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 2013

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB2,412.34 million (2012: RMB2,452.30 million).
- Revenue from sales of single-phase smart meters amounted to RMB1,067.18 million.
- Revenue from sales of three-phase smart meters amounted to RMB705.80 million.
- Revenue from sales of data collection terminals increased by 27% to RMB518.22 million as compared with 2012.
- Revenue from fluid measurement business amounted to RMB78.11 million.
- Revenue from system and energy efficiency business increased by 52% to RMB43.03 million as compared with 2012.
- Net profit for the year amounted to RMB401.13 million, representing an increase of 24%.
- Basic earnings per share for the year amounted to RMB43 cents.
- The board of directors has proposed a final dividend of HK$0.21 (equivalent to RMB0.166) per share for the year ended 31 December 2013.

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" or "Wasion Group") for the year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	**2013**	2012
		RMB'000	*RMB'000*
Turnover	*3*	**2,412,343**	2,452,297
Cost of sales		**(1,565,518)**	(1,647,795)
Gross profit		**846,825**	804,502
Other income	*4*	**88,333**	77,229
Other gains and losses	*5*	**34,930**	1,229
Administrative expenses		**(148,650)**	(148,453)
Selling expenses		**(207,417)**	(207,275)
Research and development expenses		**(134,031)**	(117,559)
Finance costs		**(32,742)**	(54,340)
Share of results of an associate		**(7,391)**	—
Profit before taxation	*6*	**439,857**	355,333
Income tax expense	*7*	**(38,732)**	(32,184)
Profit for the year, attributable to owners of the Company		**401,125**	323,149
Earnings per share	*9*		
Basic		**RMB43 cents**	RMB35 cents
Diluted		**RMB43 cents**	RMB35 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	RMB'000	*RMB'000*
Profit for the year, attributable to owners of the Company	**401,125**	323,149
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation	**(1,427)**	(293)
Fair value gain on available-for-sale investments	**5,721**	3,187
Reclassification upon disposal of available-for-sale investments	**—**	(1,312)
Other comprehensive income for the year, attributable to owners of the Company	**4,294**	1,582
Total comprehensive income for the year, attributable to owners of the Company	**405,419**	324,731

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	Notes	**2013**	2012
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**898,753**	918,335
Prepaid lease payments		**60,519**	70,674
Investment properties		**16,558**	37,125
Goodwill		**238,379**	110,326
Other intangible assets		**175,004**	190,591
Investment in an associate		**7,160**	—
Available-for-sale investments		**135,532**	14,811
Amounts due from related parties		**20,926**	21,376
Other non-current assets		**66,723**	99,780
		1,619,554	1,463,018
CURRENT ASSETS			
Inventories		**307,220**	323,271
Trade and other receivables	*10*	**1,718,159**	1,407,915
Loan receivables		**408,200**	330,000
Pledged bank deposits		**135,157**	155,703
Bank balances and cash		**552,925**	585,986
		3,121,661	2,802,875
CURRENT LIABILITIES			
Trade and other payables	*11*	**1,181,853**	1,010,241
Tax liabilities		**45,830**	40,983
Borrowings — due within one year		**453,204**	548,251
		1,680,887	1,599,475
NET CURRENT ASSETS		**1,440,774**	1,203,400
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,060,328**	2,666,418
CAPITAL AND RESERVES			
Share capital		**9,429**	9,410
Reserves		**2,863,371**	2,586,867
Equity attributable to owners of the Company		**2,872,800**	2,596,277
Non-controlling interest		**400**	400
		2,873,200	2,596,677
NON-CURRENT LIABILITIES			
Borrowings — due after one year		**173,308**	57,311
Deferred tax liability		**13,820**	12,430
		187,128	69,741
		3,060,328	2,666,418

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 of Hong Kong Limited (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, amendments and interpretations issued by the HKICPA.

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

3. TURNOVER AND SEGMENT INFORMATION

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

	2013	2012
	RMB'000	*RMB'000*
Sales of goods	**2,369,313**	2,423,947
Service income for energy efficiency solutions	**43,030**	28,350
	2,412,343	2,452,297

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:

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

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

(iii) 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 2013

	Electronic meters *RMB'000*	Data collection terminals *RMB'000*	Energy efficiency solution *RMB'000*	Consolidated *RMB'000*
TURNOVER				
External sales	**1,851,093**	**518,220**	**43,030**	**2,412,343**
Inter-segment sales	**3,849**	**19,011**	**976**	**23,836**
Segment turnover	**1,854,942**	**537,231**	**44,006**	**2,436,179**
Elimination				**(23,836)**
Group turnover				**2,412,343**
Segment profit	**269,610**	**138,680**	**9,171**	**417,461**
Unallocated income and gains/losses				**91,093**
Share of results of an associate				**(7,391)**
Central administration costs				**(28,564)**
Finance costs				**(32,742)**
Profit before taxation				**439,857**

For the year ended 31 December 2012

	Electronic meters *RMB'000*	Data collection terminals *RMB'000*	Energy efficiency solution *RMB'000*	Consolidated *RMB'000*
TURNOVER				
External sales	2,014,742	409,205	28,350	2,452,297
Inter-segment sales	12,195	27,875	2,255	42,325
Segment turnover	2,026,937	437,080	30,605	2,494,622
Elimination				(42,325)
Group turnover				2,452,297
Segment profit	259,736	112,839	5,756	378,331
Unallocated income and gains/losses				56,363
Central administration costs				(25,021)
Finance costs				(54,340)
Profit before taxation				355,333

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit attributable to each segment without allocation of certain other income, other gains and losses, share of results of an associate, central administration costs, directors' salaries, finance costs and taxation. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at cost plus mark up.

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)*	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**2,291,571**	2,255,171	**1,412,054**	1,326,960
Overseas	**120,772**	197,126	**—**	91
	2,412,343	2,452,297	**1,412,054**	1,327,051

Note: Non-current assets exclude financial instruments.

4. OTHER INCOME

	2013	2012
	RMB'000	*RMB'000*
Other income comprises:		
Interest income from loan receivables *(Note i)*	**37,459**	28,897
Interest income from consideration receivable for disposal of assets	**4,577**	9,049
Interest income from consideration receivable for disposal of a subsidiary	**672**	—
Bank interest income	**5,448**	9,708
Refund of value-added tax ("VAT") *(Note ii)*	**16,264**	12,024
Government grants *(Note iii)*	**11,908**	10,207
Dividend income from available-for-sale investments	**8,712**	3,987
Rental income from investment properties	**2,248**	2,953
Others	**1,045**	404
	88,333	77,229

Notes:

(i) The amount represents the interest income from short-term loans advanced by the Group to third parties under entrusted loan contracts.

(ii) Pursuant to the relevant regulations in the PRC, certain subsidiaries of the Group operating in the PRC are entitled to refunds of certain percentage of VAT on the sale of specified high technology products. The amount represents such VAT refund which recognised upon the approval 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. OTHER GAINS AND LOSSES

	2013	2012
	RMB'000	*RMB'000*
Other gains (losses) comprises:		
Gain on disposal of Changsha Wasion Industrial Investment Company Limited	**16,067**	—
Gain on disposal of intangible assets	**8,174**	—
Impairment loss recognised on trade receivables	**(3,069)**	—
Net foreign exchange gain	**13,691**	174
Net gain on disposal of property, plant and equipment	**67**	1,055
	34,930	1,229

6. PROFIT BEFORE TAXATION

	2013	2012
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and benefits	**212,625**	191,665
Retirement benefit scheme contributions	**11,879**	8,642
	224,504	200,307
Auditor's remuneration	**2,153**	2,093
Depreciation of property, plant and equipment	**41,527**	36,183
Depreciation of investment properties	**528**	753
Release of prepaid lease payments	**1,399**	1,655
Amortisation of intangible assets (included in selling expenses, administrative expenses and research and development expenses)	**58,214**	64,645
Cost of inventories recognised as expense (2012: including allowance of inventories of RMB1,108,000)	**1,565,518**	1,647,795

7. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
— Current year	**44,706**	35,188
— Overprovision in prior years	**(5,009)**	(870)
	39,697	34,318
Deferred taxation		
— Current year	**(965)**	(2,134)
	38,732	32,184

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, one of the Group's PRC subsidiaries is exempted from PRC income tax for two years starting from its first profit-making year in 2009, followed by a 50% reduction in the applicable tax rate for the next three years. Accordingly, the subsidiary is subject to a reduced tax rate of 12.5% for the year ended 31 December 2013 (2012: 12.5%).

(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 continue to enjoy the preferential tax rate of 15% for a consecutive three years from year 2011 to 2013 or year 2013 to 2015.

According to the notice of "Preferential Policies on Enterprise Income Tax" (Cai Shui [2008] No. 1) issued by the State Administration of Taxation, 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 period, which is 2009 to 2013. The preferential treatment set out in (b) above continues under 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.

8. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2012 final dividend — HK$0.18, equivalent to RMB0.144, per share (2012: 2011 final dividend of HK$0.15, equivalent to RMB0.122, per share)	**133,404**	113,313

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2013 of HK$0.21, equivalent to RMB0.166, per share (2012: final dividend in respect of the year ended 31 December 2012 of HK$0.18, equivalent to RMB0.144, per share) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

9. 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:

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**401,125**	323,149

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**930,763,333**	929,248,812
Effect of dilutive potential ordinary shares in respect of share options	**8,907,780**	3,690,772
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**939,671,113**	932,939,584

10. TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade and bills receivables, gross	**1,291,117**	1,030,706
Less: Allowance for doubtful debts *(Note i)*	**(19,692)**	(16,623)
Trade and bills receivables, net *(Note ii)*	**1,271,425**	1,014,083
Retentions held by trade customers *(Note iii)*	**117,000**	129,254
Consideration receivable for disposal of a subsidiary	**33,000**	—
Deposits, prepayments and other receivables *(Note iv)*	**296,734**	264,578
	1,718,159	1,407,915

Notes:

(i) The entire balance of the allowance for doubtful debts as at 31 December 2012 and 2013 are individually impaired trade receivables which are in severe financial difficulties. Movements in the provision for impairment of trade and bills receivables are as follows:

	RMB'000
At 1 January 2012 and 31 December 2012	16,623
Impairment loss recognised on trade receivables	3,069
At 31 December 2013	19,692

(ii) Included in the Group's trade receivable balances is trade balance with an associate of RMB284,000. (2012: nil). 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 revenue recognition dates at the end of the reporting period:

	2013	2012
	RMB'000	*RMB'000*
0–90 days	**983,211**	659,420
91–180 days	**155,246**	195,169
181–365 days	**107,016**	138,808
Over 1 year	**25,952**	20,686
	1,271,425	1,014,083

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% (2012: 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 RMB25,437,000 (2012: RMB20,692,000) 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 544 days (2012: 525 days).

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

	2013	2012
	RMB'000	*RMB'000*
Days overdue:		
0–90 days	**5,730**	2,258
91–180 days	**1,181**	6,190
181–365 days	**11,908**	7,566
Over 1 year	**6,618**	4,678
	25,437	20,692

The Group estimates the future discounted cash flows of those receivables with whom the Group has ceased business over two years and considered such receivables are generally not recoverable based on historical experience.

The Group's trade and other receivables denominated in currencies other than functional currency of the relevant group entities are set out as follows:

	2013	2012
	RMB'000	*RMB'000*
Hong Kong dollars ("HKD")	**124**	13,999
United State dollars ("USD")	**72,659**	19,685
	72,783	33,684

(iii) Included in the retentions held by trade customers is an aggregate amount of RMB41,083,000 (2012: RMB119,655,000) that is expected to be realised after twelve months from the end of the reporting period.

(iv) Included in the balance is an amount of RMB9,681,000 (2012: nil) due from an associate arising from the transferring of certain intangible assets.

11. TRADE AND OTHER PAYABLES

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

	2013	2012
	RMB'000	*RMB'000*
Trade and bills payables		
0–90 days	**669,095**	551,240
91–180 days	**167,626**	226,010
181–365 days	**30,215**	12,948
Over 1 year	**22,954**	10,095
	889,890	800,293
Consideration payable on acquisition of a subsidiary	**100,000**	—
Other payables	**191,963**	209,948
	1,181,853	1,010,241

Included in the Group's trade and other payables is an aggregate amount of RMB5,675,000 (2012: nil) due to an associate, of which RMB5,069,000 (2012: nil) was arising from services provided by the associate, and the remaining RMB606,000 (2012: nil) was non-trade in natures.

The Group's trade and other payables denominated in currencies other than functional currency of the relevant group entities are set out as follows:

	2013	2012
	RMB'000	*RMB'000*
HKD	**3,192**	6,968
USD	**—**	2,000
	3,192	8,968

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

Smart power meters and data collection terminals

In 2013, five tenders were invited by State Grid Corporation of China (hereinafter referred to as "State Grid") with the aggregate volume of the tenders of approximately 76 million units. With our superior comprehensive strengths in different aspects, such as brand name, technology, market share, quality, business scale and management, Wasion Group performed a stable and strong stance in such tenders. The aggregate value of the tender contracts that we won reached RMB614 million and RMB191 million for smart power meters and terminals respectively. Two tenders were invited by China Southern Power Grid Corporation (hereinafter referred to as "Southern Grid") in 2013, and the aggregate value of the tender contracts that Wasion Group won reached RMB150 million, up 18% over 2012, leading its competitors with relative superiority.

In 2013, on the basis of ensuring that a dominating market share in the centralized procurement organized by State Grid and the procurement tender of provincial power companies, Wasion Group focused on consolidating and promoting the continuous development of the power retail business. The Group's non-electric business also made significant progress, and its business which oriented to huge public construction, rail transportation, communications industry and large enterprises was greatly improved. The success of these projects has not only laid a solid foundation for completion of performance in 2013, but also provided models for market promotion in 2014, not only expanded the brand influence, but also accumulated valuable experience in customer service for marketers.

Revenue from sales of single-phase smart power meters and three-phase smart power meters for the year ended 31 December 2013 amounted to RMB1,067.18 million and RMB705.80 million respectively and contributed to 44% and 29% of the Group's total sales revenue respectively (2012: 51% and 28% respectively). Revenue from sales of data collection terminals increased by 27% to RMB518.22 million, and contributed to 22% of the Group 's total sales revenue (2012: 17%).

Fluid measurement business

In smart water metering business, the Group actively expanded water company customers in 2013, and the Group's water company customer business developed rapidly, with number of customers increased significantly year on year. As expansion into water companies made a breakthrough from Guangdong in the south to Inner Mongolia in the north, the Group achieved bulk supply in the centralized meter reading construction projects of key water companies in Changsha, Enshi and Jiangmen. With business expansion, the Group launched a series of new products such as wireless remote water meter, electronic water meter, split-typed STS prepaid water meter and ancillary data collection equipment to meet domestic and international market demand. Furthermore, the Group achieved bulk delivery of large-diameter smart water meters to Kyrgyzstan, thereby opening up a channel for the Group's smart water metering products into the overseas market.

In smart gas metering business, the Group developed Jiangsu Kunshan Litong Natural Gas, Yiyang City Gas and other customers in 2013, and completed market access annual audit of Kunlun Gas Co., Ltd., China City Natural Gas Investment Group Co., Ltd. and other large city gas groups. The Group began supply as planned to the projects in Zhuzhou and Linwu for which the tenders were won in 2012, and achieved a major breakthrough in the projects in Shaoyang and Liling before the end of 2013. In 2013, the Group realized export of wireless remote gas metering products to Mexico, thereby establishing a channel for expanding gas metering products into the overseas market.

The second year of the "Twelfth Five-Year Plan" is coming to an end. As China's focus of heat supply is moving southward and the reform of household heat metering is continued, the industry has maintained a good growth rate, as the newly constructed buildings are required to install metering devices, and the government-led transformation of existing buildings will be greater than before. Currently, the Group's heat metering products have covered more than 95% of the heat metering market, coupled with the continued function extension of systems and data collection product, heat metering product solutions have been able to realize the vast majority of customer needs. The Group's heat metering products have been qualified for sale in Henan, Hebei, Shandong, Shanxi, Tianjin, Liaoning, Jilin, Gansu, Shaanxi, Qinghai, Xinjiang, Inner Mongolia and other provinces and more than 20 counties and cities. Through the integration of market structure, the Group's heat metering product performance will make a new breakthrough.

In 2013, the sales revenue from the fluid measurement business, including the sales of water meters, gas meters, and heat meters, amounted to RMB78.11 million, a slight increase of 1% as compared to that of the previous year and contributed to 3% (2012: 3%) of the Group's total turnover.

System and energy efficiency business

Regarding system and energy efficiency business, the Group centered on innovating the management and control model and the business model of the energy efficiency business in 2013, integrated external resources, carried out self-ability building, with certain outcome achieved, so that the turnover continued to grow during the year. At the same time, the Group also carried out various projects in energy efficiency management and transformation of energy-saving technology including smart home and distributed energy.

The revenue from the system and energy efficiency business of the Group in 2013 was RMB43.03 million, increased by 52% over last year, and accounted for 2% (2012: 1%) of the total revenue.

International market

Affected by factors such as fluctuations in exchange rates of currencies in Asia and Africa, political unrest in the countries where some of the projects are located as well as delay of tender, the Group's export sales declined in the first half of the year. But the Group's export sales in the second half recorded more than twice as the first half, indicating that the overseas business has been significantly restored. In 2013, the Group made some achievements from electronic meters, communications modules, concentrators to system software, from market projects to brand establishment, laying a good foundation for the conduct of business in the later period. As to products, Prime, G3 communication technology and module, GPRS module, smart meters, communication terminals and front-end processor software have been equipped with comprehensive product capabilities, some of which have started to form bulk sales; as to market, the South Africa and Indonesia market projects under its cooperation with Siemens have obtained actual order opportunities; as to brand establishment, the Group has attracted European users' invitation to involve in next phase of AMI renovation.

Research and Development

Leveraging on the corporate vision of "Continual Innovation Contributing to Wasion's Centennial History", the Group has further increased investment in research and development, consolidated and expanded the Group's technology leadership in the industry, focused its work on the transformation of the established research achievements, development of new product and research of new technology, covering areas such as power metering, fluid metering, distribution network, communications and energy management. In 2013, the Group obtained a total of 45 power metering product patents, 23 terminal product patents, 27 fluid metering product patents and 3 energy efficiency service patents; the Group in 2013 also passed the CMMI Level 3 certificate, its ANSI single-phase multi-functional meter obtained U.S. INTERTEK's UL certification, and its wireless remote meter obtained Brazil's INMETRO certification. The research and development expenses for 2013 (including the capitalization portion) was RMB177.50 million, representing 7.4% of the total turnover of the Group (2012: 6.6%).

To further enhance the Group's research and development capabilities, the Group signed a strategic cooperation agreement with Huazhong University of Science in January 2013 to set up the "Joint Laboratory for Energy Metering and Energy Efficiency Management", and carried out a number of power electronics-related technology and cooperation projects on this platform. In May 2013, the Group signed the framework agreement on establishment of "Collaborative Innovation Center for Advanced Electrical Equipment and Control" with Hunan University, jointly established the "Intelligent Electronic System and Communications Laboratory", which can promote the great-leap-forward development of China's electrical and control subjects and meet the development needs of strategic emerging industries in the field of electrical equipment and control.

In addition, Smart Metering Solutions (Changsha) Co. Ltd., the associate co-established by the Group and Siemens, has officially commenced business in April 2013, whereby both parties will work together to complete new product design, development and production, to provide a strong support for the sustained growth of Group's domestic and overseas business.

Financial Review

Turnover

During the year under review, turnover decreased by 2% to RMB2,412.34 million (2012: RMB2,452.30 million).

Gross Profit

The Group's gross profit increased by 5% to RMB846.83 million for the year ended 31 December 2013 (2012: RMB804.50 million). The overall gross profit margin has increased from 33% in 2012 to 35% in 2013.

Other Income

The other income of the Group amounted to RMB88.33 million (2012: RMB77.23 million) which was mainly comprised of interest income, dividend income, rental income, government grants and refund of value-added tax.

Operating Expenses

In 2013, the Group's operating expenses amounted to RMB490.10 million (2012: RMB473.29 million). The increase in operating expenses was mainly due to the increase in expenditure on research and development. Operating expenses accounted for 20% of the Group's turnover in 2013 (2012: 19%).

Operating Profit

Earnings before finance costs and tax for the year ended 31 December 2013 amounted to RMB472.60 million (2012: RMB409.67 million), representing an increase of 15% as compared with 2012.

Finance Costs

For the year ended 31 December 2013, the Group's finance costs amounted to RMB32.74 million (2012: RMB54.34 million), representing a decrease of 40% as compared with 2012. The decrease was attributable to the adjustment of the mix of bank borrowings and the reduction of interest rate of variable-rate borrowings.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the year ended 31 December 2013 increased by 24% to RMB401.13 million (2012: RMB323.15 million) as compared with 2012.

Capital Structure

For the year ended 31 December 2013, two directors and two employees have exercised 2,050,000 share options at an exercise price of HK$2.225 and 350,000 share options at an exercise price of HK$3.200 under which the issued and fully paid share capital of the Company has been increased by HK$24,000.

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 2013, the Group's current assets amounted to approximately RMB3,121.66 million (2012: RMB2,802.88 million), with cash and cash equivalents totaling approximately RMB552.93 million (2012: RMB585.99 million).

As at 31 December 2013, the Group's total bank loans amounted to approximately RMB626.51 million (2012: RMB605.56 million), of which RMB453.20 million (2012: RMB548.25 million) will be due to repay within one year and the remaining RMB173.31 million (2012: RMB57.31 million) will be due after one year. Net book value of the Group's pledged assets for the bank loans was approximately RMB160.83 million (2012: RMB160.85 million). In 2013, the interest rate for the Group's bank borrowings ranged from 0.25% to 6.00% per annum (2012: 1.50% to 7.45% per annum).

The gearing ratio (total borrowings divided by total assets) decreased from 14% on 2012 to 13% on 2013.

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.

Acquisitions and Disposals

On 16 May 2013, the Group acquired the entire equity interest in Sparkle Light Investments Limited ("Sparkle Light") at a total consideration which in any event will not exceed RMB150 million. The whole asset of Sparkle Light is its 100% equity interest in Changsha Vitae Plastic Technology Co., Ltd. ("Vitae") which is principally engaged in the development, manufacture and sale of plastic and metal moulds, electric products, transformers and sensors. The purpose of the acquisition is to strengthen the Group's market position, improve the vertical development of supply chain and enjoy synergy effect with Vitae.

On 24 June 2013, the Group completed the disposal of 99% of the equity interest of a wholly-owned subsidiary, Changsha Wasion Industrial Investment Company Limited to an independent third party, at a consideration of RMB70 million. On 20 November 2013, the Group completed the disposal of the remaining 1% equity interest to the same party for a consideration of RMB1 million.

Charge on Assets

As at 31 December 2013, the pledge deposits are denominated in Renminbi and US dollars and are pledged to banks 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 2013, 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 RMB14.48 million (2012: RMB12.85 million).

Contingent Liabilities

As at 31 December 2013, the Group had no material contingent liabilities.

Prospect

The global rise of the third industrial revolution and large-scale development of combination between renewable energy and distributed energy will change the traditional power grid which is characterized by centralized energy supply. A new generation of power grid will be characterized by combination between centralized energy supply and distributed supply of renewable energy. The era of smart power grid is coming.

In 2014, the power grid companies represented by State Grid will continue to maintain the application scale of smart power meter . The Group expects the procurement plan to reach RMB25 billion, plans to newly install and replace about 60 million units of smart power meter, and the data collection system to cover more than 252 million customers. State Grid's funding plan in 2014 is increased by RMB3 billion compared to the plan made in early 2013, and such increase is mainly due to increase investment in terminals and concentrators, which are expected to usher in the high point in 2014. Southern Grid will also continue to vigorously promote the application of smart power meters and the demands for which are expected to be not less than 2013. As for power retail business, no big change is expected in its market structure and direction in 2014, and the Group will follow the same business development pattern as 2013 and firmly seize the market opportunities in counties. Furthermore, the promotion of non-power business, new products and cooperation business will also make great progress.

In 2014, the Group's power market strategy is still to strengthen support to high margin business markets such as power retail market, local power market and large-scale enterprise customer market, consolidate and promote the continuous development of retail business and further enhance channel sales network construction while ensuring to obtain a stable market share in centralized procurement tenders invited by State Grid and Southern Grid and procurement tenders invited by provincial power companies, in order to optimize the Group's business structure and improve profits.

In 2014, the main objective of non-power business is to develop new market segments and continue to strengthen investment. As to industry, the Group will focus on developing industry customers with great demand such as universities and hospitals, rail transportation, communications, petroleum and petrochemical. As to products, the Group will accelerate the progress of research and development and provide more specialized products, technologies and services to meet user needs, and enhance the brand image in the non-power system market with good product quality and timely after-sales service.

State Grid has passed an important decision to invest RMB160 billion in the distribution network which is the highest amount in history. The tender program is currently being developed, with the aggregate volume of the tenders expected to be over 60 million units of smart power meters and data collection terminals. It is expected that the investment in domestic distribution automation improvement construction will reach RMB85 billion from 2014 to 2016, and total investment in distribution automation construction will exceed RMB150 billion from 2014 to 2020, with an annual investment of RMB20 billion.

Smart distribution and utilization in smart power grid is an advanced form and an important part of smart power distribution and utilization. Based on the Group's accumulated experience in smart metering and serving power grid customers, in order to achieve the mission of energy efficiency expert, the Group has seized the development opportunities for the smart power distribution and utilization business brought by the smart grid, and established Wasion Electric Group Limited in September 2013, to enhance the development of smart power distribution and utilization business.

The Group's smart power distribution and utilization business strategy is to quickly pitch in the field of primary equipment for power distribution and utilization through acquisitions, joint ventures and strategic cooperation, etc., to obtain product qualification, sales performance, industry professionals and basic production ability at a reasonable cost in the minimum time, and achieve integration and rapid growth of mid & low-voltage electric whole-set business through strong expansion in market and sales, so as to enable the Group to provide complete smart power distribution and utilization secondary automation technology and equipment through the integration of the Group's existing metering, communications and automation technologies and products; and on this basis, build a primary and secondary integration smart solution mainly oriented to industry application.

The "Guiding Opinions on Accelerating the Establishment of a Sound Tiered Prices for Household Consumption of Water" issued by National Development and Reform Commission and the Ministry of Housing and Urban Construction on 31 December 2013 requires all the cities to fully implement the tiered prices for household consumption of water before the end of 2015 and requires household meter transformation to implement intelligent management. Promoting "one meter for one household" transformation is an important basic condition for the implementation of the tiered prices, and the State implements the policy of funds support for household meter transformation, requires to finish "one meter for one household" transformation within the deadline strictly, and allows water supply enterprises to include the increased costs of transformation, operation and maintenance due to the implementation of the metering to household in the cost of water supply. Such measures are conducive to the development of the Group in terms of smart water metering. In addition, the optimization of product and customer structure can also bring growth to the Group's smart water metering business. The significantly increasing demand of a large number of developing countries such as South America, South Africa, some Asian countries, and Russia for water meters contributes to the optimistic trend for the export market of water metering equipment.

Regarding gas metering business, the Group will focus on the overseas market. As to the domestic market, the Group will intensify its efforts to develop the gas product line market; will on one hand complete the market work of gas group headquarters; and will on the other hand actively explore prefecture-level gas company customers starting from the regional market, and then expand the sales regions to the surrounding.

Regarding heat metering business, the heat meter demand will grow 10% during the period of "Twelfth Five-Year Plan", indicating huge market capacity and profitability for energy saving in heating. In 2014, the Group's main job is to provide the market with good-spread products, build the sales channel network, obtain high-end reputation for Wasion heat metering products in the market, and strive for a larger share in large-scale procurement in the last two years of the "Twelfth Five-Year Plan" and a larger market share.

Regarding system integration and energy efficiency business, the Group will focus on building the total solution capabilities on smart power distribution and utilization system and distributed PV plug-in system in 2014, and rapidly finish the docking of energy efficiency management with smart power distribution and utilization business, to build core operation ability for long-term development.

In 2014, the Group will promote export business in the direction of technological innovation and development and market project breakthrough, actively develop the cooperation projects with the key partners, including the use of Siemens platform and channel to constantly develop and improve GPRS, G3-PLC, Prime, RF Mesh, IHD and other technology applications and jointly complete the smart meter projects in Nigeria, South Africa and Malaysia, the prepaid system and meter transformation project in Africa's Nigeria, the G3-PLC meter AMR system and ANSI meter project in South America's Ecuador and the keyboard meter project in Cuba; the cooperation with Huawei in Portugal lighting system renovation project and Columbia water-electricity-gas reconstruction project; the cooperation with ZTE in South Africa TUMS G3 smart meter project; and the cooperation with CNTIC in Uzbekistan smart meter project. It has also made a major breakthrough in the pan-Russian market including Russia, Kazakhstan, Armenia, Moldova, Kyrgyzstan, Tajikistan and Afghanistan.

Looking ahead to the future, both the domestic or international markets have an urgent and enormous demand for advanced energy metering and energy efficiency management products, solutions and services. Wasion will uphold the mottos of operation which is "Perfect Work with Passion, and Success achieved with Integrity", establish a safe and reliable, leading product, green and energy-saving brand image, and strive forward towards the mission of energy metering and energy saving expert.

OTHER INFORMATION

Employees and Remuneration Policies

As at 31 December 2013, the Group had 3,867 (2012: 3,444) staff. The staff costs (including other benefits and contributions to defined contribution plan) amounted to RMB224.50 million in 2013 (2012: RMB200.31 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$0.21 (2012: HK$0.18) per share to shareholders of the Company whose name appear in the register of members on 23 May 2014 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 31 May 2014.

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 2014 ("AGM"), the register of members will be closed on Wednesday, 14 May 2014 to Friday, 16 May 2014, 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 31st Floor, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Tuesday, 13 May 2014.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members will be closed on Friday, 23 May 2014. 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 31st Floor, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Thursday, 22 May 2014.

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 2013.

Compliance with the Corporate Governance Code of the Listing Rules

During the year ended 31 December 2013, save for Code Provision A.6.7, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules.

Code Provision A.6.7 provides that independent non-executive directors and non-executive directors of the Company should attend general meetings of the Company. Mr. Wu Jin Ming and Mr. Pan Yuan, who are independent non-executive directors of the Company, failed to attend the annual general meeting of the Company held on 16 May 2013 due to conflicts with their schedules.

Save as disclosed, there has been no deviation from the code provisions of the Corporate Governance Code as set forth in the Appendix 14 of the Listing Rules for the year ended 31 December 2013.

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 2013.

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 performs other duties as assigned by the Board.

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

The annual results of the Group for the year ended 31 December 2013 have been reviewed by the auditors of the Company, Deloitte Touche Tohmatsu, and 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 2013 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 websites 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
Li Hong

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, 21 March 2014