



Chairman's Statement

To All Shareholders

On behalf of Wasion Meters Group Limited (the "Company" or "Wasion"), I would like to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

During 2006, following the launch of the "Eleventh Five-Year Plan" introduced by the PRC government, the Group has achieved good results in the business of electronic power meters and power management systems and maintained its momentum of growth with a steady increase in its profit. For the year ended 31 December 2006, the Group's turnover was RMB596.91 million, representing an increase of 34% as compared to 2005. The profit attributable to equity shareholders of the Company has also showed remarkable results with an increase of 31% to RMB151.74 million. The board of directors of the Company (the "Board") proposed a final dividend of HK\$0.070 (equivalent to RMB0.070) per share for the year ended 31 December 2006.

The Company was successfully listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 December 2005 and was the first provider of total solutions for the power measurement and management systems in the PRC with shares listed in Hong Kong. Last year, the Group continued to adhere to our mission of "supporting modernization of power sales with leading technology and products". With our outstanding and quality products, the Group has successfully established the brand of "Wasion" as a household name for the three-phase electronic power meter market in the PRC. In September 2006, the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China has recognised the "W" brand power meters produced by the Group as "China's Famous Products" in China. During the year, various high-end products, including two MB series power meters and power meters with long-distance meter

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reading function, were introduced by the Group and well received by customers. In 2006, the first year in which the “Eleventh Five-Year Plan” was implemented, a growth in our business of electronic power meters and power management systems was recorded and this was driven by a stable domestic economic growth, the increase in the investment of power grid by the power grid companies, the exercise of stringent control over power consumption and tariff by both demand and supply sides, the replacement of power meters installed in the early stage of the power grid renovation and the implementation of automatic collection of power.

Looking ahead, the Group will continue to adhere the strategies established at the time of listing. Through expansion of production capacity and enhancing production technologies, the Group will develop domestic and overseas markets and exercise reasonable cost control for providing favourable conditions to future growth in results. With respect to products, the Group will enhance its capability on research and development and further its investment for developing new products that embedded with sophisticated technologies and offered higher gross profit margin and diversifying our product portfolio. Our sales team will spare no effort in developing new key market and developing overseas market will be one of the major directions for development plans of the Group. In terms of production capacity, apart from making adjustment to the internal production capacity of existing production plants and the expansion to the production facilities, the Group will closely monitor the progress of construction of new plants located at the Science and Technology Park in Changsha, Hunan to ensure that the new plant would commence operation as scheduled. As such, the Group will have adequate production capacity to meet the future demand of domestic and overseas markets. In addition, by leveraging the international capital platform, the Group commits to identify suitable power meter production enterprises in the PRC and overseas for cooperation, merger or acquisition, with the aim of enriching our product portfolio and increasing our domestic and overseas market shares as well as our overall competitiveness and profitability.

The Group, with the new Power Meter Science and Technology Park as its base will gradually develop the complex power measurement products and management systems for water, electricity, steam and heat on the basis of reinforcing and further developing its core business of power measurement products, targeting to become the leading provider of power measurement products and services in the world.

The substantial investment in power grid construction by the state and huge demand in modernization of power sales in the next five years will offer the Group with enormous opportunities for development. With leading technologies and products, the Group, in pursuance for excellence, is dedicated to consolidate and develop our domestic and overseas businesses while maintaining our leading position in the industry for achieving a new height.

On behalf of the Board, I would like to express my heartfelt gratitude to all shareholders and our staff. In the year to come, we will continue to exert our team spirit and dedication and reward our shareholders for their support with good results.

Ji Wei

Chairman

Hong Kong, 2 April 2007