

Dongjiang Env (895.HK)

Profit below our expectation

Hong Kong | Environmental protection | Company Report

30 March 2016

Steady growth in business

For the year of 2015, the Group achieved an operating revenue of RMB2,402,986,382, representing an increase of 17.36% as compared to the same period of 2014. The net profit attributable to the shareholders of the listed company was RMB332,534,009, representing an increase of 32.16% as compared to the same period of 2014. In 2015, the equity interests attributable to the shareholders of the listed company was RMB2,753,159,779, representing an increase of 12.73% as compared to the beginning of the period.

As at 2015, the Group obtained the industrial hazardous waste treatment capability amounted to 1.36 million tonnes/year, representing an increase of 89% as compared to 2014. Among which, the detoxification processing capacity of industrial waste, such as landfill, incineration and physical-chemical, reached to 650,000 tonnes/year, representing a growth of 2.4 times as compared with the same period last year and amount to 48% of the processing capacity of the industrial hazardous waste treatment of the Group. As at 2015, the Group generally transformed its business from utilization of industrial hazardous waste resources to detoxification, which strengthened the risk resistance of the Group against continuous price drop of non-ferrous metals.

Valuation

The profit is below our expectation, we downgrade the target price to 12.6HKD, maintain "Accumulate". (Closing price as at 28 March 2016)

Accumulate (Maintain)

CMP: HKD 10.70

(Closing price as at 28 March 2016)

TARGET: HKD 12.60

COMPANY DATA

O/S SHARES(MN) :	200
MARTKET CAP (HKD BN) :	29.3
52-WK HI/LO (HKD) :	9.284/ 19.3

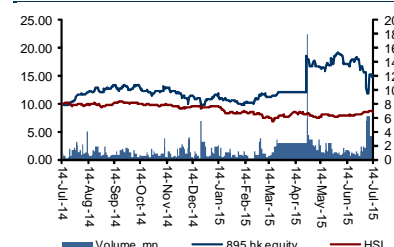
SHARE HOLDING PARTTEN , %

Zhang Wei Yang::	28.68
Shanghai New Margin Venture Capital Co., Ltd	8.18
:	

PRICE PERFORMANCE , %

	1MTH	3MTH	1YR
895HK	-12.68	23.3	49.24
HSI	-5.14	31.78	41.2

PRICE & HSI



Source: Phillip Securities (HK) Research

Key Financial Summary

FYE	12/13	12/14	12/15F	12/16F
Operating Profit (RMB mn)	239	303	436	608
Net Profit, adj. (RMB mn)	208	252	362	506
EPS, adj. (RMB)	0.92	0.74	0.42	0.58
P/E (X)	12.9	16.0	28.3	20.5
BV/PS (RMB)	9.93	7.05	3.24	3.82
P/B (X)	1.2	1.7	3.7	3.1
DPS (RMB)	0.30	0.15	0.20	0.20
Div. Yield	2.5%	1.3%	1.7%	1.7%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

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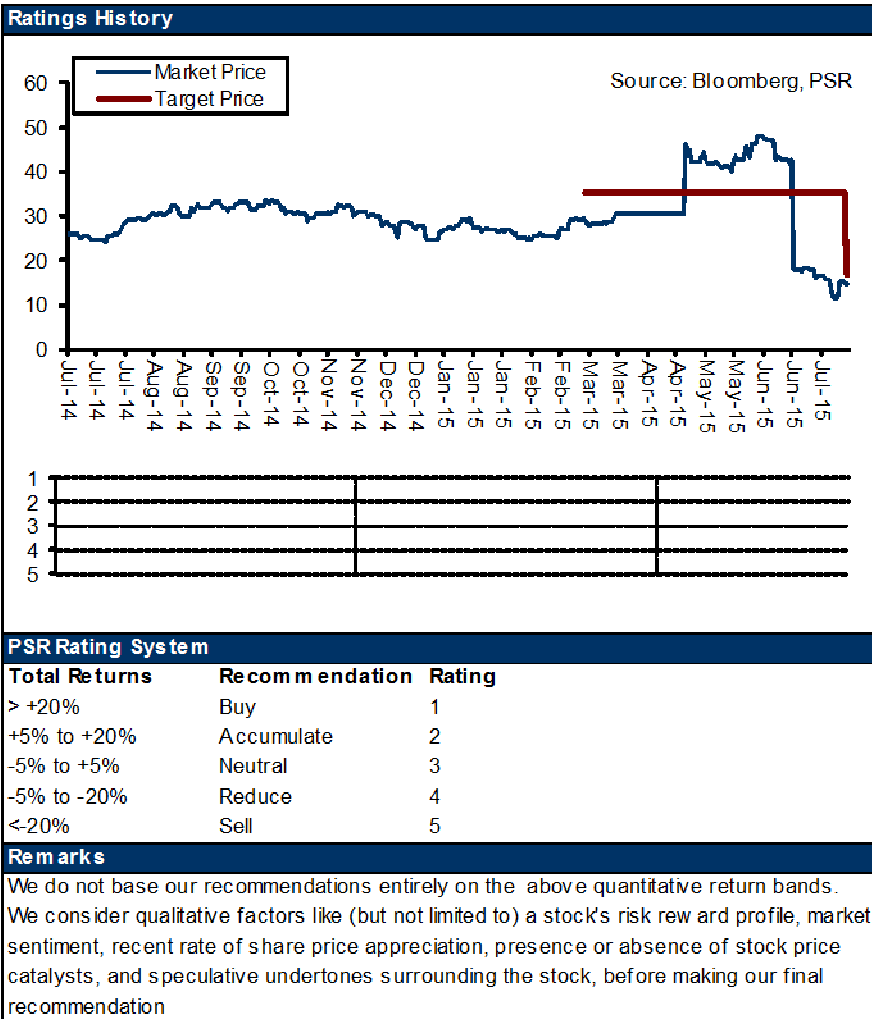
Financials

For Financial Summary at the end of report

FYE	FY12	FY13	FY14	FY15F	FY16F
Valuation Ratios					
P/E (X)	9.7	12.9	16.0	28.3	20.5
P/B (X)	1.2	1.2	1.7	3.7	3.1
Dividend Payout ratio	73.17%	32.61%	20.27%	47.62%	34.48%
Dividend Yield	7.58%	2.53%	1.26%	1.68%	1.68%
Per share data (RMB)					
EPS, reported	1.23	0.92	0.74	0.42	0.58
EPS, adj.	1.23	0.92	0.74	0.42	0.58
DPS	0.90	0.30	0.15	0.20	0.20
BVPS	9.63	9.93	7.05	3.24	3.82
Growth					
Revenue	1.4%	4.0%	29.4%	43.7%	39.7%
Operating income	34.1%	-24.4%	26.9%	43.6%	39.8%
Net Income, adj.	30.9%	-21.9%	21.0%	43.7%	39.8%
Key Ratios					
Net profit margin	17.53%	13.16%	12.30%	12.30%	12.31%
Return on average equity	17.54%	9.61%	10.76%	13.80%	16.55%
Liability/asset	26.91%	25.02%	51.01%	52.37%	49.25%
Income statement (RMB mn)					
Operating revenue	1,522	1,583	2,048	2,943	4,111
Operating profit	316	239	303	435	608
Net profit attributable to equity holders	267	208	252	362	506

Source: PSR

(Financial figures as at 28 March 2016)



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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