

**BEA securities**

EAST ASIA SECURITIES COMPANY LIMITED

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HONG KONG RESEARCH**6th December 2005****Main Board Listing - Research**

威勝儀表集團有限公司

Wasion Meters Group Limited [Stock Code: 3393]

Sponsor : VC Capital Limited
Joint Global Co-ordinators, Joint Bookrunners and Joint Lead Managers : VC Brokerage Limited
 Taiwan Securities (Hong Kong) Company Limited
Sector : Capital goods
Business : Development, manufacture and sale of electronic power meters

Total share offer: <u>180,000,000</u> shares (26% of the enlarged share capital) Public Offer: 18,000,000 shares (10%) Placing: 162,000,000 shares (90%) Greenshoe: 27,000,000 shares	<u>Business of Wasion Meters ("the Group")</u> The Group is principally engaged in the development, manufacture and sale of electronic power meters and data collection terminals and the provision of software development services under the Group's brandnames. The Group's principal products are three-phase multi-function electronic power meters, while it also distributes single-phase electronic power meters. Since 2004, the Group extended its business to the provision of power management software systems and on-site terminal servers products to customers. The Group is licensed to manufacture three types of single-phase electronic power meters and 16 types of three-phase electronic power meters with different specifications. Electronic power meters are mainly used to measure the transfer of electricity between power stations, power companies and end users, which can be custom-made to meet different requirements and specification. The Group's production facilities are situated at High Technology Industrial Zone, Changsha City, Hunan Province, occupying a gross area of 19,850 sq. m. The Group currently operates one production line with an annual capacity of approximately 300,000 units of three-phase electronic power meters.
Price: HK\$1.12-HK\$1.60 per share Market Cap.: HK\$789 million – HK\$1,106 million FY2005E P/E: 7.0x-10.0x (pro-forma fully diluted) Adjusted NTA per share: HK\$0.43-HK\$0.56 Staffing: 973 (as of 30 th November 2005)	
HK Public Offer period: 6 th December 2005 – 9 th December 2005 noon Receiving bank: The Bank of East Asia, Limited Share registrar: Computershare Hong Kong Investor Services Limited Listing date: 19 th December 2005	

Major Shareholders after Listing (Assuming the over-allotment option is not exercised)

Mr Ji Wei, the Group's chairman and founder	68.89%
Asset Managers (China) Fund Co., Ltd.	5.28%
	<u>74.17%</u>

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Use of Proceeds

Net proceeds from the offer are estimated to be HK\$172 million – HK\$258 million.
(Assuming the over-allotment option is not exercised.)

	HK\$ million
For continuing development of the Group's products, increasing production capacity and development of multi-purpose meters.	80-116
For expanding the Group's product range via acquisitions and investment in components production.	44-65
For enhancing the Group's sales and marketing activities and distribution network services to customers	24-39
For expanding the Group's research and development capability	17-29
For working capital	7-9

Financial Highlights

	Year ended 31 st December			8 months ended 31 st August 2005
	2002 RMB '000	2003 RMB '000	2004 RMB '000	RMB '000
Sales	214,875	266,633	321,104	239,190
Gross profit	88,071	129,766	158,496	131,540
Attributable profit	29,578	63,917	82,435	63,476
Basic EPS	RMB0.062	RMB0.133	RMB0.172	RMB0.132

Strengths/Opportunities

- ✓ Production of power meters grew largely in line with electricity output in the Mainland during the past years. However, demand for power meters should not only benefit from rising electricity consumption, but it could also ride on the strong real estate market in China, as new instalments and replacement of old meters are expected to boost the demand for the Group's electronic power meter products.
- ✓ The Group began sales of data collection terminals in 2004, which helped diversify the Group's product mix. It also boosted the Group's gross profit margin to 54.99% in the first eight months this year and 49.36% in 2004 from 48.67% in 2003. The Group said it would continue the development of high-end products in order to sustain the current high profit margins in the future.
- ✓ A new production line is expected to commence operation in the first half next year, and the Group's production capacity is expected to grow to 450,000 units of three-phase electronic power meters in 2006 from the current 300,000 units.

Weaknesses/Threats

- × The Group was highly geared with a net debt-to-equity ratio of 65% as of 31st December 2004. The ratio improved slightly during the first eight months of this year but remained high at 54% as of 31st August 2005 on increase in retained earnings.

Recommendation: Trading Buy