



Key Data

Share price (HK\$)	1.58
52Wk H/L(HK\$)	1.75 / 1.50
Issued shares (mn)	7,623
H-shares	1,785
Unlisted shares	5,838
H-share market cap (HK\$m)	2,767
30-day avg vol (HK\$m)	2.21
Major shareholder (%):	
Huadian group	68.0

Source: Company, Bloomberg, ABCI Securities

Revenue composition in FY11 (%)

Coal-fired power	57.9
Hydropower	20.4
Wind power	17.3
Other clean energy	4.4

Source: Company

Share performance (%)

	Absolute	Relative*
1-mth	(7.1)	(8.8)
3-mth	-	-
6-mth	-	-

Source: Bloomberg

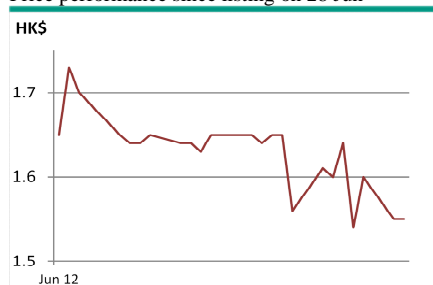
*Relative to Hang Seng Index

Est valuation as at 30 Jun 12 (post-listing)

NBV (Rmb/share)	1.32
PB (x)	0.97
Net debt/ total equity (%)	265.7
Est 1H2012 Net Profit (Rmb mn)	776
Est 1H2012 EPS (Rmb/share)	0.102

Source: Prospectus, ABCI Securities estimates

Price performance since listing on 28 Jun



Remarks: H-shares dealing starts on 28 Jun

Source: Bloomberg

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**Huadian Fuxin (816 HK) – Unrated
Independent Power Producers Industry**

Hydropower benefit from high precipitation

Despite a slower growth in electricity consumption in 1H2012, hydropower generation increased 8.3% YoY. A much higher growth can be seen in particular provinces such as Fujian which posted growth of 83.8% YoY in hydropower generation. We expect Huadian Fuxin, the largest hydropower operator in Fujian, will be one of the biggest beneficiaries.

Significant growth in hydropower generation in 1H2012 especially in Fujian province. Total power generation output in China in 1H2012 rose 3.8% YoY, mainly driven by hydropower. In 1H2012, hydro power generation which accounted for 13% of total power generation output in China, increased by 8.3% YoY as compared to 1.6% YoY increase in thermal power generation, which accounted for 81% of total power generation output. The higher growth in hydropower is contributed to high precipitation in 1H2012. For the five largest provinces in terms of hydropower generation, hydropower in Fujian province posted the highest growth of 83.8% YoY in 1H2012.

Largest hydropower operator in East China. The group has a total hydropower installed capacity of 2,220MW by the end of 2011, which accounted for 19.7% of the total installed hydropower capacity in Fujian. Without costs of resources or with relatively low variable costs, the increase in power generation can reduce unit fixed costs significantly, and hence a potential increase in EBITDA margin (2011 EBITDA margin: 44%).

Coal-fired business benefits from both lower interest rate and coal price but the group will be partly dragged down by wind power business. We expect wind power segment will drag down group's profit due to its large exposure in Gansu and Western Inner Mongolia. But it is more comforting to know that utilization hours of the wind power segment of the group has constantly stay above industry average.

The group is trading at 0.97x pro forma PB, as compared to average PB of 1.06x for traditional IPPS.

Risk factors: Slowing electricity consumption growth, high net debt to equity ratio, low visibility of precipitation

Forecast and Valuation

FY ended Dec 31	FY09A	FY10A	FY11A
Net Income (Rmb mn)	385.2	521.1	561.6
YoY Chg (%)		35.3	7.8
ROAA (%)	-	1.3	1.2
ROAE (%)	-	9.4	7.9
Net debt/total equity (%)	465.6	380.2	385.3

Remarks: Results for FY09-11 are pre-listing business performance

Source: Company, Bloomberg, ABCI Securities estimates



Disclosures

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