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 THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB1,968.68 million (2010: RMB1,330.78 million), representing an increase of 48%.
- Revenue from sales of three-phase electronic power meters amounted to RMB795.16 million, representing an increase of 63% as compared with 2010.
- Revenue from sales of single-phase electronic power meters increased by 62% to RMB762.14 million as compared with 2010.
- Revenue from data collection terminals increased by 30% to RMB337.95 million as compared with 2010.
- Net profit for the year amounted to RMB247.49 million (2010: RMB191.23 million), representing an increase of 29%.
- Basic earnings per share amounted to RMB0.27 (2010: RMB0.21).
- The board of directors has proposed a final dividend of HK$0.15 (equivalent to RMB0.122) per share for the year ended 31 December 2011.

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 2011, together with the comparative figures for the year ended 31 December 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011** *RMB'000*	2010 *RMB'000*
Turnover	3	**1,968,676**	1,330,781
Cost of sales		**(1,372,843)**	(903,052)
Gross profit		**595,833**	427,729
Other revenue and gains	4	**85,625**	54,599
Administrative expenses		**(146,249)**	(112,411)
Selling expenses		**(145,109)**	(92,920)
Research and development expenses		**(65,691)**	(40,485)
Finance costs		**(53,830)**	(27,916)
Profit before taxation	5	**270,579**	208,596
Income tax expense	6	**(23,093)**	(17,363)
Profit for the year, attributable to owners of the Company		**247,486**	191,233
		RMB	*RMB*
Earnings per share	8		
Basic		**0.27**	0.21
Diluted		**0.26**	0.20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	RMB'000	*RMB'000*
Profit for the year, attributable to owners of the Company	**247,486**	191,233
Other comprehensive (expense) income		
Exchange difference arising on translation	**(6,743)**	(6,888)
Fair value (loss) gain on available-for-sale investments	**(5,448)**	3,573
Other comprehensive expense for the year, attributable to owners of the Company	**(12,191)**	(3,315)
Total comprehensive income for the year, attributable to owners of the Company	**235,295**	187,918

CONSOLIDATED BALANCE SHEET

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**775,882**	665,766
Prepaid lease payments		**72,329**	73,984
Investment properties		**35,691**	8,997
Goodwill		**110,326**	110,326
Intangible assets		**209,992**	214,336
Available-for-sale investments		**26,169**	56,604
Life insurance product		**21,577**	—
Long-term receivable	9	**—**	178,200
		1,251,966	1,308,213
CURRENT ASSETS			
Inventories		**441,849**	443,085
Trade and other receivables	9	**1,527,969**	1,144,766
Amounts due from related parties		**20,970**	21,338
Prepaid lease payments		**1,655**	1,655
Pledged bank deposits		**213,711**	142,378
Bank balances and cash		**986,908**	553,530
		3,193,062	2,306,752
CURRENT LIABILITIES			
Trade and other payables	10	**927,861**	832,934
Tax liabilities		**28,573**	28,294
Borrowings — due within one year		**700,035**	391,332
		1,656,469	1,252,560
NET CURRENT ASSETS		**1,536,593**	1,054,192
		2,788,559	2,362,405
CAPITAL AND RESERVES			
Share capital		**9,409**	9,406
Reserves		**2,375,268**	2,225,291
Equity attributable to owners of the Company		**2,384,677**	2,234,697
Non-controlling interest		**400**	—
		2,385,077	2,234,697
NON-CURRENT LIABILITIES			
Borrowings — due after one year		**388,918**	110,000
Deferred tax liability		**14,564**	17,708
		403,482	127,708
		2,788,559	2,362,405

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. 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 "Stock Exchange") 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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group's turnover for the year is as follows:

	2011	2010
	RMB'000	*RMB'000*
Sales of goods	**1,928,527**	1,292,828
Service income for energy efficiency solutions	**40,149**	37,953
	1,968,676	1,330,781

Information reported to the Group's Chief Executive Officer, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

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

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

(c) energy efficiency solution segment, which engages in providing energy efficiency solution services.

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable and operating segment:

For the year ended 31 December 2011

	Electronic meters *RMB'000*	Data collection terminals *RMB'000*	Energy efficiency solution *RMB'000*	Consolidated *RMB'000*
TURNOVER				
External sales	**1,590,579**	**337,948**	**40,149**	**1,968,676**
Inter-segment sales	**10,118**	**41,966**	**1,802**	**53,886**
Segment turnover	**1,600,697**	**379,914**	**41,951**	**2,022,562**
Elimination				**(53,886)**
Group turnover				**1,968,676**
Segment profit	**183,741**	**102,509**	**8,568**	**294,818**
Unallocated income and gains				**52,170**
Central administration costs				**(22,579)**
Finance costs				**(53,830)**
Profit before taxation				**270,579**

For the year ended 31 December 2010

	Electronic meters *RMB'000*	Data collection terminals *RMB'000*	Energy efficiency solution *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
Segment turnover	1,044,780	275,295	39,568	1,359,643
Elimination				(28,862)
Group turnover				1,330,781
Segment profit	115,972	92,345	11,907	220,224
Unallocated income and gains				10,033
Gain on disposal of property, plant and equipment				33,523
Central administration costs				(27,268)
Finance costs				(27,916)
Profit before taxation				208,596

The accounting policies of the operating 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, being its chief operating decision maker, for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Geographical information

The Group's operations are mainly located in the People's Republic of China ("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)*	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**1,877,029**	1,287,608	**1,200,337**	1,069,102
Overseas	**91,647**	43,173	**3,883**	4,307
	1,968,676	1,330,781	**1,204,220**	1,073,409

Note: Non-current assets exclude financial instruments.

4. OTHER REVENUE AND GAINS

	2011	2010
	RMB'000	*RMB'000*
Interest income from entrusted loan contracts *(Note i)*	**26,679**	—
Interest income from consideration receivable for disposal of assets	**10,037**	—
Refund of value-added tax ("VAT") *(Note ii)*	**11,579**	3,380
Government grants *(Note iii)*	**10,429**	627
Net foreign exchange gain	**9,988**	6,978
Bank interest income	**7,093**	3,899
Dividend income from an unlisted equity securities classified as available-for-sale investments	**5,549**	2,947
Rental income from investment properties	**2,704**	903
Gain on disposal of property, plant and equipment	**—**	33,523
Others	**1,567**	2,342
	85,625	54,599

Notes:

(i) The amount represented the interest income from short-term loans advanced by the Group to third parties under entrusted loan contracts. During the year ended 31 December 2011, the Group entered into entrusted loan contracts with several independent third parties pursuant to which short-term entrusted loans in aggregate amount of RMB330,000,000 were advanced to them during the year through certain banks in the PRC. These entrusted loans were unsecured, carried interests at 12% per annum and have been repaid to the Group before the end of the reporting period.

(ii) 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 specified 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.

(iii) Government grants mainly comprise financial subsidies from the PRC governments for the continuous technological advancements of the Group in its products with no future related costs or obligations.

5. PROFIT BEFORE TAXATION

	2011	2010
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Staff costs including directors' emoluments:		
Salaries and benefits	**138,551**	111,508
Retirement benefit scheme contributions	**6,704**	5,229
Share-based payment expenses	**—**	172
	145,255	116,909
Auditor's remuneration	**2,061**	2,147
Depreciation of property, plant and equipment	**35,096**	31,844
Depreciation of investment properties	**705**	183
Release of prepaid lease payments	**1,655**	2,560
Amortisation of intangible assets (included in cost of sales, administrative expenses, selling expenses and research and development expenses)	**69,443**	59,146
Loss on disposal of property, plant and equipment	**133**	—
Cost of inventories recognised as expense (including write-down of inventories of RMB1,999,000 for the year ended 31 December 2010 (2011: nil))	**1,372,843**	903,052
Write-down of inventories	**—**	1,999
Impairment of other receivables	**—**	1,876

6. INCOME TAX EXPENSE

	2011	2010
	RMB'000	*RMB'000*
The charge (credit) comprises:		
PRC Enterprise Income Tax ("EIT")		
— Current year	**25,451**	25,259
— Underprovision in prior years	**786**	2,418
	26,237	27,677
Deferred taxation		
— Current year	**(3,144)**	(10,314)
	23,093	17,363

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 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 enjoy the preferential tax 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 was 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 as long as the 58/99/M Company does not sell its products to a Macao resident company.

7. DIVIDENDS

	2011	2010
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year: 2010 final dividend — HK$0.11, equivalent to RMB0.093, per share (2010: 2009 final dividend HK$0.11, equivalent to RMB0.097, per share)	**85,964**	90,196
Dividends proposed after the end of the reporting period: 2011 final dividend — HK$0.15, equivalent to RMB0.122, per share (2010: 2010 final dividend of HK$0.11, equivalent to RMB0.093, per share)	**113,365**	85,964

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:

	2011	2010
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**247,486**	191,233

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**929,067,442**	929,339,031
Effect of dilutive potential ordinary shares in respect of share options	**5,294,669**	12,133,483
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**934,362,111**	941,472,514

9. LONG-TERM RECEIVABLE/TRADE AND OTHER RECEIVABLES

(a) Long-term receivable

Long-term receivable represents the remaining consideration receivable for the disposal of certain assets to an independent third party during the year ended 31 December 2010. The total consideration is amounted to RMB198,000,000, of which RMB19,800,000 has been settled during the year ended 31 December 2010 and the remaining balance of RMB178,200,000 is repayable within two years from the date of the agreement and is therefore included in long-term receivable as at 31 December 2010 and reclassified as current asset as at 31 December 2011.

The assets disposed included a parcel of land in the PRC together with the buildings erected thereon. The then carrying amounts of the relevant assets upon disposal included buildings (included in property, plant and equipment) of RMB60,718,000, prepaid lease payments of RMB60,228,000 and premium on land (included in intangible assets) of RMB32,215,000.

The amount carries interest at six months benchmark lending rate offered by the People's Bank of China. The assets disposed have been pledged in favour of the Group to secure the consideration receivable. Such pledge will be released upon settlement of the balance of the consideration.

(b) Trade and other receivables

	2011	2010
	RMB'000	*RMB'000*
Trade and bills receivables	**922,782**	835,944
Less: Allowance for doubtful debts	**(16,623)**	(16,623)
	906,159	819,321
Retentions held by trade customers	**87,385**	83,109
Consideration receivable for disposal of assets (see *note (a)* above)	**178,200**	—
Deposits, prepayments and other receivables	**356,225**	242,336
	1,527,969	1,144,766

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:

	2011	2010
	RMB'000	*RMB'000*
0–90 days	**594,764**	411,677
91–180 days	**195,513**	187,073
181–365 days	**100,025**	209,707
Over 1 year	**15,857**	10,864
	906,159	819,321

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% (2010: 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 RMB16,310,000 (2010: RMB15,076,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The directors consider no deterioration in credit qualities of these debtors and the settlements after the end of the reporting period from those debtors are satisfactory, the directors conclude that no provision for impairment loss is required. The Group does not hold any collateral over these balances. The average age of these receivables is approximately 461 days (2010: 365 days).

Aging of trade receivables which are past due but not impaired is as follows:

	2011	2010
	RMB'000	*RMB'000*
181–365 days	**453**	3,363
Over 1 year	**15,857**	11,713
	16,310	15,076

The Group would provide fully for all receivables over two years with whom the Group has ceased trading business with because historical experience is such that receivables that are past due beyond two years are generally not recoverable.

The entire balance of the allowance for doubtful debts with an aggregate balance of RMB16,623,000 at 1 January 2010, 31 December 2010 and 2011 are individually impaired trade receivables which are in severe financial difficulties.

At 31 December 2011, trade receivables of the Group amounting to RMB35,940,000 (2010: RMB9,689,000) were denominated in USD, being a currency other than the functional currency of the relevant group entities.

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:

	2011	2010
	RMB'000	*RMB'000*
Trade and bills payables		
0–90 days	**487,484**	425,745
91–180 days	**263,255**	220,305
181–365 days	**12,399**	13,105
Over 1 year	**5,644**	9,723
	768,782	668,878
Other payables	**159,079**	164,056
	927,861	832,934

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

2011 marks the beginning of the twelfth five-year plan of the country and the first year of the implementation of the third five-year plan of the Group ("third five-year plan"). The Group has successfully set sail for its third five-year plan and keep expanding in the spacious field of energy measurement and efficiency management in the course of realizing the corporate mission of "becoming the professional in energy measurement and energy efficiency management", and this was achieved through our unremitting pursue for innovation and active participation in the competitions in the domestic and international markets.

In 2011, the smart grid construction in China has passed from a pilot spot stage to the comprehensive construction stage. The Advanced Metering Infrastructure ("AMI"), being the core foundation for the smart grid, entered into a state of large scale construction and the promotion efforts for smart meters were increased continuously. In the fifth tender for centralized procurement in 2011 launched by the State Grid Corporation of China (the "State Grid"), items such as the concentrator, collector and changeable collection terminal were newly added, which further demonstrated the efforts of the State Grid that it put into the constructions of the smart grid, as well as its leading position in the field. As the second-largest grid company in the PRC, the China Southern Power Grid (the "Southern Grid") has followed the steps of the State Grid and started to adopt a new mode — the centralized procurement tender for the power meter. Centralized tender can help reducing the sales costs and the unit production cost of sizable corporates, enhance market concentration, thus facilitates the Group to increase its market share. After experiencing large scale price reduction caused by the centralized procurement in 2010, the State Grid changed the tender rules in which contracts were granted in accordance with average price. With the amendment, a significant rebound of the overall tender price occurred in 2011.

In 2011, China has widened its scope and intensified its strength in construction the two-oriented society emphasizing on "environmental friendly and energy saving". The Government has furthered strengthened the management on the water usage reduction, and an escalating water pricing scheme appeared in various regions. The improvement of the heat meter used in centralized heating area in Northern China has been widened throughout the year. The rate of usage for the urban gas pipeline was popularized continuously as well. At the same time, the Government has promulgated the goal of the energy consumption reduction under the twelfth five-year plan, and further restricted the standard of relevant reviews. It is definitely a proof for an optimistic market prospects for the water, gas and heat measurement and management.

For the international market that we actively expanded, the Group obtained new results and breakthroughs in countries and regions, including North America, Europe and Asia in 2011. More importantly, aiming at the international market, the Group has entered into a "Metering Hardware Supply Agreement" with Siemens. We will cooperate with Siemens and expand the smart measurement business to the global market. It is anticipated that a new brilliant advancement in the Group's result will be shown in the future.

Business Review

Domestic Markets

For the domestic electricity market, the smart grid construction has speeded up the promotion of the smart meter. Smart meter is a vital part in the power distribution in relation to the smart grid investment. The scale of the tender for the smart meter in China has increased significantly in 2011, when five tenders were held by the State Grid in the year 2011 in Nanjing, Nanchang, Xining, Yinchuan and Tianjin, respectively, the aggregate volume of the tenders was approximately 59.85 million units. With the superior comprehensive strengths we possess, such as brand name, technology, market share, quality, business scale as well as management, Wasion Group performed a stable and strong stance in the past tenders. The aggregate amount of the tender contracts that we won reached RMB960 million. The sales income and the market shares of the Group's three-phase meter and the single-phase meter achieved steady growth, with three-phase meter, which has a high gross profit margin, showing the highest rate of growth. It further demonstrated the leading position of the Group in the high-end product market. In addition, the State Grid also organized the first centralized procurement tender on data collection terminal in 2011, which the Group won 51,000 units of the tender, and the contract amount secured by the Group was the highest among others which further demonstrated the comprehensive leading advantage that the Group possesses in the field of smart measurement. The Southern Grid organized three tenders in 2011, involving approximately 4.77 million units in total. The aggregate contract amount won by the Wasion Group was RMB171 million, which demonstrated the Group lead its competitors with dominating superiority and the leading position and advantages in the overall power measurement market in China.

In 2011, the Group has adjusted the direction and the focus of the market operation. With the timely adjustment that we made to the sales policies as well as the sales teams, we showed a better performance in grasping the market opportunities. We strived for a leading position in the market share of the centralized procurement from the State Grid, as well as other procurement tender launched by other provincial power companies, and on this basis, we have focused on promoting the business of power retail and achieved brilliant result. In 2011, the power retail segment accounted for about half of the market share of the domestic power market. These will bring constructive and profound effects on the Group in terms of the improvement of business structure, the increase in consolidated gross profit margin, as well as mitigation of risk relating to the excessive concentration resulted from centralized procurement.

We won new and big customers from the industrial and mining sectors in 2011, such as Xinjian Petroleum, Kunming Iron & Steel. We were also engaged by large scale urban gas groups such as the Petrochina Kunlun Gas and the China City Natural Gas. Our gas products has passed inspection in Guangzhou Gas and we have finished part of the works on venturing into the market of China Gas. For the heat measurement products, the large-diameter and small-diameter ultrasound heat meter of the Group were introduced to five provinces in 2011, which increased from 7 provinces in 2010 to 12 provinces currently.

The Group's subsidiary, Changsha Weisheng Energy Industrial Technology Company Limited ("Weisheng Energy"), was rated as the "Excellent Model of Energy Saving Unit in China". In 2011, the Group established the first engineering research center for energy saving and environmental protection approved by the National Development and Reform Commission. The Group gained the national supports in terms of policies and funding due to such centre, which will fully guarantee that the Group possesses the required financial resources and personnel for the research and development and the application of the energy efficiency technology. During the year under review, the Group has established a strategic relationship with the Southern Grid and implemented the first batch of energy efficiency projects in Guangdong Province.

As compared to 2010, the domestic sales of the Group have achieved a comprehensive and sustainable growth in 2011. The brilliant record achieved is definitely a new milestone for the development of the Wasion Group.

Electronic Power Meters

During the year under review, the sales of electronic power meters remained as the major source of revenue of the Group. Turnovers from the sales of three-phase electronic power meters and single-phase electronic power meters for the year ended 31 December 2011 amounted to RMB795.16 million and RMB762.14 million respectively, representing an increase of 63% and 62% respectively as compared with previous year and contributed to 40% and 39% of the Group's total turnover, respectively (2010: 36% and 35% respectively).

Data Collection Terminals

In 2011, revenue from sales of data collection terminals amounted to RMB337.95 million, representing an increase of 30% as compared to the previous year and accounted for 17% (2010: 20%) of the Group's total turnover.

Fluid Measurement Business

In 2011, the sales revenue from the fluid measurement business, including the sales of water, heat, and gas meter, amounted to RMB33.28 million, decreased by 56% as compared to the previous year and contributed to 2% of the total Group's revenue (2010: 6%).

System and Energy Efficiency Business

The revenue from the system and energy efficiency business in 2011 was RMB40.15 million (2010: RMB37.95 million), increased by 6% as compared to the previous year and accounted for 2% of the total income of the Group (2010: 3%).

International Market

In 2011, the international market has regained its growth momentum and realized turnover of RMB 91.65 million, representing a growth of 112% as compared to 2010, accounting for 5% (2010:3%) of the total income of the Group. For the existing market of the Group, sales remained steady and significant breakthroughs were achieved with respect to market exploration and product development. The Group obtained significant results in foreign markets such as Africa, Middle East, Southeast Asia and South American region. Among others, the Group won the tender of the Loan Projects in 2011 issued by the World Bank in Tanzania and we received bulk orders for the smart meters in Dominican Republic, which further strengthened the brand image of the Group in African and South American market.

During the year under review, a "Metering Hardware Supply Agreement" has been duly signed between the Group and Siemens and according to the agreement, the Group will launch power meter products through the global sales network of Siemens to regions apart from China. It will definitely bring a positive boost to the foreign operation business of the Group.

Research and Development

Leveraging on the core corporate value of "continuous innovation and centurial prestige", the Group focused on the research and development of new products and new measurement technology. The research expenses for 2011 (including the capitalization part) was RMB128.22 million, representing 6.5% of the total turnover of the Group (2010: 6.6%).

For the power measurement business, the Group has achieved bulk sales of the four high-end products, including the digital power meter, the calibration device for digital meter, the 0.1S grid meters and the impact load power meter in 2011. The research and development of new products used in the field of automation of the distribution network, including the fault indicator, the DTU, the STU and the high voltage meter, were completed and these products could be launched to the market.

The Group has completed the research and development of new products for fluid measurement business segment included wireless remote transmission large diameter water meter, ultra-sound large diameter heat meter and wireless grid technology based smart gas meter, which has significantly expanded the product portfolio of the Group's fluid measurements series.

Financial Review

Turnover

During the year under review, turnover increased by 48% to RMB1,968.68 million (2010: RMB1,330.78 million).

Gross Profit

The Group's gross profit increased by 39% to RMB595.83 million for the year ended 31 December 2011. Due to the change in product structure, the overall gross profit margin has dropped from 32% in 2010 to 30% in 2011.

Other Revenue and Gains

The other revenue and gains of the Group amounted to RMB85.63 million (2010: RMB54.60 million) which was mainly comprised of government grants, net foreign exchange gain, interest income, dividend income and refund of value-added tax.

Operating Expenses

In 2011, the Group's operating expenses amounted to RMB357.05 million (2010: RMB245.82 million). The increase in operating expenses was mainly due to the increase in selling expenses, depreciation of production plant, amortisation of intangible assets and expenditure on research and development. Operating expenses accounted for 18% of the Group's turnover in 2011 which is similar to that of 2010.

Operating Profit

Earnings before finance costs and tax for the year ended 31 December 2011 amounted to RMB324.41 million (2010: RMB236.51 million), representing an increase of 37% as compared with 2010.

Finance Costs

For the year ended 31 December 2011, the Group's finance costs amounted to RMB53.83 million (2010: RMB27.92 million). The increase was due to the increase in bank borrowings and interest rate during the year.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the year ended 31 December 2011 increased by 29% to RMB247.49 million as compared with 2010.

Capital Structure

For the year ended 31 December 2011, one director and certain employees have exercised 350,000 share options at an exercise price of HK$2.225 under which the issued and fully paid share capital of the Company has been increase by HK$3,500.

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 2011, the Group's current assets amounted to approximately RMB3,193.06 million (2010: RMB2,306.75 million), with cash and cash equivalents totaling approximately RMB986.91 million (2010: RMB553.53 million).

As at 31 December 2011, the Group's total bank loans amounted to approximately RMB1,088.95 million (2010: RMB501.33 million), of which RMB700.03 million (2010: RMB391.33 million) will be due to repay within one year and the remaining RMB388.92 million (2010: RMB110 million) will be due in the next three years. Net book value of the Group's pledged assets for the bank loans was approximately RMB207.16 million (2010: RMB166.27 million). In 2011, the interest rate for the Group's bank borrowings ranged from 1.50% to 7.35% per annum (2010: 2.28% to 5.85% per annum).

The gearing ratio (total borrowings divided by total assets) increase from 14% in 2010 to 24% in 2011 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 2011, 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 2011, 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 RMB140.93 million (2010: RMB14.04 million).

Contingent Liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

Prospect

In 2012, we believe that the State Grid and the Southern Grid will maintain the procurement scale of the smart meter. Stimulated by the demand on the data collection terminal as an ancillary product, we will sustain a strong growth as well. Moreover, the grid companies will focus more on the quality of the products as well as the service capabilities. With our comprehensive strengths, we will be benefited from the changes. In short, The Group will increase its market share, while also put more emphasis on improving product structure and product quality and increasing profitability.

The new business, which comprised of energy efficiency management, fluid measurement and the overseas operations, is a vital component for the future development of the Group's strategy, and a growth point of earnings for the future operations of the Group with enormous room of development. Under the continuous reformation for the charging polices and the emerging policies on the tariff rate of gas, water, and heat sectors, the market for the smart fluid measurement products is growing rapidly, which brings a huge opportunities to the development of the fluid measurement products of the Group. Reduction on energy consumption and emission has become the foremost task of the Government, for every department and level. Enhancing the energy efficiency and the proportion of the usage of clean energy are the major solutions for the issue. In addition, it brings energy efficiency business of the Group with an unlimited space to develop. The demand from overseas market for the smart measurement is growing rapidly, the Group has established its own sales channels, and with the help from the sales channel of Siemens and a rapid growth will be fostered. The internal capability of the fluid measurement and the energy efficiency business will have a significant improvement, and the focus will be put on the major markets expansion and the establishment of the sample market.

In 2012, the corporate culture will be fully implemented, and a system for continuous improvement will be established. Through the reinforcement in management of different operational levels. The level of the Group management will be ameliorated on a continuous basis, At the same time, the second-phase construction has been started, which provides a strong hardware support for the overseas operation and the energy efficiency business of the Group.

2012 is a critical year when the Group will speed up the pace of implementing the third five-year development plan set by itself and this is also a year full of new opportunities and challenges which offer wonder and hope. We will consolidate and pursue better development of the matured businesses of power metering and data collection terminal, while also accelerate the development of businesses of fluid measurement and energy efficiency and overseas operation, with a view to realizing the "three pillars" strategy covering the power market, the non-power market and the international market. We will uphold a high sense of social responsibility and are dedicated to make practical and consistent contributions to mankind for achieving the goal of energy saving and the more effective use of energy through technically advanced products and ever-improving services. We will leverage on the Group's continuous and steady profit returns and our brand reputation, and create values for our shareholders.

OTHER INFORMATION

Employees and Remuneration Policies

As at 31 December 2011, the Group had 3,295 (2010: 2,999) staff. The staff costs (including other benefits and contributions to defined contribution plan) amounted to RMB145.26 million in 2011 (2010: RMB116.91 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$0.15 (2010: HK$0.11) per share to shareholders of the Company whose name appear in the register of members on 23 May 2012 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 28 May 2012.

Closure of Register of Members

The register of members will be closed for the following periods:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on 16 May 2012 ("AGM"), the register of members will be closed on Monday, 14 May 2012 to Wednesday, 16 May 2012, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited situated at 12th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong not later than 4:30 p.m. on Friday, 11 May 2012.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members will be closed on Tuesday, 22 May 2012 to Wednesday, 23 May 2012, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited situated at 12th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong not later than 4:30 p.m. on Monday, 21 May 2012.

Purchase, Sale or Redemption of 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 2011.

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 2011 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 2011.

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 2011 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 2011 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 2012