

SINGYES SOLA (750. HK)

Recovered Growth and Maintained Financial Soundness

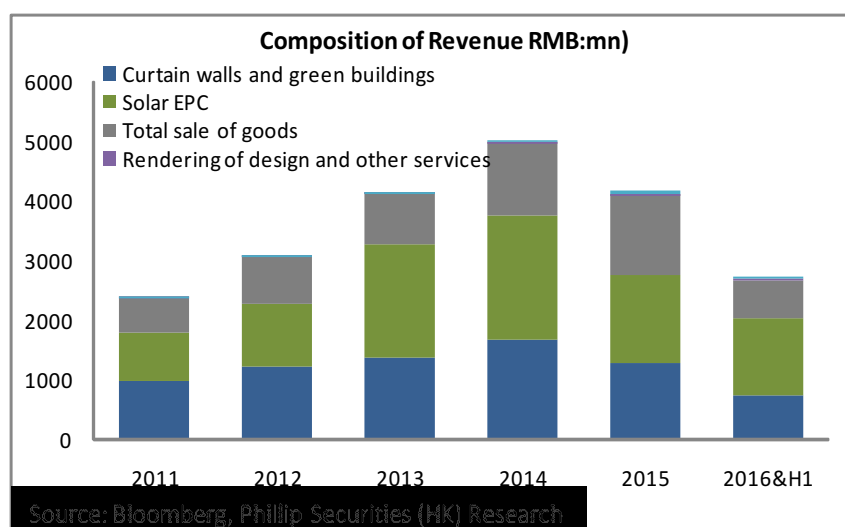
Hong Kong | New energy | Company report

14 October 2016

Results Returned a Growth Track

Operation revenue of China Singyes Solar Technologies stood at RMB2.756 billion in H12016 (including RMB37.6 million tariff adjustment), representing a year-on-year increase of 24.8%. Its gross profit was RMB613 million, increasing by 15.2% from last year, and net profit attributable to shareholders amounted to RMB316 million, surging by 41.5% year-on-year. Besides, basic EPS was RMB0.454, jumping by 41.4% over the previous year. The significant result growth during the period was primarily attributable to the strong growth of solar EPC business and curtain wall and green building business.

In respect of profitability, gross margin was 22.2%, down by 2 percentage points year-on-year. During the period, expense ratio was 15.15%, down by 1 percentage point over last year. The final net profit margin was 11.97%, increasing by 1.7 percentage points over 2015, because the revenue derived from the sales of 50MW photovoltaic power stations contributed to the improvements in profitability.



Steady Growth in Green Building Business

Revenue from curtain wall and green building business stood at RMB765 million, representing a year-on-year increase of 26.5%, accounting for 27.7% of the total revenue and with gross margin stabilizing at 15.9%. Specifically, increase in revenue from industrial and commercial buildings and from high-end residential buildings was dramatic, thereby offsetting the decline in revenue from the public works business. As a result of gradual recovery of the domestic construction industry and active expansion of overseas business, green building business will become the main growth point of the company's result.

Buy

CMP: HKD 4.12
(Closing price as at 12 October 2016)
TARGET: HKD 5.10 (23.8%)

COMPANY DATA

O/S SHARES (MN) :	834
MARKET CAP (HKDMN) :	3,436
52 - WK HI/LO (HKD):	7.45/ 2.46

SHARE HOLDING PATTERN , %

Strong Eagle Holdings Ltd.	35.81
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PRICE PERFORMANCE , %

	1-Month	3-Month	1-Year
SINGYES SOLA	-11.13	47.69	-27.64
HSI	-10.85	31.70	-34.33

PRICE VS. HSI



Source: Phillip Securities (HK) Research

KEY FINANCIALS

RMBmn	FY14	FY15	FY16E	FY17E
Revenue	5,011	4,182	5,875	6,575
Net Profit	584	356	473	515
P/E,x	4.3	7.0	5.7	5.8
EPS, RMB	0.84	0.51	0.63	0.62
P/B, x	0.8	0.7	0.8	0.7
BVPS, RMB	4.5	4.9	4.7	5.2
ROE, %	18.6	10.4	12.2	11.8

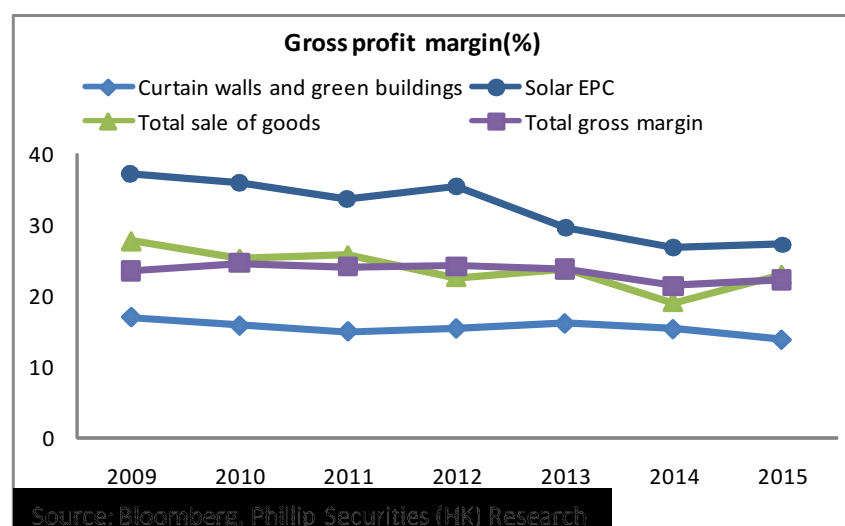
Source: Company reports, Phillip Securities Est.

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Bright Prospects for Solar EPC Business

Revenue from solar EPC business amounted to RMB1.263 billion, representing a year-on-year increase of 22.2%, accounting for 45.8% of the total revenue and with a gross margin of 26.2%. During the period, 195.5 MW of solar energy power stations was connected to the grid, and 202.4 MW was to be constructed and awaited for grid connection. It is expected that 400 MW is to be completed throughout the year. Against the grim situations of abandoning photovoltaic power stations, curtailment and delay in subsidies in the northwest region in China, the company gradually disposed of its own assets of power stations in the northwest region in China. In this September, the company sold a total of 110 MW photovoltaic power stations in Xinjiang and Gansu at a consideration of HKD860 million. In the future, the development focus of solar energy business will gradually shift to the central and southern region in China with a heavy demand for electricity and without curtailment. Therefore, the future development prospects are positive.

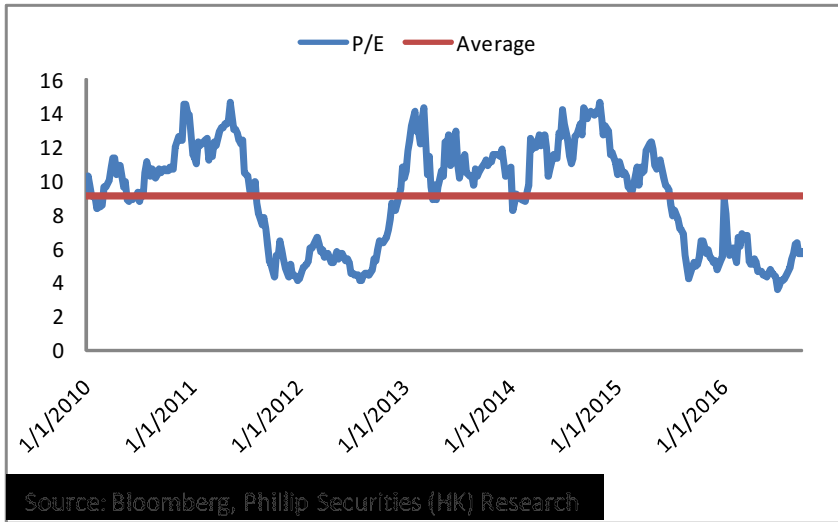


Further Reduction in Liability Ratio

In the first half of 2016, the company maintained financial soundness. The current ratio was 2.04 and the liability/asset ratio was 68.8%, down by 6.5 percentage points from last year's 75.3%. In the coming days, the company will continue to further reduce the liability ratio to the target level of less than 50% by selling some power stations, debt restructuring and other ways.

Valuation and Rating

In the first half of 2016, the company recovered result growth, and its financial standing was further improved after the disposal of the power stations in the northwest region in China. Furthermore, driven by favorable policies of new energy and continued increase in electricity demand, sustained growth of company's results is guaranteed. We give the company the target price of HKD 5.10, equivalent to 7.0 X expected price/earnings ratio in 2016. The "Buy" rating is given. (Closing price as at 12 October 2016)



Risk Warnings

Poor prospects for the construction industry;
 Progress EPC in business falls short of expectations.

Financials

FYE	FY13	FY14	FY15	FY16E	FY17E
Valuation Ratios					
Price Earnings(P/E)	4.8	4.3	7.0	5.7	5.8
Price to Book(P/B)	1.0	0.8	0.7	0.8	0.7
Per share data(RMB)					
EPS,Adjusted	0.75	0.84	0.51	0.63	0.62
Book Value Per Share	3.72	4.50	4.91	4.65	5.24
Dividends Per Share	0.09	0.09	0.03	0.04	0.04
Growth & Margins(%)					
Growth					
Revenue	34.0%	20.7%	-16.5%	40.5%	11.9%
Operating income	34.3%	-10.9%	-35.5%	107.0%	7.2%
Net profit	49.2%	18.9%	-39.0%	33.0%	8.8%
Margins					
Operating profit margin	15.9%	11.8%	9.1%	13.4%	12.8%
Gross profit margin	23.8%	20.9%	21.1%	21.2%	21.8%
Net income margin	11.8%	11.7%	8.5%	8.1%	7.8%
Key Ratios					
ROE(%)	18.9%	18.6%	10.4%	12.2%	11.8%
ROA(%)	9.5%	8.0%	4.0%	4.7%	4.6%
Income Statement(RMB m)					
Revenue	4,151	5,011	4,182	5,875	6,575
- Operating Expenses	3,162	3,962	3,298	4,633	5,141
Gross Income	989	1,049	884	1,243	1,433
Operating Income	661	589	380	787	843
- Net Non-Operating Losses	-17	-168	-246	-200	-200
Pretax Income	627	699	447	580	631
- Income Tax Expense	136	114	90	104	114
Net profit	491	584	356	473	515

Source: Company, Phillip Securities (HK) Research Estimates

(Financial figures as at 12 October 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 ± 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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