

China Suntein (956.HK)

Wind power business growth is worth expecting

Hong Kong | New Energy | Update Report

16 April 2015

Results met the expectation

The annual revenue of company in 2014 reported RMB 5.149 billion Yuan, up 10.5%; the gross profit was RMB 1.296 billion Yuan and the gross margin was 25.1% which declined by 6 ppts from a year earlier. The profit belonging to the company shareholder was 335 million Yuan, down 27.1% yoy, and the earning per share was RMB 0.09 Yuan. The company results were basically in line with the expectation.

Natural gas business remained stable

The sales revenue of natural gas in 2014 was RMB 3.903 billion Yuan, up 17.3 % yoy; the gross margin was 16.5%, down by 3.3 ppts yoy, which was mainly because of the gas price rising. The wholesale gas volume was up 10.8% yoy while the retail gas volume dropped by 7.5%. There will be more newly-built pipelines putting into gas transportation in the future and the wholesale gas volume may increase further, however, the retail gas volume may decrease because of the weaker economy this year. We think that the profits of natural gas business will basically maintain present level in the next two years.

Wind power business is worth expecting

The income of wind power business of the company in 2014 was RMB 1.246 billion Yuan, which was down 6.6% yoy; the main reason of the decline was the poor condition of wind resources in 2014. Holding installed capacity has reached 1696.8 trillion watts, which has added by 251.5 trillion watts. There are 548.5 trillion watts of projects under construction, which are estimated to be completed in succession in the second half of 2015. The annual utilization hours of 2014 were 1996, decreasing by 316 hours compared to that of 2013. Considering the situation of wind power in the first quarter of 2015, the utilization hours of this year will rise; and wind power business will be the major driving force of result growth.

Valuation

Though the result of the company in 2014 was not good, the time-racing installation of wind power guarantees result growth in the next two years. Under the ideal external conditions that wind resources have been improved and that the rate of abandoned wind has declined, the result of the company will be significantly improved. We have raised the target price of the coming 12 months to 2.82 HKD, which is equal to 20 times of expected earnings in 2015, "buy" rating. (Closing price as at 14 April 2015)

Buy (Maintain)

CMP HKD 2.09
(Closing price as at 14 April 2015)
TARGET HKD 2.82

COMPANY DATA

O/S SHARES(MN) :	1839
MARTKET CAP (HKD BN) :	38.62
52-WK HI/LO (HKD) :	1.48 3.00

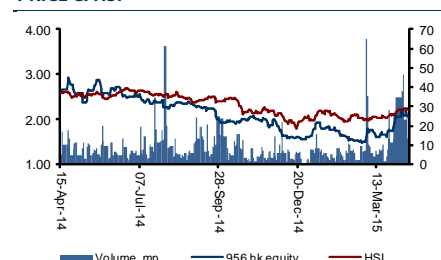
SHARE HOLDING PARTTEN , %

Hebei Construction & Investment Group Co., Ltd	50.50
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PRICE PERFORMANCE , %

	1MTH	3MTH	1YR
956HK	29.01	16.76	-21.13
HSI	13.32	3.58	-42.7

PRICE & HSI



Source: Phillip Securities (HK) Research

Key Financial Summary

FYE	12/13	12/14	12/15F	12/16F
Operating Profit (RMB 000)	1,216,282	1,092,551	1,191,765	1,363,074
Net Profit, adj. (RMB 000)	459,516	335,053	414,861	524,950
EPS, adj. (RMB)	0.14	0.09	0.11	0.14
P/E (X)	11.8	18.3	15.0	11.8
BV/PS (RMB)	1.82	2.00	2.11	2.23
P/B (X)	0.9	0.8	0.8	0.7
DPS (RMB)	0.05	0.03	0.04	0.05
Div. Yield	3.0%	1.8%	2.4%	3.0%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

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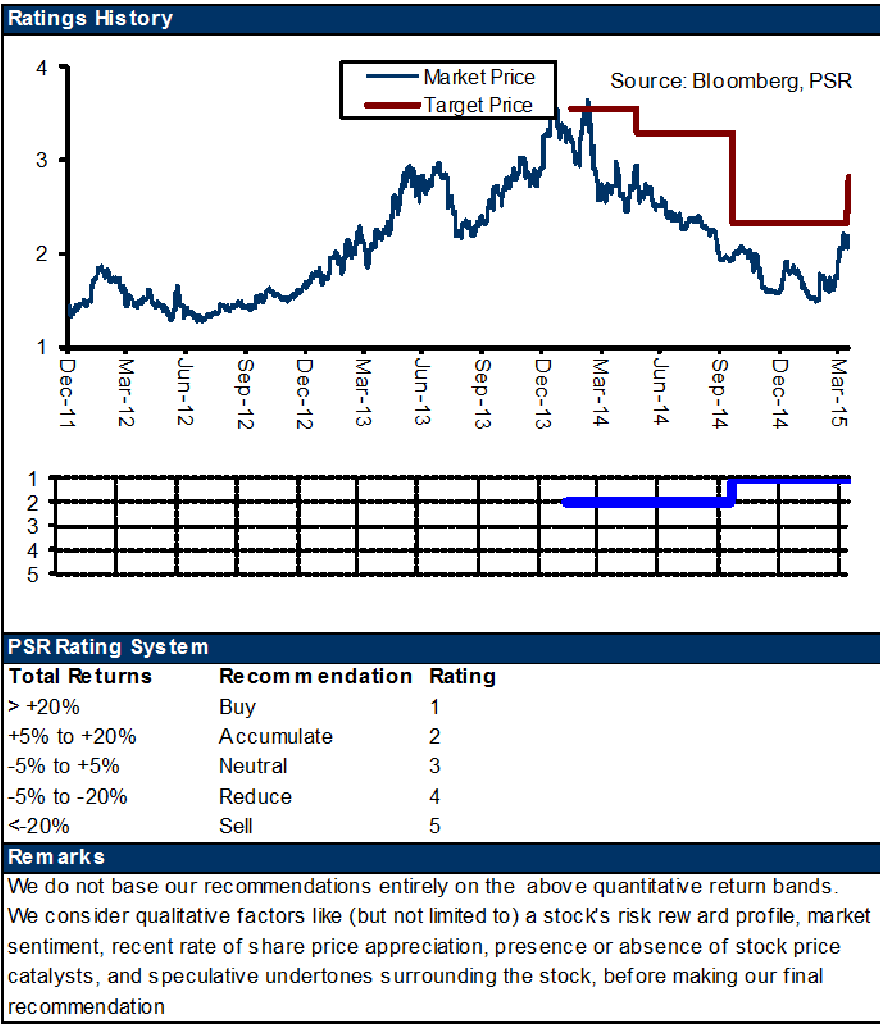
Financials

For Financial Summary at the end of report

FYE	FY12	FY13	FY14	FY15F	FY16F
Valuation Ratios					
P/E (X)	9.7	11.8	18.3	15.0	11.8
P/B (X)	1.0	0.9	0.8	0.8	0.7
Dividend Payout ratio	11.76%	35.71%	33.33%	36.36%	35.71%
Dividend Yield	1.21%	3.03%	1.82%	2.42%	3.03%
Per share data (RMB)					
EPS, reported	0.17	0.14	0.09	0.11	0.14
EPS, adj.	0.17	0.14	0.09	0.11	0.14
DPS	0.02	0.05	0.03	0.04	0.05
BVPS	1.70	1.82	2.00	2.11	2.23
Growth					
Revenue	16.8%	25.9%	10.5%	15.0%	20.0%
Operating income	22.2%	14.0%	-10.2%	9.1%	14.4%
Net Income, adj.	22.5%	-16.4%	-27.1%	23.8%	26.5%
Key Ratios					
Current ratio	106.44%	113.79%	150.99%	140.21%	128.65%
Gross profit margin	33.45%	31.31%	25.17%	24.00%	23.00%
Net profit margin	14.85%	9.86%	6.51%	7.01%	7.39%
Return on average assets	3.75%	2.71%	1.72%	1.86%	2.20%
Return on average equity	10.20%	7.66%	5.03%	5.49%	6.58%
Liability/asset	56.61%	59.19%	59.45%	60.30%	61.20%
Income statement (thousand RMB)					
Operating revenue	3,702,079	4,660,919	5,149,432	5,919,847	7,105,740
Cost of good sell	(2,463,732)	(3,201,802)	(3,853,539)	(4,499,084)	(5,471,420)
Gross profit	1,238,347	1,459,117	1,295,893	1,420,763	1,634,320
Other net profit	77,942	31,079	56,118	56,118	56,118
Administrative expenses	(194,523)	(238,549)	(255,441)	(280,985)	(323,133)
Selling expenses	(505)	(1,060)	(388)	(500)	(600)
Other cost	(54,137)	(34,305)	(3,631)	(3,631)	(3,631)
Operating profit	1,067,124	1,216,282	1,092,551	1,191,765	1,363,074
Investment income	89,937	39,912	68,703	68,703	68,703
Interest expense	(353,623)	(423,890)	(486,643)	(509,639)	(560,603)
Profit before tax	803,438	832,304	674,611	750,829	871,174
Income tax	(7,415)	(157,502)	(176,281)	(172,691)	(182,947)
Effective income tax rate	0.92%	18.92%	26.13%	23.00%	21.00%
Net profit for the period	796,023	674,802	498,330	578,138	688,227
Minority interest	246,322	215,286	163,277	163,277	163,277
Net profit attributable to equity holders	549,701	459,516	335,053	414,861	524,950
Balance Sheet (thousand RMB)					
Cash or cash equivalent	757,760	1,669,590	3,167,419	2,850,677	2,565,609
Account receivable	842,796	845,684	1,401,705	1,682,046	2,018,455
Inventory	29,959	42,608	43,108	43,108	43,108
Other current assets	600,792	564,861	719,048	790,953	870,048
PPE	8,602,374	10,180,269	11,731,130	12,904,243	14,194,667
Intangible assets	2,347,909	2,247,034	2,162,757	2,162,757	2,162,757
Other non-current assets	2,081,021	1,863,941	2,385,188	2,623,707	2,886,078
Total Assets	15,262,611	17,413,987	21,610,355	23,057,491	24,740,722
Cash payable	197,248	223,689	437,247	524,696	629,636
Short term loan	971,347	1,358,970	1,729,938	1,802,932	1,993,225
Other current liability	927,693	1,161,624	1,363,716	1,500,088	1,650,096
Long term loan	6,528,624	7,544,587	9,296,055	10,056,061	10,848,227
Other non-current liability	15,011	18,552	21,007	21,007	21,007
Total Liabilities	8,639,923	10,307,422	12,847,963	13,904,784	15,142,191
Shareholders' equity	5,567,657	5,965,580	7,359,574	7,749,889	8,195,713
Minority interest	1,055,031	1,140,985	1,402,818	1,402,818	1,402,818
Total shareholders' equity	6,622,688	7,106,565	8,762,392	9,152,707	9,598,531
Total shareholders' equity and liabilities	15,262,611	17,413,987	21,610,355	23,057,491	24,740,722

Source: PSR

(Financial figures as at 14 April 2015)



PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within \pm 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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