



October 13, 2015
Company Report
Rating: BUY
TP: HK\$ 10.80

H-Share price (HK\$)	8.75
Est. share price return	23.43%
Est. dividend yield	1.31%
Est. total return	24.74%

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Key Data

Market share (HK\$ mn)	70,318
3-mth avg. daily turnover (HK\$ mn)	118
52-week high/low (HK\$)	11.36/7.12
Issued shares (mn)	8,036
Major shareholder(s) (%):	
Guodian Corp	57.3

Source(s): Company, Bloomberg, ABCI Securities

FY14 Revenue breakdown (%)

Wind power	61.1
Coal-fire power	33.8
Others	5.1

Source(s): Company, ABCI Securities

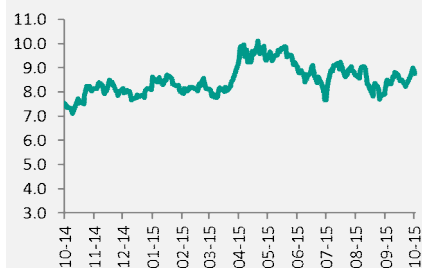
Share performance (%)

	Absolute	Relative*
1-mth	4.92%	-0.79%
3-mth	-1.24%	8.04%
6-mth	-7.53%	9.99%

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance



Source(s): Bloomberg, ABCI Securities

Longyuan Power (916 HK)
Market leader with prime assets

- Lowest unit all-incapacity cost among peers should help Longyuan to achieve 16%/14%YoY capacity growth in 2015E/16E
- Well-diversified wind power assets should provide strong support to utilization hour and reduce power curtailment risk
- Lowest net gearing among peers should help Longyuan to boost future capacity growth with less financial burden
- We initiate coverage on Longyuan with a BUY rating. Based on our DCF model with a WACC of 9%, we set our TP at HK\$10.80, which represents 19x/16x 2015E/16E P/E and 2.0x/1.8x 2015E/16E P/B

Wind capacity to grow 16%/14%YoY in 2015E/16E with the lowest unit all-in cost among peers. Longyuan has the lowest unit all-in cost for wind power capacity among peers that enables the Group to expand its capacity with less capital. Longyuan recorded an all-in capacity cost of RMB 8/W in 1H15, 33% lower than the peer average of RMB 12W during the period. We expect Longyuan to secure a mid-teen capacity growth rate in the long term, with installed capacity expanding by 16%/14%YoY in 2015E/16E. Hence, earnings should increase by 49%/16%YoY in 2015E/16E.

Diversified wind power assets to provide strong support to utilization hour. The Group recorded the highest utilization hour among wind operators at 1,980 hours, down 6% YoY. With the Group's wind power facilities being diversified geographically, it has been able to minimize the negative impact from wind power curtailment in northern China, which is especially important as the issue is likely to persist in the near term and Longyuan's assets at prime locations should limit the impact.

Lowest gearing ratio among peers to boost future capacity growth. Wind power industry is capital-intensive and initial investment is critical for future growth. Due to Longyuan's competitive portfolio and leading position in the industry, the Group has the lowest gearing ratio among wind operators in our coverage universe. The low gearing suggests a higher potential for capacity expansion, and the lower financial burden would also reduce its sensitivity to interest rate fluctuations. A healthy balance sheet also implies a lower financing cost for new loans.

Initiate BUY with TP at HK\$ 10.80. Based on our DCF model with a WACC of 9%, we set our TP at HK\$10.80, equivalent to 19x/16x FY15E/16E P/E and 2.0x/1.8x FY15E/16E P/B. With Longyuan's robust capacity growth and well-diversified prime assets, the counter is our top-pick in the wind energy sector.

Risks: (1) Slower-than-expected capacity growth; (2) Tariff cut; (3) Surge in maintenance costs (4) Policy risks.

Results and Valuation

FY ended Dec 31	2013A	2014A	2015E	2016E	2017E
Revenue (RMB mn)	19,147	18,207	21,654	23,771	26,491
Chg (% YoY)	10.7	-4.9	18.9	9.8	11.4
Net Income (RMB mn)	2,052	2,558	3,805	4,419	5,255
Chg (% YoY)	-20.9	24.7	48.7	16.2	18.9
EBITDA (RMB mn)	10,471	12,013	15,109	16,861	19,030
Chg (% YoY)	6.0	14.7	25.8	11.6	12.9
EPS (RMB)	0.255	0.318	0.473	0.550	0.654
Chg (% YoY)	-26.4	24.8	48.7	16.2	18.9
BVPS (RMB)	3.852	4.113	4.504	4.944	5.467
Chg (% YoY)	-2.1	6.8	9.5	9.8	10.6
P/E (x)	28.25	22.63	15.21	13.10	11.02
P/B (x)	1.87	1.75	1.60	1.46	1.32
ROE (%)	6.63	7.74	10.51	11.12	11.96
ROA (%)	1.85	2.07	2.77	2.99	3.26
DPS (RMB)	0.047	0.060	0.095	0.110	0.131
Yield (%)	0.66	0.83	1.31	1.53	1.82
Net gearing* (%)	175.9	202.7	195.3	187.9	179.6

*Net gearing=Net debt/Total equity

Source(s): Bloomberg, ABCI Securities estimates

Key positives

Wind capacity to grow 16%/14%YoY in 2015E/16E with the lowest unit all-in cost among peers.

Longyuan has the lowest unit all-in cost for wind power capacity among peers that enables the Group to expand its capacity with less capital. Longyuan recorded an all-in capacity cost of RMB 8/W in 1H15, 33% lower than the peer average of RMB 12W during the period. We expect Longyuan to secure a mid-teen capacity growth rate in the long term, with installed capacity expanding by 16%/14%YoY in 2015E/16E. Hence, earnings should increase by 49%/16%YoY in 2015E/16E.

Market leader position to benefit from supportive policies

Longyuan is the largest wind power generator in China with 13,543 MW of installed wind power capacity in 2014, equivalent to 14% of total China's total wind power capacity. Its wind power output reached 23,088 GWh in 2014, which contributed to 14% of national wind power generation, the highest in China. Its leading position means the Group is likely to benefit from relevant favorable policies and accelerating growth in China's wind power generation.

Diversified wind power assets to support utilization hour

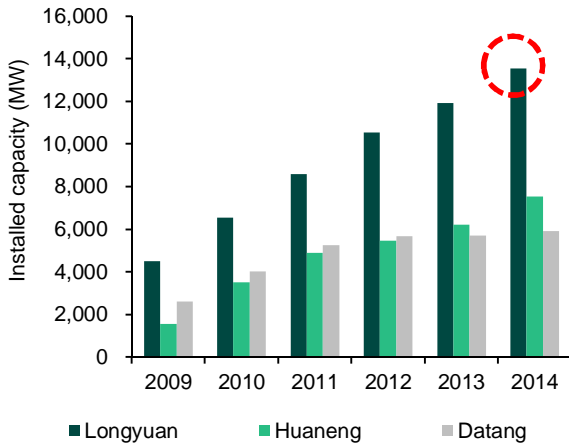
The Group recorded the highest utilization hour among wind operators at 1,980 hours, down 6% YoY, compared to 1,875 hours in Huaneng Renewables (958 HK) and 1,803 hours in Datang Renewable (1798 HK). With the Group's wind power facilities being diversified geographically, it has been able to minimize the negative impact from wind power curtailment in northern China, which is especially important as the issue is likely to persist in the near term and Longyuan's assets at prime locations should limit the impact.

Lowest gearing ratio among peers is positive for future capacity growth

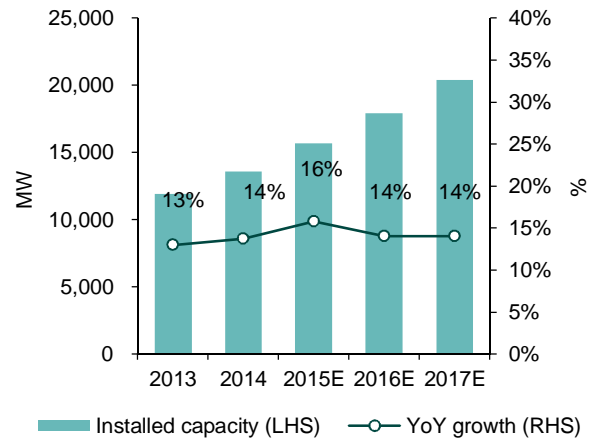
Wind power industry is capital-intensive and initial investment is critical for future growth. Due to Longyuan's competitive portfolio and leading position in the industry, the Group has the lowest gearing ratio among wind operators in our coverage universe. At the end of 2014, its net gearing ratio was 203%, much lower than the 226%, in Huaneng Renewables (958 HK) and 354% in Datang Renewable (1798 HK). The low gearing suggests a higher potential for capacity expansion, and the lower financial burden would also reduce its sensitivity to interest rate fluctuations. A healthy balance sheet also implies a lower financing cost for new loans.

Weakening coal price may benefit Longyuan's coal-fire business

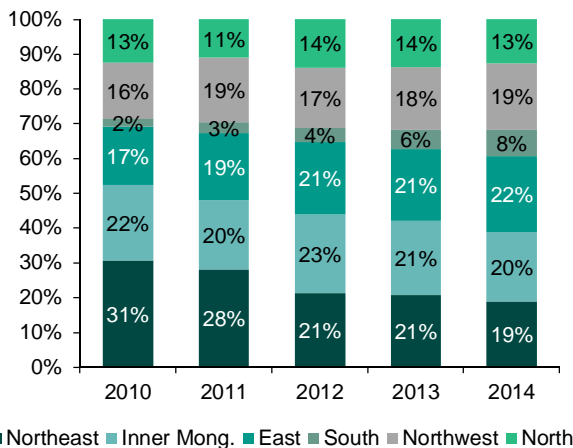
Unlike other pure wind power operators, 18% of Longyuan's revenue was from its coal-fire power generation business in 2014. The falling coal price at present is likely to improve the gross margin of this segment; the Qinhuangdao 5500 kCal/kg coal price slid 16% YoY in 1H15 and average price 22% YoY YTD, suggesting Longyuan's coal-fire business would further improve in 2015.

Exhibit 1 : Longyuan has the largest installed wind power capacity in China


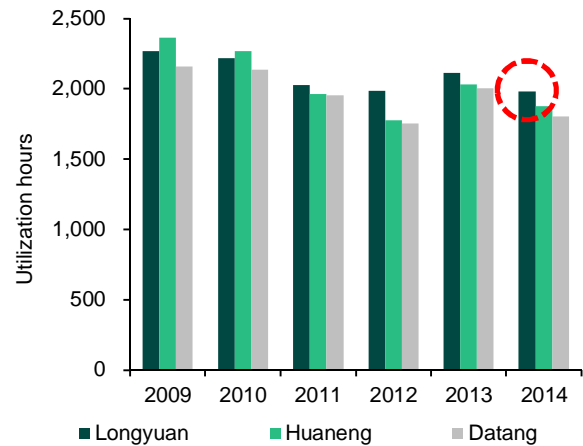
Source(s): Company data, ABCI Securities

Exhibit 2: Longyuan is likely to maintain a mid-teen capacity growth rate going forward


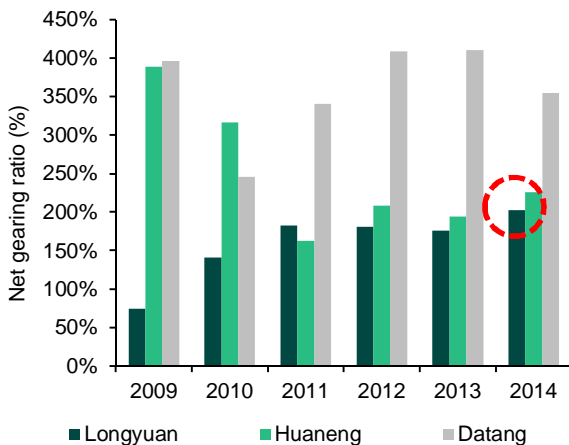
Source(s): Company data, ABCI Securities estimates

Exhibit 3: Longyuan's well-diversified wind power capacity lower the power curtailment rate


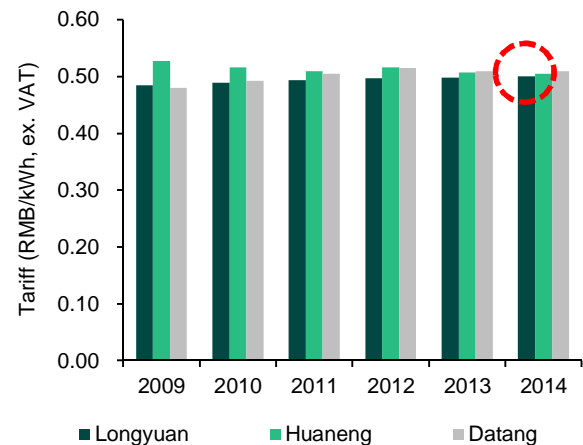
Source(s): Company data, ABCI Securities

Exhibit 4: Longyuan has the highest utilization hour among peers due to its well-diversified assets


Source(s): Company data, ABCI Securities

Exhibit 5: Lowest net gearing ratio among peers suggested a healthier balance sheet


Source(s): Company data, ABCI Securities

Exhibit 6: Wind power tariff comparison


Source(s): Company data, ABCI Securities

Major concerns

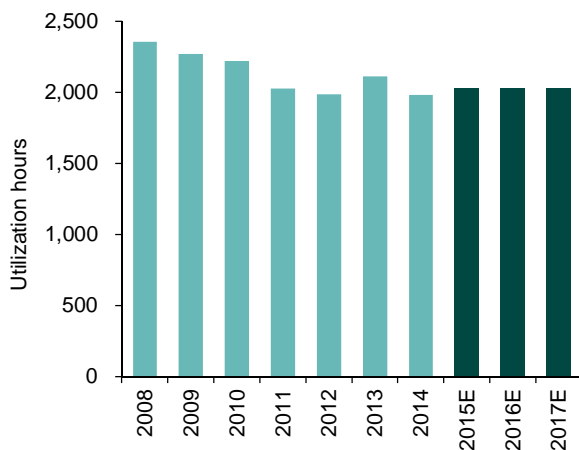
Wind power curtailment to persist in the near term

Power curtailment has been a persisting challenge for wind power operators. In 2012, about 22% of wind power was wasted due to the issue, and transmission bottleneck has prevented the power from being transferred efficiently from northwest China to coastal regions. As the construction of Ultra-High-Voltage (UHV) transmission network usually lasts three to five years and requires further testing on stability, power curtailment should remain a problem for wind power operators in the near term.

Coal sales business may limit net income

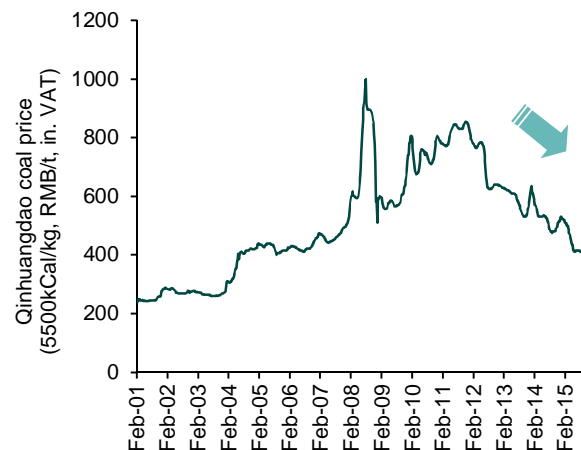
In addition to wind power and coal-fire power businesses, Longyuan is also engaged in coal sales. The Group's coal sales business contributed to 15% of its overall revenue in 2014. With the Qinhuangdao coal price falling in 2015, and recorded 16%YoY decline in 1H15 and 22% YTD, we believe this business may have a negative impact to Longyuan's 2015E net income due to margin contraction.

Exhibit 7: Longyuan's utilization hour may stay at a relatively low level going forward



Source(s): Company data, ABCI Securities estimates

Exhibit 8: Weakening regional coal prices remain an overhang to Longyuan's net income



Source(s): cqcoal, ABCI Securities

Future earnings outlook

Longyuan is likely to maintain its leading position among China's wind power operators in the future. The Group's future earnings should maintain a strong growth as the Chinese government continues to encourage the use of renewable energy and improve the power grid system. We expect 2015E net income to be RMB3.8 bn (+49% YoY), driven by improved utilization at 2,030 hours (a 3% increase from 1,980 hours in 2014) and 16%YoY growth in capacity.

Earnings growth

We project Longyuan's revenue of Longyuan's wind power segment to increase by 23%/16%YoY in 2015E/16E on the back of the 16%/14%YoY organic growth in wind power capacity for the same period. For coal-fire segment, revenue should only see a modest growth of 1%/6%YoY as Longyuan's main focus remains on renewable energy and the Chinese government's intention to reduce reliance of traditional energy. In summary, we believe wind power capacity growth rate will remain robust at the mid-teen level, while utilization hours would stay at above 2,000 hours, suggesting its 2015E /16E net income should grow by 49%/16% YoY.

Capacity growth

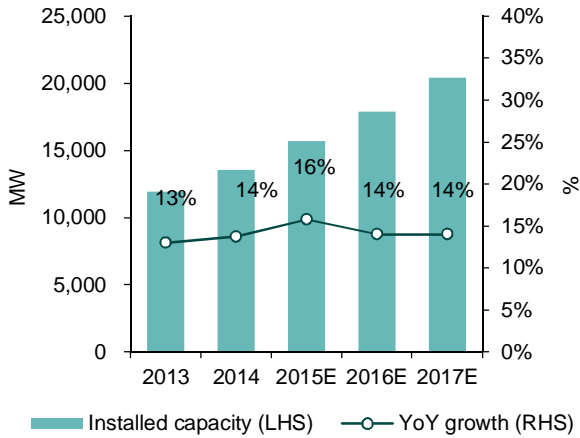
We believe nationwide wind power capacity should continue recording strong growth in the upcoming decade as China tackles air pollution and shifts the national energy structure from traditional coal-fire into renewables. We anticipate Longyuan to add 2.1GW/2.2GW of new wind power capacity in 2015/16E, representing 16%/14% YoY growth respectively. For coal-fire, we see the Group is unlikely to add new capacity in upcoming years.

Net gearing ratio

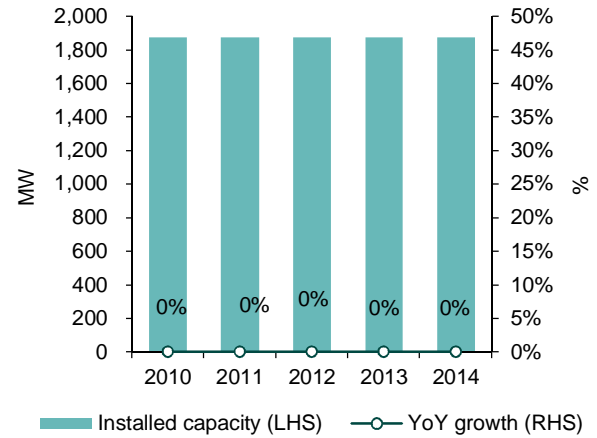
Given Longyuan's high wind capacity base, we expect its capacity to expand in mid-teen rate going forward. Its net gearing ratio should remain at the 200% level.

Dividend payout ratio

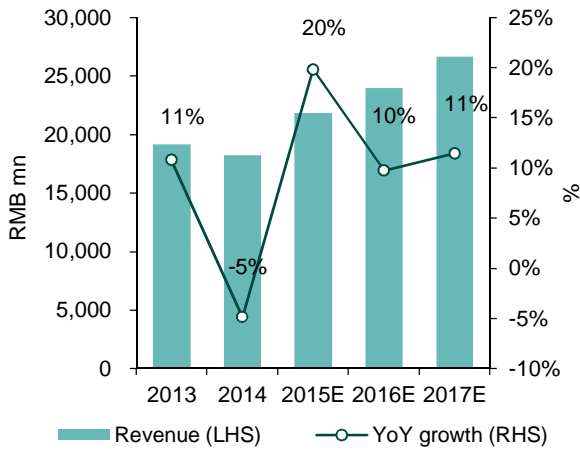
The Group has a stable historic payout ratio of around 20%. As the wind power business is capital-intensive, future capex should remain at a high level. Hence we believe the payout ratio to stay at or under 20% in the future.

Exhibit 9: Longyuan's wind capacity outlook


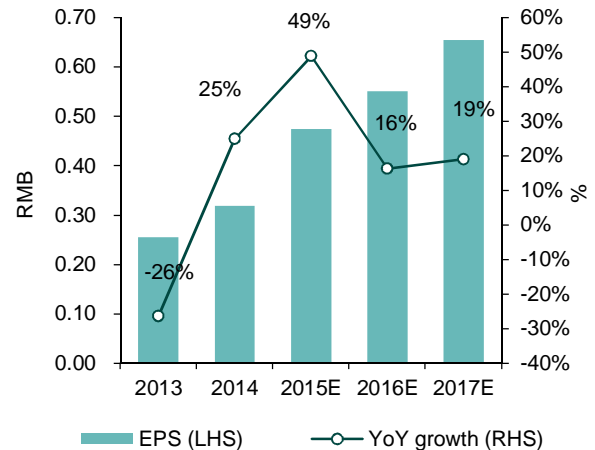
Source(s): ABCI Securities estimates

Exhibit 10: Longyuan's coal-fire capacity outlook


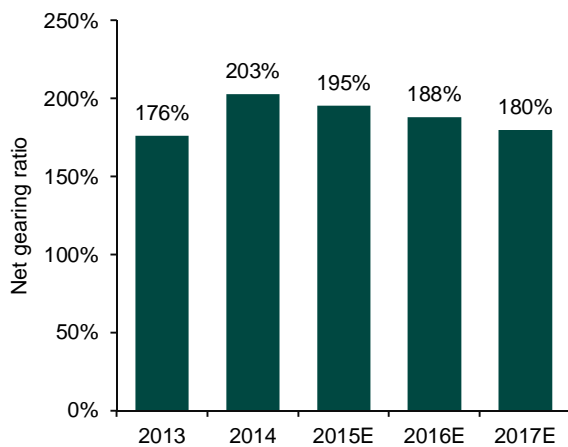
Source(s): ABCI Securities

Exhibit 11: Longyuan's revenue outlook


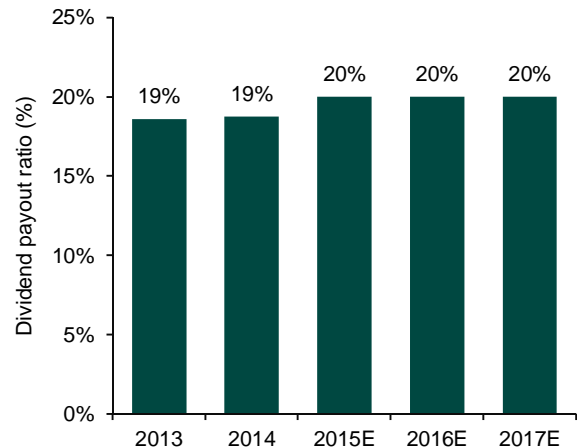
Source(s): ABCI Securities estimates

Exhibit 12: Longyuan's EPS outlook


Source(s): ABCI Securities estimates

Exhibit 13: Longyuan's net gearing ratio


Source(s): ABCI Securities estimates

Exhibit 14: Longyuan's dividend payout ratio


Source(s): ABCI Securities estimates

Valuation

Initiate with BUY; TP at HK\$10.80

We initiate coverage on Longyuan with a **BUY** rating and a TP of HK\$10.80 derived from the DCF valuation, which captures the time value of the Group's future cash flow.

Our DCF-derived TP of HK\$10.80 is based on a 9% WACC; the TP is equivalent to 19x/16x 2015E/16E P/E, which represents a premium to the Hong Kong-listed peer average of 12x/10x and a discount to the global peer average at 24x/20x. Longyuan is the largest wind power operator in China with the highest utilization hour and well-diversified wind power assets nationwide. In addition, its lowest unit all-in capacity cost would allow the Group to expand capacity with less financial burden. Hence, we believe the counter deserves a valuation premium to domestic peers. We estimate Longyuan's EPS to grow at a 27% CAGR in 2014-17E, driven by China's strong push on wind power energy. Longyuan's 2016E target P/E of 16x, equivalent to 0.6x PEG and we deem such valuation as attractive.

Share price catalysts

As China's largest wind power operator with a diversified wind farm portfolio, we believe key catalysts for Longyuan's share price include 1) new, favorable government wind power policy; 2) Better-than-expected monthly operational data; 3) Faster-than-expected capacity growth.

Exhibit 15: Longyuan's DCF calculation (2015E-2024E)

Longyuan's DCF calculation	
Perpetual growth rate	1%
WACC	9%
Terminal value	276,164
PV of terminal value	120,582
Cum PV of CF stream	30,858
Enterprise Value	151,440
Less debt	(78,656)
Add cash on hand	7,532
Less: MI	(8,865)
Equity Value	71,451
Shares o/s	8,036
Value per share(HK\$)	10.80

Source(s): The Company, ABCI Securities estimates

Exhibit 16: Longyuan's WACC calculation (2015E-2024E)

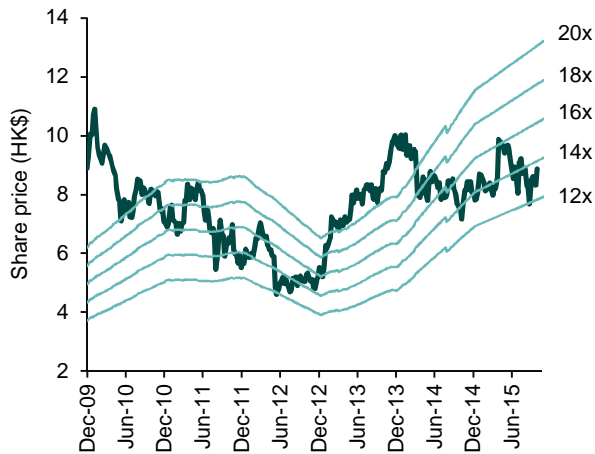
Assumptions	
Risk Free Rate of Return	3.5%
Long Term Cost of Debt	5.2%
Equity Risk Premium	13.2%
Beta	0.93
Tax Rate	25.0%
Target Debt to Total Capital	60.0%
Target Equity to Total Capital	40.0%
Cost of Equity	15.7%
WACC	8.6%

Source(s): The Company, ABCI Securities estimates

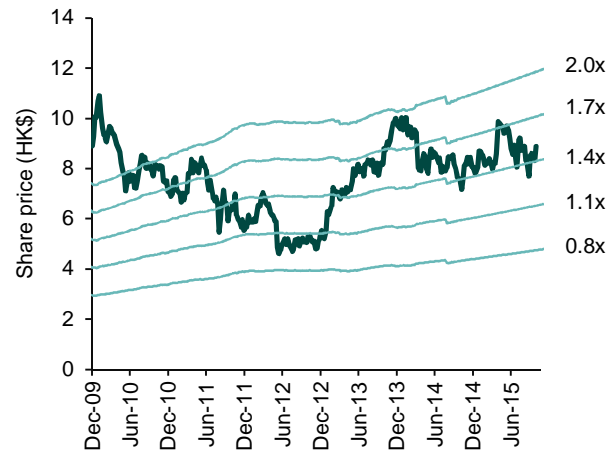
Exhibit 17: Peer comparison

Name	Stock code	Price	Mkt Cap (USDmn)	PER (x)		PBR (x)		Dvd Yield		ROE	
				FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
HK & China											
China Longyuan	916 HK	8.75	9,073	14.9	12.7	1.6	1.4	1%	2%	11%	12%
Huaneng Renewables	958 HK	3.07	3,853	13.0	10.3	1.4	1.2	1%	2%	11%	12%
Datang Renewable	1798 HK	1.07	1,004	17.1	11.6	0.6	0.6	1%	1%	3%	5%
Huadian Fuxin Energy	816 HK	3.13	3,396	9.0	7.2	1.2	1.1	2%	3%	14%	15%
Beijing Jingneng Clean	579 HK	2.65	2,349	7.7	6.7	1.0	0.9	3%	4%	13%	15%
China Suntien Green Energy	956 HK	1.55	743	11.1	8.8	0.6	0.6	3%	4%	5%	7%
Avg.				12.1	9.6	1.1	1.0	2%	2%	10%	11%
International											
Acciona Sa	ANA SM	70.55	4,597	22.5	19.8	1.2	1.2	3%	3%	6%	6%
Theolia Sa - Regr	TEO FP	0.60	127	n.a.	n.a.	0.0	0.0	n.a.	n.a.	-4%	-1%
Edp Renovaveis Sa	EDPR PL	6.02	5,972	36.5	28.1	0.9	0.9	1%	1%	3%	3%
Greentech Energy Systems	GES DC	7.50	122	13.4	13.4	0.5	0.5	1%	1%	4%	4%
Avg.				24.1	20.4	0.7	0.6	1%	2%	2%	3%

Source(s): Bloomberg, prices are as of Oct 12, 2015

Exhibit 18: Longyuan's fwd PE chart


Source(s): Bloomberg, ABCI Securities estimates

Exhibit 19: Longyuan's fwd PB chart


Source(s): Bloomberg, ABCI Securities estimates

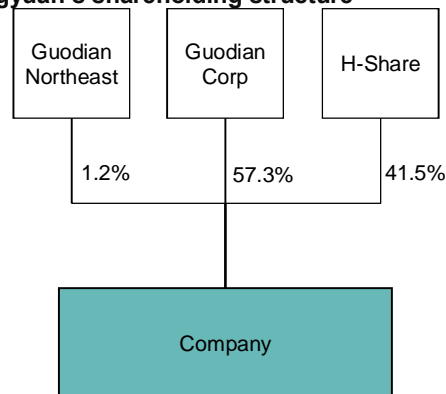
Company overview

Background

Longyuan is the largest wind power operator in China accounting for 14% of China's existing wind power capacity in 2014. Its major shareholder is Guodian Corporation, which is the fourth largest power generation company in China in terms of total installed capacity and has a 57% stake in Longyuan.

The Group's key wind farms are spread across major regions in China. Besides wind power, Longyuan also has a coal-fire power generation business accounting for 29% of its 2014 total power output. Longyuan was first listed on the Main Board of the Hong Kong Stock Exchange by global offering in Dec 2009.

Exhibit 20: Longyuan's shareholding structure



Source(s): Company data, ABCI Securities

Major assets and business

Longyuan mainly operates the wind power and coal-fire power businesses in China. It is the largest wind power operator in China

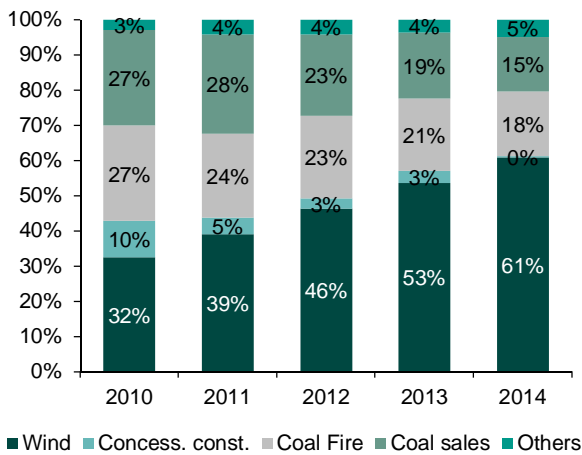
- ◆ **Wind power:** Longyuan currently has an installed wind power capacity of 13,543 MW in China, accounting for 14% of national wind capacity in 2014. Most capacity is located in Inner Mongolia and eastern China. In 2014, sales of wind power contributed to 61% of Longyuan's total revenue.
- ◆ **Coal-fire power:** The Group's coal-fire power generation business currently has an installed capacity of 1,875 MW, accounting for 0.2% of national coal-fire capacity in 2014. Longyuan's coal-fire plants are located in Jiangsu province. In 2014, sales of coal-fire power contributed to 18% of Longyuan's total revenue.

As Longyuan continues to develop its wind power business, we believe revenue contribution from this segment will increase in the future.

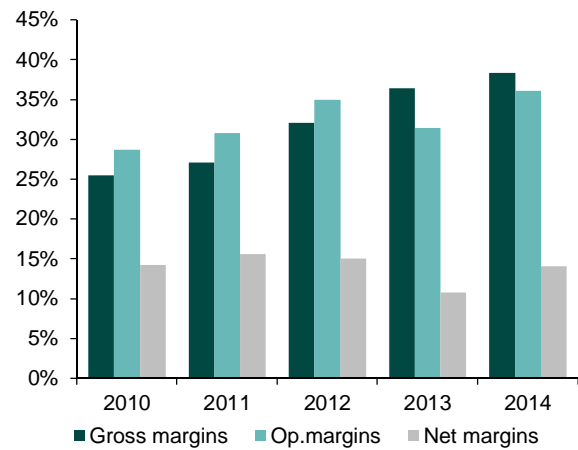
Revenue breakdown

Longyuan's revenue in 2014 was RMB18.2 bn, down 5% YoY compared to the 11% YoY increase in 2013. The decline was mainly due to 1) lower utilization hours of wind power segment at 1,980 hours, down 6% compared to the 2,111 hours in 2013; 2) Utilization hour fell by 13% YoY in 2014 due to facility upgrade in the coal-fire operation.

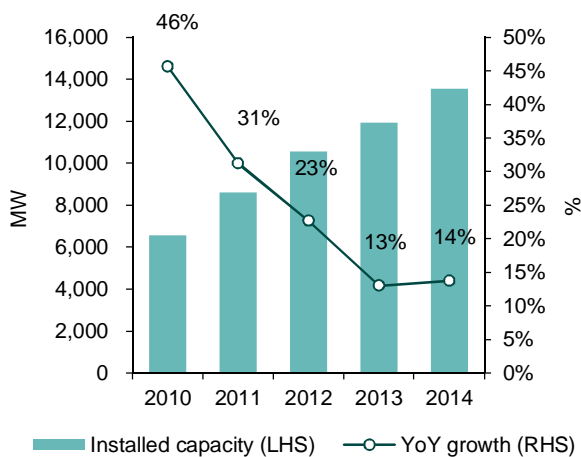
The Group's operating margin increased in 2014 due to the increased contribution from high-margin wind power business. Unlike the coal-fire power generation business, the key cost of wind power is depreciation, which is much lower than the material cost in coal-fire power generation. Overall operating margin was 38% in 2014, 2ppt higher than the 36% in 2013. We believe operating margin should continue to grow in the future.

Exhibit 21: Historical revenue breakdown


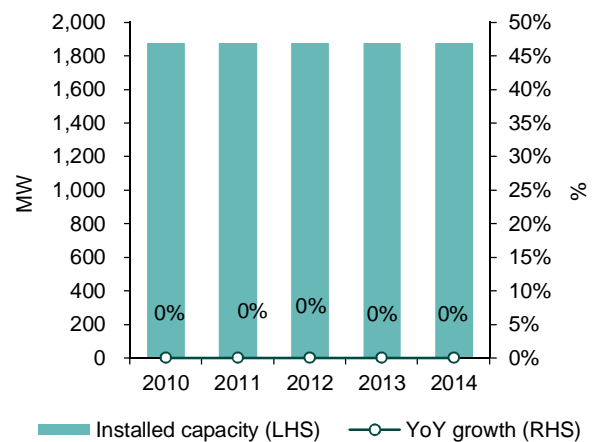
Source(s): Company data, ABCI Securities

Exhibit 22: Longyuan's historical margins


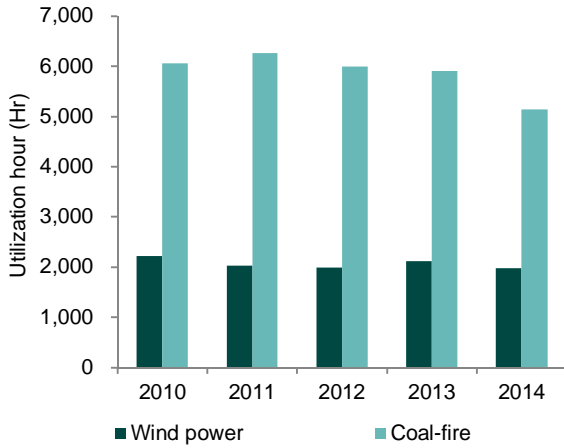
Source(s): Company data, ABCI Securities

Exhibit 23: Longyuan's installed wind power capacity


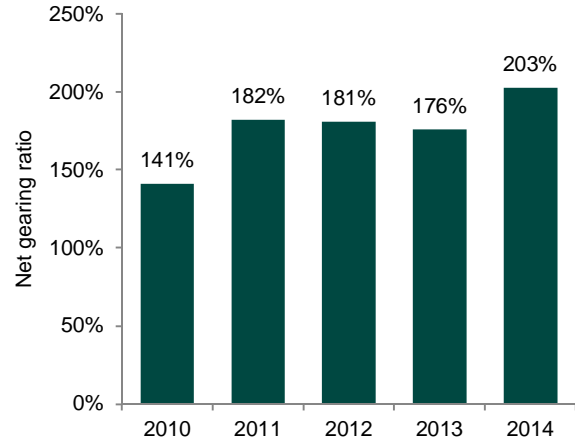
Source(s): Company data, ABCI Securities

Exhibit 24: Longyuan's installed coal-fire power capacity


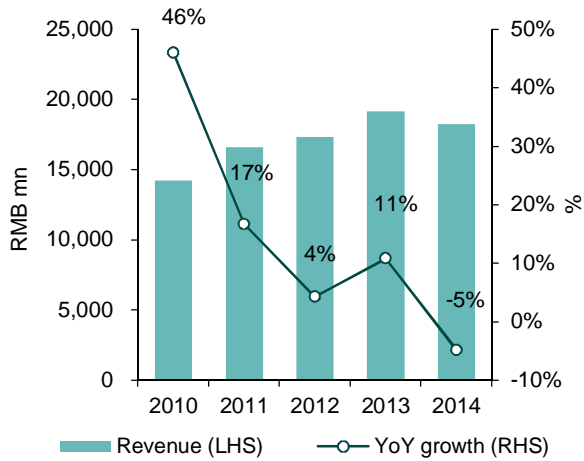
Source(s): Company data, ABCI Securities

Exhibit 25: Longyuan's utilization hour trend


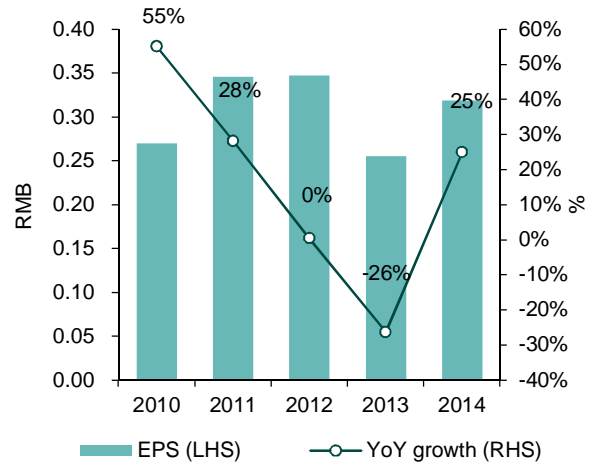
Source(s): Company data, ABCI Securities

Exhibit 26: Longyuan's net gearing ratio


Source(s): Company data, ABCI Securities

Exhibit 27: Longyuan's overall revenue growth trend


Source(s): Company data, ABCI Securities

Exhibit 28: Longyuan's overall EPS growth trend


Source(s): Company data, ABCI Securities



Consolidated income statement (2013A-2017E)

FY Ended Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Revenue	19,147	18,207	21,654	23,771	26,491
Wind power	10,910	11,133	14,216	16,538	19,049
Coal-fire power	7,525	6,156	6,073	6,258	6,348
Other	712	919	1,365	974	1,094
COGS	-12,189	-11,234	-12,237	-13,287	-14,501
Gross profit	6,958	6,973	9,417	10,484	11,990
SG&A	-399	-378	-325	-357	-397
Net financial income (cost)	-2,538	-2,951	-3,490	-3,692	-3,899
Other income and gains	-488	418	-59	2	-38
Pre-tax profit	3,533	4,062	5,543	6,439	7,655
Income tax	-561	-510	-665	-773	-919
Net profit	2,972	3,551	4,878	5,666	6,737
Profit attributable to:					
Minority interests	-921	-993	-1,073	-1,247	-1,482
Equity shareholders of the Company	2,052	2,558	3,805	4,419	5,255
Basic EPS (RMB)	0.255	0.318	0.473	0.550	0.654
DPS (RMB)	0.047	0.060	0.095	0.110	0.131

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet (2013A-2017E)

As of Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Current assets	13,807	14,753	18,894	20,713	24,270
Cash and equivalent	2,719	2,389	7,532	8,337	10,601
Pledged and restricted bank deposits	725	440	440	440	440
Trade and bill receivables	6,710	6,411	5,933	6,513	7,258
Other receivables and prepayments	2,399	4,072	3,560	3,908	4,355
Inventories	753	1,017	1,006	1,092	1,192
Other current assets	500	425	425	425	425
Non-current assets	97,299	108,765	118,320	126,963	136,680
Property, plant and equipment	79,985	88,307	97,599	105,586	114,839
Investment properties	20	5	5	5	5
Intangible assets	8,697	8,541	8,403	8,267	8,133
Investment in JV and associates	2,297	3,602	3,927	4,284	4,681
Deferred tax assets	162	155	155	155	155
Other non-current assets	6,139	8,155	8,232	8,667	8,868
Total assets	111,106	123,518	137,214	147,676	160,950
Current liabilities	36,775	46,248	54,101	57,639	62,292
Trade and bill payables	2,142	1,021	1,341	1,456	1,589
Other payables	9,936	9,151	9,500	10,305	11,236
Short term borrowings	24,697	36,070	43,261	45,878	49,466
Other current liabilities	0	6	0	0	0
Non-current liabilities	36,201	36,421	38,053	40,195	43,131
Deferred tax liabilities	116	107	107	107	107
Long-term borrowings	33,205	33,762	35,395	37,537	40,473
Other non-current liabilities	2,881	2,552	2,552	2,552	2,552
Total liabilities	72,977	82,668	92,155	97,834	105,423
Minority interests	7,176	7,792	8,865	10,112	11,594
Shareholders' equities	30,954	33,057	36,194	39,729	43,933

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2013A-2017E)

FY ended Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Profit before tax	3,533	4,062	5,543	6,439	7,655
Change in depreciation and amortization	4,401	5,001	6,076	6,730	7,476
Change in working capital	3,065	1,976	1,671	-94	-227
Net financial cost (income)	2,757	2,886	3,007	3,233	3,651
Income tax paid	-566	-522	-993	-1,073	-1,247
Net interest received	0	0	0	0	0
Others	422	-534	-325	-357	-397
CF Operating	13,611	12,868	14,979	14,878	16,911
Capex	-10,509	-18,233	-14,927	-14,265	-16,262
Increase in intangible assets	0	0	-302	-317	-333
Others	20	-2,615	198	141	399
CF Investing	-10,489	-20,848	-15,031	-14,440	-16,196
Net Capital raise	0	0	0	0	0
Net debt financing	-1,112	12,028	8,824	4,760	6,524
Dividend payout	-1,037	-1,042	-480	-761	-884
Interest paid	-3,257	-3,376	-3,149	-3,631	-4,090
Others	-80	45	0	0	0
CF Financing	-5,486	7,655	5,195	367	1,550
Net change in cash	-2,364	-325	5,143	805	2,265
Cash at the beginning	5,099	2,719	2,389	7,532	8,337
Adjustment (Time deposit & FX effect)	-15	-6	0	0	0
Cash at the end	2,719	2,389	7,532	8,337	10,601

Source(s): Company, ABCI Securities estimates

Key Ratio (2013A-2017E)

FY ended Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Sales mixed (%)					
Wind power	56.98	61.14	65.65	69.57	71.91
Coal-fire power	39.30	33.81	28.05	26.33	23.96
Other	3.72	5.05	6.30	4.10	4.13
Total	100	100	100	100	100
Profit & loss ratios (%)					
Gross margin	36.34	38.30	43.49	44.11	45.26
Operating profit margin	31.40	36.02	40.21	41.12	42.12
Pre-tax margin	18.45	22.31	25.60	27.09	28.90
Net profit margin	15.52	19.51	22.53	23.84	25.43
Selling & administrative expenses/revenue	2.08	2.08	1.50	1.50	1.50
Effective tax rate	15.88	12.57	12.00	12.00	12.00
Growth (%)					
Revenue	10.75	-4.91	18.93	9.77	11.44
Gross profit	25.59	0.22	35.04	11.34	14.36
Operating profit	-0.56	9.11	32.77	12.24	14.15
Net profit	-10.62	19.48	37.35	16.16	18.90
Balance sheet ratios					
Current ratio (x)	0.38	0.32	0.35	0.36	0.39
Quick ratio (x)	0.28	0.20	0.26	0.27	0.29
Cash ratio (x)	0.09	0.06	0.15	0.15	0.18
Trade and bill receivables days	127.88	128.51	100.00	100.00	100.00
Trade and bill payables turnover days	64.15	33.16	40.00	40.00	40.00
Inventory turnover days	22.55	33.05	30.00	30.00	30.00
Total debt / equity ratio (%)	187.06	211.25	217.32	209.96	204.72
Net debt / equity ratio (%)	175.93	202.69	195.29	187.87	179.59
Returns (%)					
ROAA	1.9	2.2	2.9	3.1	3.4
ROAE	6.8	8.0	11.0	11.6	12.6
Payout ratio	18.61	18.76	20.00	20.00	20.00

Source(s): Company, ABCI Securities estimates

Disclosures

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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return \pm 6% mStock return $<$ Market return rate
Sell	Stock return $<$ Market return \pm 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2007-2011

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	2.6 m180 day volatility/180 day benchmark index volatility
High	1.5 m180 day volatility/180 day benchmark index volatility $<$ 2.6
Medium	1.0 m180 day volatility/180 day benchmark index volatility $<$ 1.5
Low	180 day volatility/180 day benchmark index volatility $<$ 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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