

China Everbright Int (257.HK)

Here comes the opportunities of Buy

Hong Kong | Environmental protection | Update Report

30 December 2015

The Company's share price slumped in recent days and it is mainly due to the deferral of some construction projects, which would adversely impact the 2015 results to a certain extent. We consider the slump of share price is larger than expected and thus opportunities of buying emerge.

2015 Interim report already revealed deferral of projects

In 2015H1, the Company reported revenue from construction services of RMB 1.683 billion, which grew by 15.5% yoy and was lower than market expectation. It is mainly due to the deferral of the construction of some projects and thus the 2015 interim report has already revealed the delay of construction progress of those projects.

Valuation of biomass projects should be higher

There are a number of biomass projects among the current new projects of the Company and we think the P/E ratios of the biomass projects should be higher than the valuation of the operation of wind power and photovoltaic energy. The reasons include: 1. Biomass projects have exclusivity; the "notice regarding construction management of biomass power generation projects" released by NDRC pointed out that biomass power plants should be located in major grain producing areas of straw-rich regions and there should be only one single biomass power plant in each county or within 100 kilometer radius. A biomass power plant is generally equipped with two sets of power generating units, with installed capacity not exceeding 30,000 kW. 2. Unlike wind power and photovoltaic energy projects, biomass projects would not be easily affected by the conditions of natural environment, and thus the level of power generation is relatively stable. 3. The on-grid tariffs of wind power and photovoltaic energy projects have started to move down, while the current on-grid tariff of biomass projects still maintain at a stable level.

Valuation

The operation of the Company keeps stable and the internal rate of return of the Company's new projects is maintained at 10% or above. The recent slump of the share price may exceed a reasonable range. We maintain the target price at HKD 12.5 and recommend a rating of "Buy". (Closing price as at 28 Dec 2015)

Buy (Upgrade)

CMP: HKD 9.77

(Closing price as at 28 Dec 2015)

TARGET: HKD 12.50

COMPANY DATA

O/S SHARES(MN) :	4484
MARTKET CAP (HKD BN) :	438.06
52-WK HI/LO (HKD) :	9.06/16.28

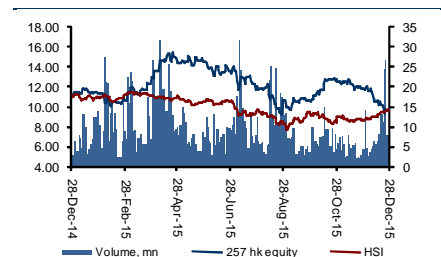
SHARE HOLDING PARTTEN , %

Guildford Limited	39.21
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PRICE PERFORMANCE , %

	1MTH	3MTH	1YR
257HK	-18.51	-10.11	-14.59
HSI	-16.91	-14.6	-9.40

PRICE & HSI



Source: Phillip Securities (HK) Research

Key Financial Summary

FYE	12/13	12/14	12/15F	12/16F
Operating Profit (HKD 000)	2,127	2,680	3,114	4,086
Net Profit, adj. (HKD 000)	1,325	1,703	2,029	2,740
EPS, adj. (HKD)	0.33	0.38	0.45	0.61
P/E (X)	29.6	25.7	21.7	16.0
BV/PS (HKD)	3.29	3.63	3.97	4.46
P/B (X)	3.0	2.7	2.5	2.2
DPS (HKD)	0.05	0.11	0.12	0.15
Div. Yield	0.5%	1.1%	1.2%	1.5%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Research Analyst

Zhang Kun

(+ 86 21 51699400-104)

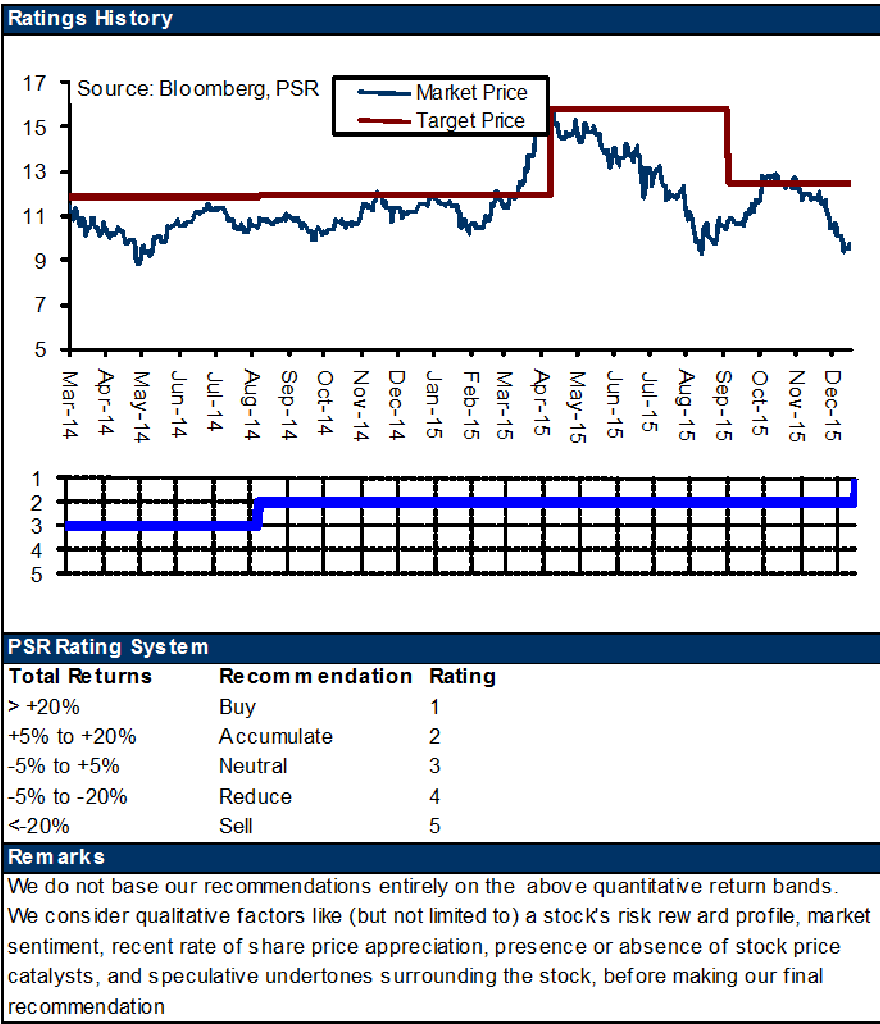
zhangkun@phillip.com.cn

Financials

For Financial Summary at the end of report

FYE	FY12	FY13	FY14	FY15F	FY16F
Valuation Ratios					
P/E (X)	32.6	29.6	25.7	21.7	16.0
P/B (X)	4.4	3.0	2.7	2.5	2.2
Dividend Payout ratio	10.00%	15.15%	28.95%	26.67%	24.59%
Dividend Yield	0.31%	0.51%	1.13%	1.23%	1.54%
Per share data (HKD)					
EPS, reported	0.30	0.33	0.38	0.45	0.61
EPS, adj.	0.30	0.33	0.38	0.45	0.61
DPS	0.03	0.05	0.11	0.12	0.15
BV/PS	2.20	3.29	3.63	3.97	4.46
Growth					
Revenue	-2.2%	56.0%	19.5%	20.0%	56.3%
Operating income	17.7%	43.4%	26.0%	16.2%	31.2%
Net Income, adj.	40.2%	17.9%	28.6%	19.1%	35.0%
Key Ratios					
Net profit margin	32.94%	24.90%	26.80%	26.61%	22.99%
Return on average equity	15.45%	12.20%	11.49%	11.20%	10.98%
Liability/asset	47.72%	41.29%	42.81%	44.63%	47.52%
Income statement (thousand HKD)					
	FY12	FY13	FY14	FY15F	FY16F
Operating revenue	3,410	5,320	6,355	7,626	11,916
Operating profit	1,483	2,127	2,680	3,114	4,086
Net profit attributable to equity holders	1,123	1,325	1,703	2,029	2,740

(Financial figures as at 28 Dec 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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Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

250 North Bridge Road, #06-00 Raffles City Tower,
Singapore 179101

Tel : (65) 6533 6001 Fax: (65) 6535 3834

www.phillip.com.sg

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,
Jakarta 10220, Indonesia

Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809

www.phillip.co.id

THAILAND

Phillip Securities (Thailand) Public Co. Ltd.

15th Floor, Vorawat Building, 849 Silom Road,
Silom, Bangrak, Bangkok 10500 Thailand

Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921

www.phillip.co.th

UNITED STATES

Phillip Futures Inc.

141 W Jackson Blvd Ste 3050

The Chicago Board of Trade Building

Chicago, IL 60604 USA

Tel (1) 312 356 9000 Fax: (1) 312 356 9005

MALAYSIA

Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3, Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Tel (60) 3 2162 8841 Fax (60) 3 2166 5099

www.poems.com.my

CHINA

Phillip Financial Advisory (Shanghai) Co. Ltd.

No 436 Heng Feng Road, Green Tech Tower Unit 604
Shanghai 200 070

Tel (86) 21 5169 9400 Fax: (86) 21 6091 1155

www.phillip.com.cn

FRANCE

King & Shaxson Capital Ltd.

3rd Floor, 35 Rue de la Bienfaisance
75008 Paris France

Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017

www.kingandshaxson.com

AUSTRALIA

PhillipCapital Australia

Level 12, 15 William Street,

Melbourne, Victoria 3000, Australia

Tel: (61) 3 9618 8238 Fax: (61) 3 9200 2277

www.phillipcapital.com.au

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway Hong Kong

Tel (852) 2277 6600 Fax: (852) 2868 5307

www.phillip.com.hk

JAPAN

Phillip Securities Japan, Ltd

4-2 Nihonbashi Kabutocho, Chuo-ku
Tokyo 103-0026

Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141

www.phillip.co.jp

INDIA

PhillipCapital (India) Private Limited

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,
Lower Parel West, Mumbai 400013

Tel: (9122) 2300 2999 Fax: (9122) 6667 9955

www.phillipcapital.in

UNITED KINGDOM

King & Shaxson Ltd.

6th Floor, Candlewick House, 120 Cannon Street
London, EC4N 6AS

Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835

www.kingandshaxson.com

SRI LANKA

Asha Phillip Securities Limited

Level 4, Millennium House, 46/58 Navam Mawatha,
Colombo 2, Sri Lanka

Tel: (94) 11 2429 100 Fax: (94) 11 2429 199

www.ashaphillip.net/home.htm