

Powered by the stimulus package

BUY (initiating coverage)

Financial summary

Year to Dec	06A	07A	08F	09F	10F
Turnover (RMBm)	600.4	808.5	946.0	1,483.2	1,966.5
Net Profit (RMBm)	151.7	214.5	214.4	291.5	379.0
EPS (RMB)	0.220	0.290	0.263	0.352	0.449
EPS Δ%		31.8	(9.2)	33.7	27.5
P/E (x)	8.0	6.1	6.7	5.0	3.9
P/B (x)	2.12	1.18	1.03	0.85	0.72
EV/EBITDA (x)	7.8	4.2	5.5	4.3	3.2
Yield (%)	3.5	4.2	4.3	5.6	7.3
ROE (%)	25.9	23.7	16.5	18.7	19.9
ROCE (%)	21.8	21.9	15.3	17.1	17.9
N. Gear. (%)	Cash	Cash	20.5	34.0	28.7

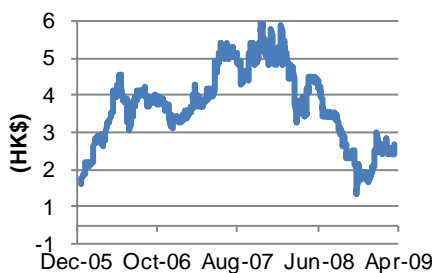
Source: SBI E2-Capital

Price Performance

	1 mth	3 mth	12 mth
Relative to HSI (%)	-13.8	+73.1	+3.4
Actual price changes (%)	-14.2	+44.2	-36.8

	08F	09F	10F
Consensus EPS (RMB)	0.326	0.396	0.458
Previous forecasts (RMBm)	n.a.	n.a.	n.a.
Previous EPS (RMB)	n.a.	n.a.	n.a.

Price Chart



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Ticker: 3393.HK
Price: HK\$1.96
Target: HK\$2.95 (+51%)

12 mth range: HK\$0.70-4.25
Market cap: US\$204.3m
Daily t/o, 3 mth: US\$0.5m
Free float %: 33.9%

Key points:

- * Increased investment budget by grid companies as part of China's economy stimulus plan.
- * RMB93b to be spent on electricity data collection systems in 2009 – 2011.
- * Competition confined within a few capable suppliers.
- * 20-25% market share for three-phase power metres and ~5% for electronic single-phase ones.
- * Estimated to capture 5-10% share of total RMB93b investment.
- * New plant to double capacities in 2009.
- * Large working capital requirement to support top line growth.
- * Projected net profit to reach RMB379.0m in FY12/10F from RMB212.9m in FY12/07A.
- * Undemanding valuation. BUY call with target price at HK\$2.95.

Summary

Increased investment budget from grid companies. State Grid Corporation of China (SGCC) and China Southern Power Grid (CSG) have both announced increased capex budget for coming 2-3 years as a response to the government's RMB4.0t stimulus package. In particular, ~RMB93b will be invested on data collection systems, which in our view, will largely stimulate demand for products like power metres, data collection terminals and power management software. As there are limited quality suppliers in the market, we expect these companies, especially those leaders, to be the major beneficiary of this movement.

Expect to capture 5% share of entire market. Wasion is a leader in three-phase power metre (20-25% market share) and has expanded its business to power management software and electric single-phase power metre (~5% market share). According to our channel checks, the company won 10 bids of total 88 in 2008 (7 rounds of bids in 4 provinces). We think, backed by its technology, brand and track record, the company has secured a solid position in the market. We expect it to obtain 5-10% share of the potential RMB93b investment in 2009 – 2011. We adopt a conservative 5% in our forecasting.

Robust growth in FY12/09F. FY12/08F results might be a bit soft due to: 1) capacity constraint; 2) depreciation expenses from the newly finished plant; 3) stabilized RMB/US\$ exchange rate in 2H (i.e. lesser foreign exchange gain from overseas procurement). The new plant commenced operation in Aug 2008 and will double Wasion's capacity by end-FY12/09F. Together with expected strong market momentum, we expect the company to achieve a remarkable growth in FY12/09F. According to our estimates, the company's net profit will increase 35.9% to RMB291.5m and, then, peak in FY12/10F at RMB379.0m.

BUY with target at HK\$2.95. Although the market will probably contract somewhat after SGCC and CSG complete constructing / upgrading their data collection systems in 2011, the current share price might still yet to factor the foreseeable prosperous market during 2009 – 2011. Our DCF model suggests a fair value of HK\$2.95 per share, which is also our target price for the counter. **BUY.**

Industry

Increasing investment on power grids as part of economic stimulus plan. China separated power generation and grid operation (廠網分家) in 2002. SGCC and CGS were established then, responsible for construction and operation of the country's electricity transmission networks in the North (26 provinces) and South (5 provinces), respectively. In order to improve transmission efficiency and power supply nationwide, the two companies have been investing heavily on power grids. Their investment during the 10th five-year plan period (2000 – 2005) reached RMB644.8b, which has further increased to RMB832.2b in 2006 – 2008. In response to the central government's RMB4.0t economy stimulus package released recently, both SGCC and CSG have revised up their investment budgets for coming 2-3 years, implying increasing demand for related equipment and products.

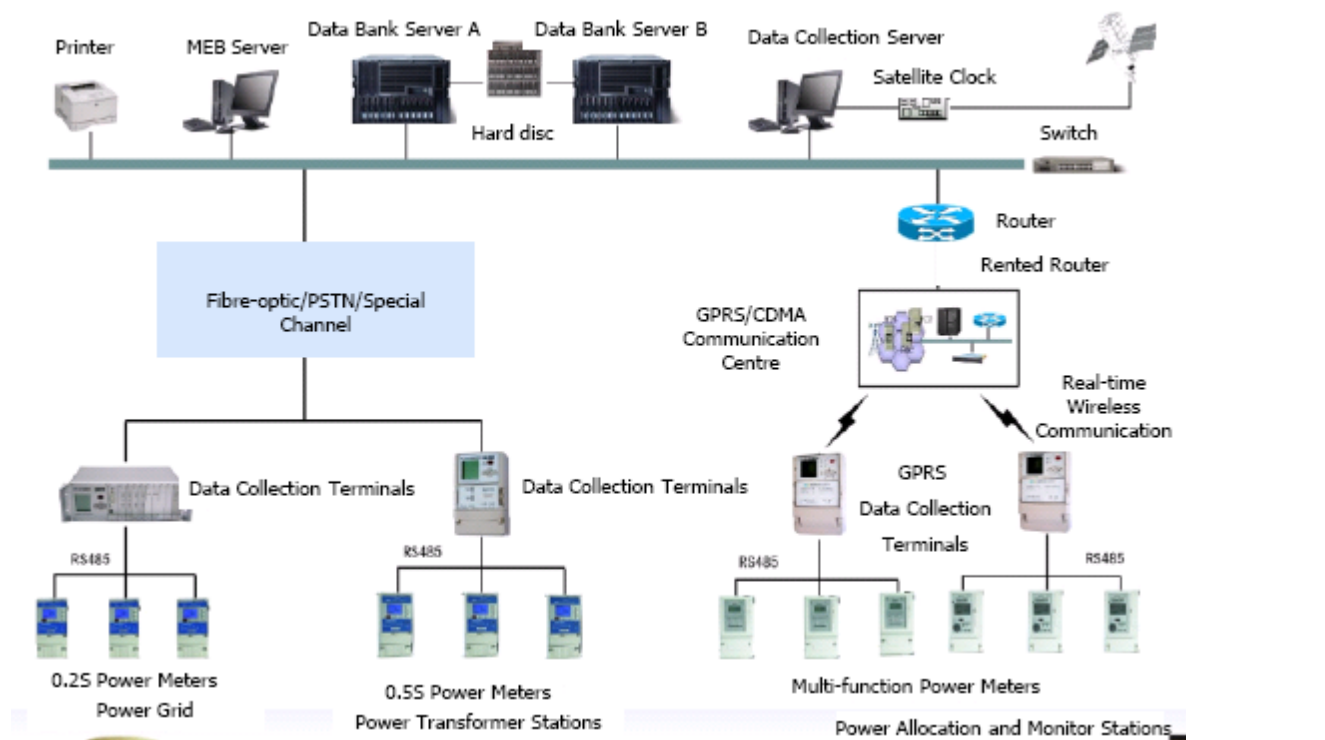
Table 1: Fixed assets investments from grid companies

(RMBb)	2000 - 2005	2006	2007	2008	Future plan
SGCC	512.5	189.3	225.4	252.0	RMB1,000bn+ in 2-3 years (previous: RMB550b in two years)
CSG	132.6	47.1	53.7	64.7	~RMB102b in 2009 and ~RMB130b in 2010

Source: SGCC, CSG, compiled by SBI E2-Capital

RMB93b to be spent on power data collection products in 2009 – 2011. Power data collection system, formed usually by power metres, data collection terminals and management software, is used to measure and manage electricity consumption. It is reported that SGCC plans to invest ~RMB80b out of the total RMB1,000b+ budget on data collection system, including ~RMB47b on power metre. We reckon that CSG should have some similar plan with an estimated overall investment size of ~RMB13b. Hence, the potential size of this sub-market could be as much as RMB93b during 2009 – 2011.

Chart 1: Power data management and measurement system



Source: Company data

Limited number of quality suppliers in the market. In 2005, there were over 3,300 enterprises engaged in producing electrical instrument in China with a total capacity of 80m+ units (sets), including 60m power metres. Nevertheless, we believe only few of them are capable to obtain orders from grid companies. Entry barriers, in our view, stand on: 1) R&D facilities to upgrade / release products continuously; 2) system integration ability to provide solution instead of individual product; 3) proven track record and established relationship with grid companies. SGCC and CSG normally procure data collection products via public biddings at provincial level. Our channel checking shows that orders (7 rounds of bids in 4 provinces) were shared by 31 companies across the country.

Table 2: Survey of bidding results*

Company	Bid won (times)	Products involved
Wasion	10	single- / three-phase power metre, management terminal
Ningbo Sanxing	8	single- / three-phase power metre
Shenzhen Clou	7	three-phase power metre, test device / calibrator, management terminal
Hangzhou Hualong	6	single- / three-phase power metre
Jiangsu Linyang	5	single-phase power metre
Star Power	5	single- / three-phase power metre, test device / calibrator
Holley Metre	4	single-phase power metre
Wuzhou Minovo	4	single- / three-phase power metre
Others	39	
Total	90	

Source: compiled by SBI E2-Capital

Note: note: total 7 rounds of bidding in Shandong (4), Jiangxi (1), Guizhou (1) and Qinghai (1)

Company

Broaden product portfolio. Headquartered in Changsha, Hunan province, Wasion used to focus on manufacturing three-phase power metres. In 2004, the company expanded its business to develop power management software and on-site terminal server products. Later, via an acquisition of Hunan Weike in Apr 2007, the company strengthened its presence in single-phase area. It now has three main business lines: three-phase power metre (for industrial users), single-phase power metre (for residential customers) and data collection terminals (incl. electricity management software). In 1H FY12/08A, the three segments accounted for 51.7%, 23.1% and 25.2% of the total RMB345.5m revenue, respectively.

Expanding capacities. Production facilities are located in Changsha. Existing capacities has been almost fully utilized, according to the management. The company is building a new manufacturing base (“Wasion Science and Technology Park”). Phase I construction has been completed and operation commenced in Aug 2008, which will double the company’s total capacity in 2009.

Table 3: Capacity expansion

Year to Dec (units ‘000)	07A	08A	09F
Single-phase power metre	2,000.0	3,000.0	5,000.0
Three-phase power metre	600.0	900.0	2,000.0
Data collection terminal	80.0	120.0	500.0

Source: Company data

Well positioned to benefit from prosperous market. Wasion is regarded as the No. 1 brand for three-phase power metres in China. Three-phase power metres are mainly used by industrial customers, who are keen on accuracy and reliability. There are only few competitive suppliers in the country and, therefore, this type of products usually carries high gross margin (40%+). Leveraged by knowledge and experiences in this area, together with its exposure to single-phase power metre, data collection terminals and power management software, we believe the company will be able to maintain a solid market position. According to the management, Wasion currently owns 20-25% market share for three-phase power metres and ~5% for electronic single-phase ones. Meanwhile our channel checking shows the company won 10 bids of total 88 in 2008. Overall, we estimate it will probably gain 5-10% share of the entire ~RMB93b investment on power data collection products.

Outstanding profitability among peers group. We construct peers group with four A-share companies together with Wasion. Wasion reported the highest gross and net margins in the past three years (FY12/05A – FY12/07A), which should be attributed to its concentration on three-phase power metres. The closest comparable is Shenzhen Clou, which used to produce testing instruments. Given the small number of quality suppliers in the market, we expect the competition will remain at a moderate level.

Table 4: Peers comparison

	Wasion	Star Power	Shenzhen Clou	Holley Metre	Wuzhou Minovo
Ticker	3393 HK	000676 CH	002121 CH	600097 CH	600873 CH
Turnover (RMBm)					
FY12/07A	808.5	878.0	344.5	213.7	690.5
FY12/06A	600.4	814.5	216.7	313.4	512.0
FY12/05A	445.6	815.3	166.0	336.9	401.4
Turnover growth (%)					
FY12/07A	34.7	7.8	59.0	(31.8)	34.9
FY12/06A	34.7	(0.1)	30.6	(7.0)	27.6
Gross margin (%)					
FY12/07A	47.4	20.2	39.1	20.1	22.1
FY12/06A	46.2	22.2	39.5	26.0	25.0
FY12/05A	52.8	19.9	43.5	22.0	23.2
Net margin (%)					
FY12/07A	26.3	3.6	21.8	1.7	1.7
FY12/06A	25.3	3.9	16.5	3.5	1.9
FY12/05A	26.0	3.8	12.9	3.8	1.7

Source: Bloomberg

Exploring overseas market. Weisheng Import and Export was established in Jul 2007, responsible for the overseas market. The company has developed cooperative relationships with more than ten countries. Export accounted for 9.3% of total sales in 1H FY12/08A.

Outlook

Capacity bottleneck in FY12/08F. The market in 2008 was relatively quiet, partly due to the earthquake and Beijing Olympic Games. On the company side, capacity constraint restricted top line growth. Turnover went up 18.4% in 1H FY12/08A to RMB345.5m, comprising RMB178.7m (up 3.2%) from three-phase metre, RMB79.7m (up 71.5%) from single-phase metre (acquisition of Hunan Weike in Apr 2007) and RMB84.1m (up 16.4%) from data collection terminals and power management systems. Although the new plant launched operation in Aug, contribution should be quite minimal. We reckon capacities should still be tight in 2H.

Major growth in 2009 – 2011. We expect the company's growth to accelerate in FY12/09F, backed by the grid companies' huge investment. We define our base case by assuming the total RMB93b investment will be spent out within three years (2009 – 2011) and Wasion will have 5.0% market share. In a bull case scenario, Wasion's market occupancy is assumed to enlarge to 10.0%. And in the bear case scenario, grid companies are assumed to need five years (2009 – 2012), instead of three years, to complete the whole investment. For any scenario, we believe market will shrink following this round of investment by the grid companies. Replacement demand, thereafter, will become the mainstream.

Table 5: Sensitivity Analysis

	09F	10F	11F	12F	13F	14F
Base case scenario						
Demand (RMBb)	28.0	37.3	28.0	18.7	19.2	19.8
Wasion's market share (%)	5.0	5.0	5.0	5.0	5.0	5.0
Bull case scenario						
Demand (RMBb)	28.0	37.3	28.0	18.7	19.2	19.8
Wasion's market share (%)	10.0	10.0	10.0	10.0	10.0	5.0
Bear case scenario						
Demand (RMBb)	18.2	18.7	19.3	19.9	20.4	18.7
Wasion's market share (%)	5.0	5.0	5.0	5.0	5.0	5.0

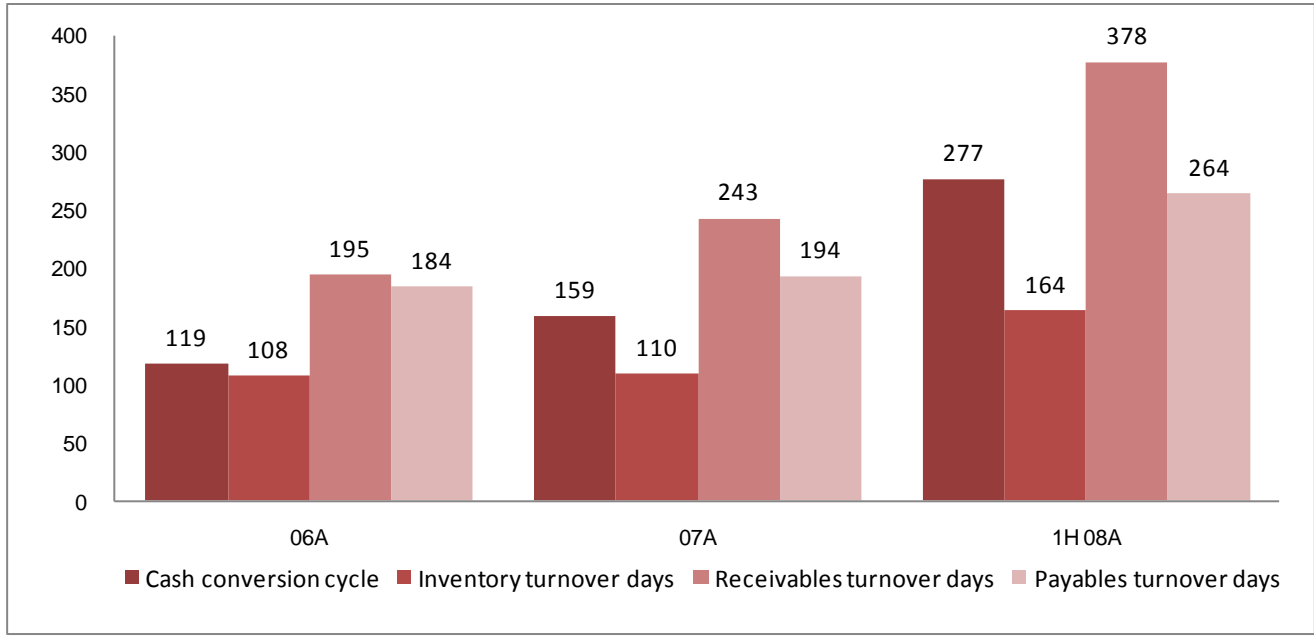
Source: SBI E2-Capital

Attention to avoid over-expansion. The new plant will double the company's production capacities in FY12/09F, which should be sufficient to host the expected growth. Although capacities shortage is still possible in peak season or our bull case model, a further expansion is unnecessary, in our view, given the foreseeable market contraction thereafter. A potential solution is to concentrate on high-end products while outsourcing low-end ones.

Heavy working capital requirement. The company's operation carries very high working capital requirement because of: 1) relatively long credit period (3-6 months, extendable subject to negotiation) granted to major clients

(i.e. SGCC and CSG); 2) tight production capacity, prolonging delivery period (revenue is recognized throughout the whole delivery period while 90% payment is received 2-3 months after the final delivery). Cash conversion cycle was 160 days in FY12/07A (280 days in 1H FY12/08A). Although default risk associated is relatively low (RMB1.2m impairment loss for bad and doubtful debt in FY12/07A on total RMB686.4m receivables), given SGCC and CSG's solid background, working capital management is still critical to support top line expansion. We reckon the company may need external resource in FY12/09F to finance its working capital need.

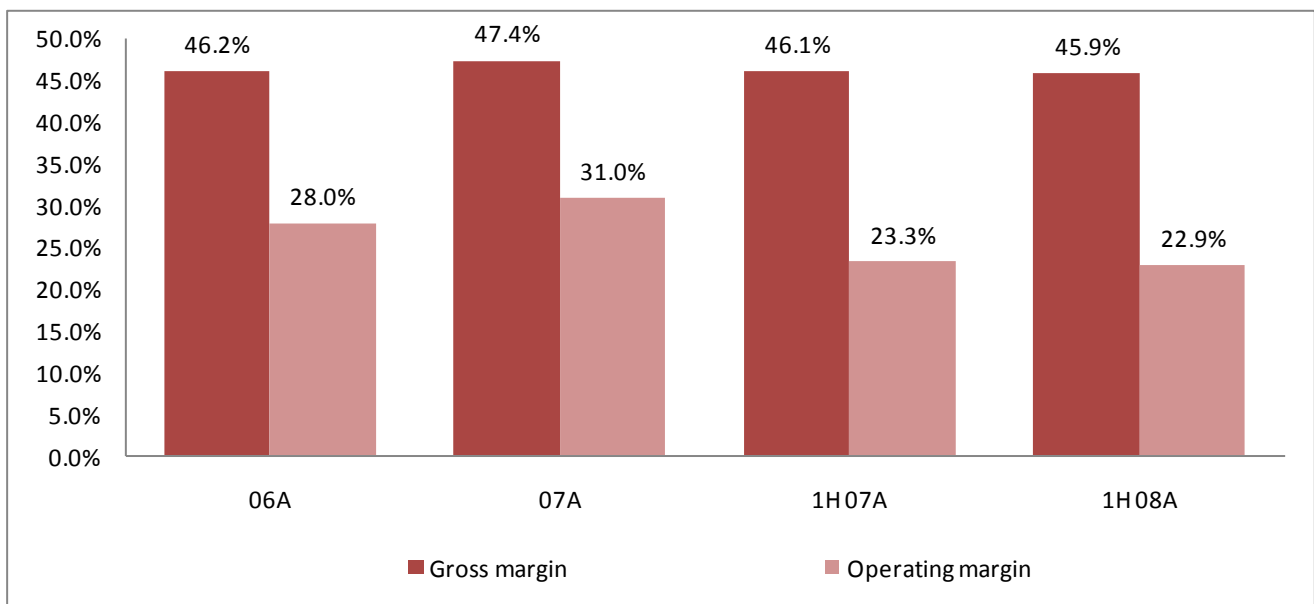
Chart 2: Cash conversion cycle (days)



Source: Company data

Squeezing margins, but still healthy. Gross margin was relatively stable in 1H FY12/08A at 45.9% (1H FY12/08A: 46.1%). However, we expect it to step down due to higher depreciation cost from the new plant (~RMB45m each year based on total ~RMB500m capex) and product mix change (more contribution from single-phase metre, especially in FY12/08F). Operating margin will be affected also by foreign exchange gain, which arises from overseas procurement during renminbi appreciation. The company registered RMB10.9m net foreign exchange gain in 1H FY12/08A (FY12/07A: RMB15.0m). After the stabilization in RMB/US\$ exchange rate, this gain might no longer exist in 2H.

Chart 3: Margins trend



Source: Company data

Preferential tax treatment. Effective tax rate rose 2.8pcp in 1H FY12/08A to 6.1% and the management guided it at ~9% for the full year. The company has been recognized as high-tech enterprise and entitled a preferential tax

rate of 15%. Although the entitlement is subject to a yearly assessment, the management believes it is sustainable given the company's solid industry position.

Earnings to shoot up in FY12/09F and FY12/10F. As the new plant started depreciation in Aug 2008, plus nil foreign exchange gain for 2H, we expect net profit to decline 3.8% in 2H FY12/08F to RMB148.1m based on 16.2% growth in top line to RMB600.5m (full-year: turnover up 17.0% to RMB946.0m and net profit up 0.7% to RMB214.4m). Growth will turn strong in FY09/12F with net profit surging 35.9% to RMB291.5m, followed by another 30.0% jump in FY12/10F to RMB379.0m.

Table 6: P & L

Year to Dec (RMBm)	06A	07A	08F	09F	10F	11F	12F
Turnover	600.4	808.5	946.0	1,483.2	1,966.5	1,509.8	1,054.1
Domestic market			882.0	1,400.0	1,866.7	1,400.0	933.3
Export			64.0	83.2	99.8	109.8	120.8
Cost of sales	(323.2)	(425.1)	(500.7)	(798.0)	(1,066.1)	(830.0)	(595.8)
Gross profit	277.3	383.4	445.3	685.2	900.4	679.8	458.3
Other revenue	7.2	24.1	18.5	3.0	4.2	4.7	3.5
Administrative expenses	(53.8)	(70.5)	(86.2)	(122.7)	(151.0)	(125.8)	(100.9)
Selling expenses	(50.6)	(68.5)	(89.9)	(140.9)	(186.8)	(143.4)	(100.1)
Research and development expenses	(12.1)	(17.8)	(23.6)	(37.1)	(49.2)	(37.7)	(26.4)
Operating profit	167.9	250.6	264.1	387.6	517.6	377.5	234.5
Finance costs	(9.5)	(17.2)	(28.4)	(60.0)	(82.0)	(60.5)	(21.0)
Profit before taxation	158.4	233.4	235.7	327.6	435.6	317.0	213.5
Income tax expenses	(6.7)	(20.5)	(21.2)	(36.0)	(56.6)	(47.6)	(32.0)
Net profit	151.7	212.9	214.4	291.5	379.0	269.5	181.5

Source: Company data, SBI E2-Capital

Valuation

Steep valuation discount to peers. The counter is trading at 6.7x one-year forward P/E, representing a 70.9% discount to Shenzhen Clou, its closest peer. Comparably, the valuation spread between A-share (represented by Shanghai SE Composite Index) and Hong Kong-listed Chinese companies (represented by Hang Seng China Enterprises Index) is 45.8% (17.6x versus 9.5x).

Table 7: Valuation comparison

Company	Ticker	Market cap. (US\$m)	Fiscal Yr-end	Historical P/E (x)	1-Yr forward P/E (x)	2-Yr forward P/E (x)	ROE (%)	P/B (x)
Wasion	3393 HK	207.4	12/2007	6.1	6.7	5.0	23.7	1.2
Star Power	000676 CH	175.3	12/2007	37.4	n.a.	n.a.	6.9	2.6
Shenzhen Clou	002121 CH	385.9	12/2007	34.4	23.0	14.2	26.8	6.7
Holley Metre	600097 CH	457.2	12/2007	488.8	n.a.	n.a.	2.0	9.9
Wuzhou Minovo	600873 CH	99.6	12/2007	58.9	n.a.	n.a.	5.5	3.1
Average				154.9	23.0	14.2	10.3	5.6

Source: Bloomberg, SBI E2-Capital

Fair value derived from DCF model. We employ a two-stage DCF model to calculate the company's fair value. In the base case scenario, the first stage is from FY12/08F to FY12/11F, where the company is expected to record abnormal growth, and the second stage will start from FY12/11F, when the market shrinks to a normal level and top line will grow at a perpetuity growth rate of 3.0%. By using a 11.6% discount rate, we derive a fair value of HK\$2.95 per share at end-FY12/09F, with HK\$6.01 in the bull case scenario and HK\$2.60 in the bear case scenario.

Table 8: DCF model

Year to Dec	08F	09F	10F	11F	12F	13F	14F	15F
Base case scenario								
Revenue (RMBm)	946.0	1,483.2	1,966.5	1,509.8	1,054.1	1,085.7	1,118.3	1,151.8
YoY growth (%)		56.8	32.6	(23.2)	(30.2)	3.0	3.0	3.0
Bull case scenario								
Revenue (RMBm)	946.0	2,883.2	3,833.1	2,909.8	1,987.4	2,047.1	2,108.5	2,171.7
YoY growth (%)		204.8	32.9	(24.1)	(31.7)	3.0	3.0	3.0
Slow-execution scenario								
Revenue (RMBm)	946.0	991.6	1,035.5	1,073.6	1,113.5	1,146.9	1,061.5	1,093.3
YoY growth (%)		4.8	4.4	3.7	3.7	3.0	(7.4)	3.0
Discount rate (%)								
Risk-free rate (%)		11.6						
Risk premium (%)		3.6						
		8.0						
Fair value per share (HK\$)								
Base case scenario		2.95						
Bull case scenario		6.01						
Slow-execution scenario		2.55						

Source: SBI E2-Capital

Four-year cash value at HK\$1.58. Assuming the company's operation will terminate immediately after FY12/11F (the last year of large-scale investment on power data collection systems in the Base case scenario), the discounted value of cash outflow is HK\$1.58 per share at end-FY12/09F (dividend payout ratio: 32.5%, terminal value includes both net cash and working capital).

Table 9: Discount of four-year cash outflow

Year to Dec	08F	09F	10F	11F
Dividend paid (RMBm)	68.3	72.4	94.7	123.2
Net asset value (RMBm)				2,241.9
Net cash (RMBm)				54.8
Working capital (RMBm)				1,284.7
Discount rate (%)				
		11.6		
Discounted value per share (HK\$)				
		1.58		

Source: SBI E2-Capital

Target at HK\$2.95. We pick the fair value of HK\$2.95 in the base case scenario as our target price for the counter. The HK\$1.58 four-year cash value can somewhat reflect the downside risk. **BUY.**

Risks

Government-oriented investment. We regard policy risk as one of the major uncertainties. Both SGCC and CSG review and amend their investment plans under the government's instructions. This risk should be low in short term given the government's intention to stimulate economy.

Capacity constraint. Although the company is building new production facilities, capacity constraint could still be an issue during peak season. This possibility is relatively high. However, we are against over-expansion with foreseeable market contraction ahead. Outsourcing could be a helpful supplement to ensure the company will not miss business opportunity.

Financing. Bank support will be needed to finance working capital requirement. This risk that the company cannot obtain sufficient credit is medium.

Tax rate. The company might no longer be able to receive preferential tax treatment. This risk is low given its leading industry position.

Appendix I. Corporate activities

Table 10: Corporate activities

Time	Activities
Apr 08	Acquired Hunan Weiming (production and sale of electronic water and gas metre) at no more than RMB150m.
Sep 07	Issued 459.9m new shares at HK\$4.56 per share.
Apr 07	Acquired Hunan Weike (production and sale of electronic power metre) at no more than RMB210m.
Dec 05	Listed in HK exchange via a global offering at HK\$1.13 per share.

Source: compiled by SBI E2-Capital

Appendix II. Bidding results

Table 11: Shandong's 3rd round centralized procurement bidding in 2008 (data collection part)

Product category	Winners
单相电子式 485 接口电能表	宁波三星 杭州百富华隆 浙江华立 江苏林洋 五洲明珠 淄博齐林 深圳泰瑞捷
电子式单相普通表	浙江华立 宁波三星 长沙威胜 江苏林洋 淄博齐林 山东佳衡
电子式单相复费率表	宁波三星 深圳泰瑞捷
电子式三相普通电能表	宁波三星 杭州百富华隆
电子式三相复费率表	长沙威胜 宁波三星
电子式三相低压多功能	厦门红相电力 长沙威胜
带 GPRS/CDMA 输出模块的电子式三相多功能表	长沙威胜
电子式三相预付费电能表	五洲明珠
单相多功能电能表检定装置	河南思达高 郑州三晖电气
三相多功能电能表检定装置	河南思达高

Source: compiled by SBI E2-Capital

Table 12: Shandong's 6th round centralized procurement bidding in 2008 (data collection part)

Product category	Winners
单相预付费电能表	五洲明珠 宁波三星 长沙威胜
低压三相多功能（带预付费）电能表	长沙威胜 五洲明珠
高压三相多功能电能表	深圳泰瑞捷 宁波三星
高压客户需求侧终端	深圳科陆 青岛高科通信 山东许继科华
公变出口需求侧终端	杭州百富 青岛高科通信 山东许继科华
变电站需求侧终端	上海协同科技 积成电子 长沙威胜

Source: compiled by SBI E2-Capital

Table 13: Shandong's 7th round centralized procurement bidding in 2008 (data collection part)

Product category	Winners
0.05 级三相电能表现场校验仪	河南思达高
0.1 级三相电能表现场校验仪	河南思达高
0.2 级单相电能表现场校验仪	深圳科陆电子
相位伏安表	河南思达高
检定装置综合检定仪	深圳科陆
单、三相电能表耐压装置	西安双英
互感器现场检定设备	深圳科陆
带电 CT 测试仪	秦皇岛海纳电测仪器
互感器现校仪	武汉华瑞
无线压降测试仪	武汉华瑞
低压电流互感器	太原优特奥科
	秦皇岛海纳电测仪器
	淄博新锐电器

Source: compiled by SBI E2-Capital

Table 14: Shandong's 10th round centralized procurement bidding in 2008 (data collection part)

Product category	Winners
单相电能表	宁波三星

Source: compiled by SBI E2-Capital

Table 15: Jiangxi's 1st round centralized procurement bidding in 2008 (power metre)

Product category	Winners
关口电能表（主表）	北京煜邦
	亿缔迈(上海)
	埃尔斯特计量仪表(上海)
关口电能表（副表国产）	深圳科陆
	珠海国测
	深圳浩宁达
关口电能表（考核关口用）	北京煜邦
	兰吉尔表计（珠海）
三（四）相多功能网络电能表	杭州百富华隆
	深圳科陆
	深圳浩宁达
三（四）相多功能电能表	深圳浩宁达
	珠海国测
	长沙威胜
三（四）相电子式有功电能表	珠海国测
三（四）相电子式有无功组合电能表	南京宇能
普通单相电子式电能表（脉冲）	江苏林洋
	杭州百富华隆
	浙江华立
普通单相电子式电能表（RS485）(前四名)	江西新元
	江苏林洋
	杭州百富华隆
	浙江华立
	江西新元
普通单相电子式电能表（上进下出）	江苏林洋
	上海金陵
	南京宇能

Source: compiled by SBI E2-Capital

Table 16: Guizhou's 3^d round centralized procurement bidding in 2008 (data collection part)

Product category	Winners
02.S 级及以下电能表电能表柜设备	厦门红相
电能量采集装置设备	长沙威胜

Source: compiled by SBI E2-Capital

Table 17: Qinghai's 5th round centralized procurement bidding in 2008 (data collection part)

Product category	Winners
预付费电度表	长沙威胜
单相电度表	上海金陵

Source: compiled by SBI E2-Capital

P & L (RMBm)	06A	07A	08F	09F	10F	Cash Flow (RMBm)	06A	07A	08F	09F	10F
Year to Dec						Year to Dec					
Turnover	600.4	808.5	946.0	1,483.2	1,966.5	EBIT	163.1	243.1	259.5	384.6	513.4
% chg		34.7	17.0	56.8	32.6	Depre./amort.	20.9	36.9	52.4	75.2	96.2
Gross profit	277.3	383.4	445.3	685.2	900.4	Net int. paid	(4.3)	(10.1)	(23.8)	(57.0)	(77.8)
EBITDA	184.0	280.1	311.9	459.8	609.6	Tax paid	(6.7)	(6.9)	(21.6)	(26.8)	(43.8)
Depre./amort.	(20.9)	(36.9)	(52.4)	(75.2)	(96.2)	Dividends received					
EBIT	163.1	243.1	259.5	384.6	513.4	Gross cashflow	173.0	263.1	266.5	376.0	488.0
Net int. income/(exp.)	(4.6)	(8.2)	(23.8)	(57.0)	(77.8)	Chgs. in working cap.	(147.2)	(199.1)	(237.9)	(456.6)	(410.6)
Exceptionals						Operating cashflow	25.8	63.9	28.6	(80.6)	77.4
Associates						Capex	(68.2)	(180.0)	(460.2)	(171.5)	(36.7)
Jointly-controlled entit.						Free cashflow	(42.4)	(116.1)	(431.7)	(252.1)	40.7
Pre-tax profit	158.4	235.0	235.7	327.6	435.6	Dividends paid	(38.8)	(49.3)	(68.3)	(72.4)	(94.7)
Tax	(6.7)	(20.5)	(21.2)	(36.0)	(56.6)	Net distribution to MI					
Minority interests	0.0	0.0	0.0	0.0	0.0	Investments					
Net profit	151.7	214.5	214.4	291.5	379.0	Disposals					
% chg						New shares	0.0	483.0	(5.4)	110.0	0.0
Dividends	(38.8)	(49.3)	(68.3)	(72.4)	(94.7)	Change in loans					
Retained earnings	112.9	165.2	146.2	219.1	284.2	Others	3.4	(44.3)	(100.9)	(49.9)	39.3
EPS (HK\$) - Basic	0.220	0.290	0.263	0.352	0.449	Net cashflow	(77.9)	273.4	(606.1)	(264.4)	(14.8)
EPS (HK\$) - F.D.	0.210	0.280	0.256	0.352	0.449	Net (debt)/cash - Beg.	143.8	66.0	339.3	(266.8)	(531.2)
DPS (HK\$)	0.070	0.084	0.086	0.112	0.146	Net (debt)/cash - End.	66.0	339.3	(266.8)	(531.2)	(546.0)
No. sh.s o/s (m) - W.A.	704.2	734.8	814.8	828.5	844.5	Interim Results (HK\$m)	05A	06A	07A		
No. sh.s o/s (m) - Y.E.	704.2	816.9	812.6	844.5	844.5	Six months to Jun					
No. sh.s o/s (m) - F.D.	708.5	752.1	837.7	828.5	844.5	Turnover		291.7	345.5		
Margins (%)						% chg			18.4		
Gross	46.2	47.4	47.1	46.2	45.8	Profit from operations		67.9	79.1		
EBITDA	30.6	34.6	33.0	31.0	31.0	Interest expenses		(6.9)	(8.4)		
EBIT	27.2	30.1	27.4	25.9	26.1	Associates					
Pre-tax	26.4	29.1	24.9	22.1	22.2	Jointly-controlled entit.					
Net	25.3	26.5	22.7	19.7	19.3	Pre-tax profit		61.0	70.7		
						Tax		(2.0)	(4.3)		
						Minority interests		0.0	0.0		
						Net profit		59.1	66.4		
						% chg			12.4		
						EPS (HK\$) - Basic		0.084	0.081		
						DPS (HK\$)		291.7	345.5		
Balance Sheet (RMBm)	06A	07A	08F	09F	10F	Shareholding Structure				Shares o/s (m)	%
Year to Dec						Ji Wei				467.9	57.6
Fixed assets	139.8	230.1	585.6	717.7	694.0	Others				345.0	42.4
Intangible assets	60.0	259.0	359.9	324.1	288.4	Total				812.9	100.0
Other LT assets	0.0	0.0	17.0	17.0	17.0	Background					
Cash	229.7	590.1	261.3	326.2	520.4	Wasion is a leading manufacturer of electricity data collection products in China. Headquartered in Changsha, the company employs over 2,500 staffs and has set up a national sales / service network (2005: 25 liaise offices). Major products include three-phase power metre, single-phase power metre, data collection terminals and power management software.					
Accounts receivable	393.6	684.3	937.6	1,470.1	1,949.1	Key Ratios	06A	07A	08F	09F	10F
Other receivables						Net gearing (%)	Cash	Cash	20.5	34.0	28.7
Inventories	106.6	149.9	183.0	291.6	389.6	Net ROE (%)	25.9	23.7	16.5	18.7	19.9
Due from related co.s	0.0	0.0	30.9	0.0	0.0	EBIT ROCE (%)	21.8	21.9	15.3	17.1	17.9
Other current assets	0.0	2.1	2.7	2.7	2.7	Dividend payout (%)	4.0	4.8	4.9	6.4	8.3
Total assets	929.6	1,915.6	2,378.0	3,149.4	3,861.1	Effective tax rate (%)	4.2	8.7	9.0	11.0	13.0
Accounts payable	(174.6)	(277.2)	(310.7)	(495.2)	(661.6)	Net interest coverage (x)	35.3	29.8	10.9	6.7	6.6
Other payable						A/R turnover (days)	239.2	243.3	312.9	296.3	317.3
Tax payable	(4.8)	(12.8)	(13.2)	(22.4)	(35.3)	A/P turnover (days)	106.1	102.0	113.4	99.2	107.4
Due to related co.s	0.0	(129.6)	(110.5)	0.0	0.0	Stock turnover (days)	120.4	110.1	121.3	108.6	116.6
ST debts	(163.7)	(208.8)	(375.0)	(735.0)	(974.5)						
Other current liab.											
LT debts	0.0	(42.0)	(153.0)	(122.4)	(91.8)						
Other LT liabilities	(0.7)	(21.9)	(32.5)	(32.5)	(32.5)						
Total liabilities	(343.7)	(692.3)	(995.0)	(1,407.6)	(1,795.7)						
Share capital	7.3	8.4	8.4	8.7	8.7						
Reserves	578.5	1,214.9	1,374.6	1,733.1	2,056.7						
Shareholders' funds	585.9	1,223.3	1,383.0	1,741.8	2,065.4						
Minority interest	-	-	-	-	-						
Total	585.9	1,223.3	1,383.0	1,741.8	2,065.4						
Capital employed	749.6	1,474.1	1,911.1	2,599.2	3,131.7						
Net (debt)/cash	66.0	339.3	(266.8)	(531.2)	(546.0)						

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