the Group has established branches in Singapore and Shenzhen to put more efforts on the exploration of the markets in Southeast Asia and America with some new markets explored during the year, including Indonesia, Malaysia, Philippines, Peru and Saudi Arabia. In addition, the cooperation projects on AMI technology in United States and Japan are under smooth development, and once the pilot tests and the pilot sale are completed, the market competitiveness and the development prospect of the Group's AMI will be considerably improved. The prepaid keypad power meters and systems individually developed by the Group have fully passed the STS international certification, and the ANSI meter products have also passed relevant American certifications, which have laid a solid foundation for its next step to explore the international markets. In terms of marketing strategy, the Group adopted the new technology-induced business mode, which further enriched the means and channels for the Group's participation in the international markets.

Entry into a Strategic Cooperation Framework Agreement with Siemens

The Group entered into a strategic cooperation framework agreement with Siemens Ltd., China ("Siemens") in May 2010 to conduct research on the feasibility of undertaking the smart grid pilot projects together in China, including the execution of conducting feasibility researches in the areas of smart power consumption, smart home, smart power transmission and smart power distribution in the market of China. Both parties have constantly maintained close interactions on the basis of the framework agreement, and have progressively finalized several specific cooperation intentions and projects.

Research and Development

Leveraging on the continuous innovative corporation core value, the Group focused on enhancing the research and development of new energy efficiency products and new measurement technology. The research expenses for 2010 (including the capitalization part) was approximately RMB88.38 million (2009: RMB85.60 million), representing 6.6% of the total turnover of the Group (2009: 7.9%).

In 2010, the technology research center of the Group has been regarded as a National-recognized Enterprises Technology Center, and has also been valued as a "Key Hi-tech Enterprise" under State Torch Program. Two programs of the Group, "Digital Power Meters Under Smart Grid" and Advanced Metering Infrastructure ("AMI"), have been selected as 2010 State Torch Program projects. In 2010, the Group's "Sizable Enterprises Comprehensive Energy Saving Key Technology and Applications" has been awarded "2010 2nd Class National Award of Science Advancement", with two items being awarded by provincial authorities. Five new products, ultra-sound heat meters and distribution of continuous dynamic reactive power generator etc. have passed the provincial-level technology results identification or been awarded by provincial-level outstanding new products. In 2010, the Group has been granted a total of 85 new patents and among which 4 are invention patents, and was responsible for drafting and announced the first "digital power meters" standard in the industry pursuant to provincial-level standards. The self-developed American ANSI power meter series has also received certificate from American MET Laboratories, and keypad three-phase meter has passed the certification of South African STS Association.

In 2010, the Group's subsidiary Changsha Weisheng Energy Industrial Technology Company Limited has been awarded as the "Enterprise with the Greatest Developing Potential in the Energy Saving Service Industry in China" and the "National Energy Saving Contribution Awards". Another subsidiary of the Group Hunan Weiming Technology Company Limited has been granted three awards, "Top Ten Enterprise of Innovative Technology", "Top Ten Enterprise of Comprehensive Strength" and "Most Influential Brand" for smart water meters. These fully demonstrated the results and strengths of Wasion Group in the new business areas.

The Group's enhanced and continuous innovative power, together with the promotion of new technology and new products will greatly boost business growth of the Group in the future, and will also guarantee steady profits for the Group.

Financial Review

Turnover

During the year under review, turnover increased by 23% to RMB1,330.78 million (2009: RMB1,078.17 million).

Gross Profit

The Group's gross profit decreased by 12% to RMB427.73 million for the year ended 31 December 2010. Due to the pricing pressure from State Grid centralized procurement and change in product structure, the overall gross profit margin has dropped from 45% in 2009 to 32% in 2010.

Other Revenue and Gains

The other revenue and gains of the Group amounted to RMB54.60 million (2009: RMB13.82 million) which was mainly comprised of gain on disposal of land and buildings located at Weiming Ningxiang Science Park, net exchange gain, bank interest income, dividend income and refund of value-added tax.

Operating Expenses

In 2010, the Group's operating expenses amounted to RMB245.82 million (2009: RMB213.12 million). The increase in operating expenses was mainly due to the increase in selling expenses, depreciation of production plant and expenditure on research and development. Operating expenses accounted for 18% of the Group's turnover in 2010, representing a decrease of 2% as compared with 20% in 2009.

Finance Costs

For the year ended 31 December 2010, the Group's finance costs amounted to RMB27.92 million (2009: RMB14.28 million). The increase was attributable to the increase in bank borrowings and reduction of interest on borrowings capitalised upon the completion of the construction of new production plant.

Operating Profit

Earnings before finance costs and tax for the year ended 31 December 2010 amounted to RMB236.51 million (2009: RMB286.01 million), representing an decrease of 17% as compared with 2009.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the year ended 31 December 2010 decreased by 27% to RMB191.23 million as compared with 2009.

Capital Structure

For the year ended 31 December 2010, one director and certain employees have exercised 250,000 share options at an exercise price of HK$2.225 and 150,000 share options at an exercise price of HK$3.200 under which the issued and fully paid share capital of the Company has been increase by HK$4,000.

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 2010, the Group's current assets amounted to approximately RMB2,306.75 million (2009: RMB2,053.49 million), with cash and cash equivalents totaling approximately RMB553.53 million (2009: RMB644.67 million).

As at 31 December 2010, the Group's total bank loans amounted to approximately RMB501.33 million (2009: RMB419.21 million), of which RMB391.33 million (2009: RMB250.21 million) will be due to repay within one year and the remaining RMB110 million (2009: RMB169 million) will be due in the next three years. Net book value of the Group's pledged assets for the bank loans was approximately RMB166.27 million (2009: RMB237.27 million). In 2010, the interest rate for the Group's bank borrowings ranged from 2.28% to 5.85% per annum (2009: 3.75% to 5.84% per annum).

The gearing ratio (total borrowings divided by total assets) increase from 13% in 2009 to 14% in 2010 as a result of increase in the Group's bank borrowings.

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 year did not have any adverse effect on the Group's results. During the year under review, 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 2010, the pledge deposits are denominated in Renminbi as security for bills facilities granted to the Group. In addition, certain of the Group's land and buildings are pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 31 December 2010, the capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated balance sheet amounted to RMB14.04 million (2009: RMB94.98 million).

Contingent Liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

Prospect

2011 is the first year of China's "twelfth five-year plan", under which the country will promote the construction of smart energy network which covers water, electricity, gas and heat in full gear, ramp up society-wide efforts on energy saving and emission reduction, and focus on the development of energy saving service industry. The Group will capitalize on the opportunity and push forward overall development of all business fields. In addition, with the emergence of a global smart grid, the Group will initiate new strategies for its overseas business, highlight reinforcement of strategic alliance while attaching importance to existing market and channel expansion, and accelerate its exploration in the international market with the assistance from strategic partners.

Power grid companies, led by State Grid, will keep scaling up the application of smart meters in 2011. It is estimated that market demand for smart meters will exceed 50 million units while the demand for data collection terminals will remain strong. As further emphasis will be placed on product quality and service capability, procurement price will be climbing up steadily. Moreover, power grid companies will be committed to the advance of smart grid pilot and demonstration projects in 2011 and the Group will step up its efforts to participate in these pilot programs in the field of smart power distribution and smart power consumption, from which it will be benefited by leveraging on its leading technology position in the power metering field and advantages in the power industry.

As identified in Document No.1 relating to the "Decision on Expediting the Reform and Development of Water Conservancy" promulgated by the State Council on 29 January 2011, the strategic positioning of water conservancy under the new situation has been affirmed and initiatives such as aggressive promotion of water price reform, reasonable adjustments on urban water prices and steady implementation of escalating fee-charging scale for water pricing were articulated. While smart water meters are essential for water metering under escalating water pricing scheme, it could be interpreted as huge potential in the smart water metering market for Wasion Group. The Group will seize the opportunity arising from the evolvement of smart water metering and water resources management and commit itself in developing more competitive products and solutions, in order to grow into a high-end supplier in China's smart water metering service industry.

In terms of gas metering market, since natural gas is enjoying increasing popularity throughout the country coupled with nationwide promotion of the clean energy, the demand for smart gas meters will also be pushed up. Wasion Group has successfully engaged in significant partnership with large gas companies including Kunlun Gas and China Gas on account of its supreme systematic solutions. The Group will consider the cooperative opportunity as a breakthrough and increase its market share in the smart gas metering market rapidly.

In terms of heat metering market, on one hand, the Group will intensify heat metering market expansion backed by mandatory implementation of heat charging fee on a per household basis, and on the other hand, integrate energy efficiency management technology with energy performance contract business, proactively develop energy saving products and energy saving business in the heat supply field and turn them into major business growth engines of the Group in the future.

Government policies on energy saving service industry were announced last year and 2011 will mark as the first year of actual implementation. Based on the preliminary preparation and experience, Wasion Group sets its target on industrial energy saving market and aims to build up core competence in energy consumption monitor and assessment, energy saving technology and products and distributed renewable energy in order to promote the continuous development of the Group's energy efficiency management business.

Looking into the future, we are facing huge business opportunities provided by the initiatives on energy saving and emissions reduction. With the huge domestic and international demand and opportunities, the Group will adhere to the core value of "Perfect work with Passion, and Success achieved with Integrity" and the corporate mission of becoming an "Energy Metering and Energy Saving Expert" and leverage on the operating theory of "achieving mutual success through innovation and dedication" to progress towards the established strategic objective of focusing on three markets, namely the domestic power industry market, the domestic non-power industry market and the international market.

OTHER INFORMATION

Employees and Remuneration Policies

As at 31 December 2010, the Group had 2,999 (2009: 2,991) staff. The staff costs (including other benefits and contributions to defined contribution plan) amounted to RMB116.91 million in 2010 (2009: RMB83.97 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 (2009: HK$0.11) per share to shareholders of the Company whose name appear in the register of members on 12 May 2011 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 16 May 2011.

Closure of Register of Members

The register of members will be closed from 7 May 2011 to 11 May 2011, 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 2010 and to attend the annual general meeting of the Company to be held on 12 May 2011, 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 6 May 2011.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2010, the Company has repurchased its listed shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the details are as below:

Month of repurchase	Number of shares repurchased	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
June 2010	1,288,000	4.65	4.45	5,845,300
	2,788,000			13,665,580

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares.

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 ended 31 December 2010.

Compliance with the Code of Corporate Governance Practices of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")

In the opinion of the Board, the Company has been in compliance throughout the year ended 31 December 2010 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

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 2010.

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 our Audit Committee are independent non-executive directors.

The annual results of the Group for the year ended 31 December 2010 have been reviewed by the Audit Committee.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The electronic version of this announcement will be published on the website of the Stock Exchange at www.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 2010 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, 28 March 2011