



Key Data

Average FY12E PE (x)	7.73
Average FY12E PB (x)	0.81

Source: Company, Bloomberg, ABCI Securities

Results in 1HFY2012

	ROAA(%)	ROAE(%)	D/E(%)
Longyuan	3.0	11.2	168
Datang Re	0.4	1.8	298
Huaneng Re	1.0	4.4	192
JNCEC	3.6	10.3	139
Huadian Fuxin	3.0	14.9	242

Source: CBRC

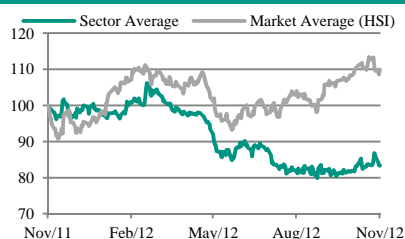
Average sector performance (%)

	Absolute	Relative*
1-mth	0.0	(5.7)
3-mth	(9.5)	(17.6)
6-mth	(20.5)	(24.8)

*Relative to Hang Seng Index

Source: Bloomberg

Share price performance



Source: Bloomberg

Analyst

Report Date: 22 November 2012

Lisa Lee

Tel: (852) 2147 8809

Email: lisalee@abci.com.hk

Wind Power Sector – Neutral Independent Power Producers

Diversified-play will outperform

Stable cost and lower financial expense will provide better return outlook to the wind power operators but upside will be limited by slow recovery in utilization hours. Wind curtailment problem remained as the major concern on the industry which may not be solved until 2014. We therefore favour diversified players who are less affected by natural resources risks.

Better financial position: On the cost side, wind power operators will continue to enjoy stable WTG price due to oversupply in the market. With net D/E ratio over 150%, wind power operators will benefit from interest rate downtrend cycle which has just started in 2012. In addition, the new Subsidy of Renewable Energy Tariff measure is expected to shorten AR from at least 3 months to 30 days. Lower financial costs and working capital improvement provides wind power operators with a better return outlook in 2013 than in 2012.

Utilization hours is expected to recover but slowly: According to the “12th Five Year Plan of Wind Power Industry Development”, wind power installed capacity is expected to reach 104GW in 2015 (vs 42.9GW in 2011). Annual newly installed capacity is estimated to be 15.5GW and 27.4% of the newly installed capacity will be located in the traditional northeast region with long lasting wind curtailment problem; 33.6% will be in northern part of China; and 31.3% will be in Southern and Central part of China that can enjoy high utilization hours and on-grid tariffs. The change in geographical mix of wind portfolio from NE to Southern part of China will lead to higher utilization hours. Players who can secure favorable sites are the key to outperform. However, in our view, sharp rebound in utilization hours is unlikely as wind curtailment problem in NE, which accounted for 38% of total installed capacity in China will only be solved when a comprehensive network is built, which may take 2-3 years. We therefore favour diversified players which are more immune from natural resources risks.

Our top picks: Despite improving financial position, wind power operators profitability still depend largely on utilization hours. Therefore, we have a neutral rating on the wind power operators sector. Our top pick is Huadian Fuxin (BUY), who is set to benefit from its diversified business structure, especially the hydro power business.

Risks: Change in government policy, high gearing, low ROAA, slow economic growth, natural resources risks



Exhibit 1: Sector Valuation Summary

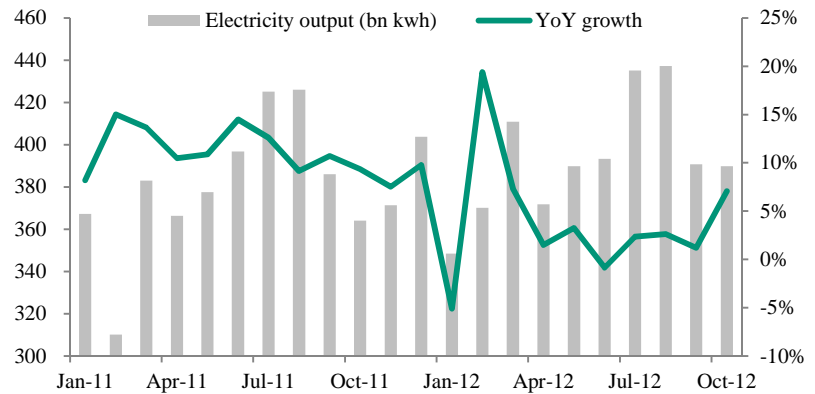
Companies	Ticker	Rating	Price (HK\$)	Target (HK\$)	Upside (%)	13E PER	13E PBV	13E Yield
Datang Re	1798 HK	Sell	0.83	0.55	-33.7	4.58	0.37	0.0%
Huaneng Re	958 HK	Hold	1.13	1.02	-9.7	6.98	0.61	1.7%
JNCEC	579 HK	Hold	1.68	1.74	3.6	6.19	0.82	2.5%
Hudian Fu	816 HK	Buy	1.48	1.70	14.8	7.65	0.82	2.3%
Longyuan	916 HK	-	4.96	-	-	-	-	-

*We assume Rmb1 = HK\$1.23; Source: Company, ABCI Securities estimates

**We are restricted to give forecast or rating on Longyuan

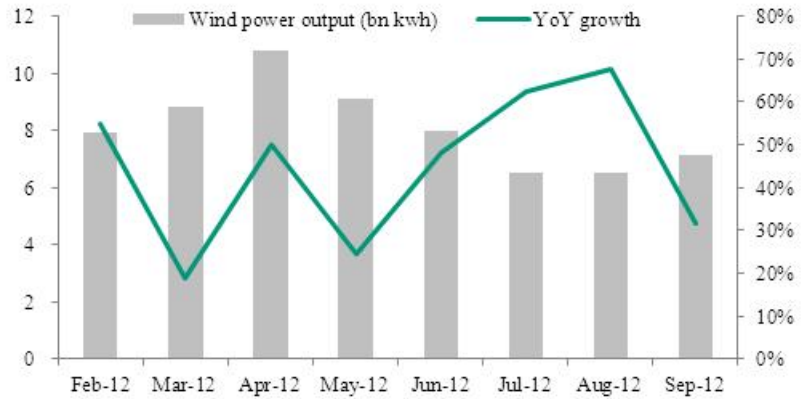
Due to slowdown in economic growth, China electricity output growth increased by only 3.8% YoY in 1H2012 and dropped to 2.4% YoY from Jun-Oct.

Exhibit 2 China Electricity Output



Source: NBSC

Exhibit 3 China wind power output



Source: NBSC

Monthly wind power output in China increased by over 30% YoY from Jun to Sep 2012. We expect the high YoY growth will sustain till 1H2013 due to recovery in utilization hours and low base effect.

Exhibit 4: China electricity output growth and energy sources mix

	Electricity output growth (%)		% of total electricity output (%)	
	2011	Jan-Oct/2012	2011	Jan-Oct/2012
China	10.9	3.6	100.0	100.0
Thermal	14.5	-1.6	82.4	78.1
Hydro	-7.6	24.2	13.3	16.3
Wind	34.6	38.6*	1.2	2.0*
Nuclear	17.1	7.3	1.9	1.6

*For wind power, data range is from Jan-Sep

Source: NBSC

Relative strong output growth from green energy (hydro and wind power) due to favourable policy as green energy, as opposed to thermal power, has a priority to connect to grid.



Disclosures

I, Lee Oi-yee, Lisa, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return - 6% \leq Stock return < Market return rate
Sell	Stock return < Market return - 6%

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

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility}$
High	$1.5 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 2.6$
Medium	$1.0 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 1.5$
Low	$180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 1.0$

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.

ABCI Securities Company Limited and/or its affiliates, within the past 12 months, have investment banking relationship with one or more of the companies mentioned in the report.

Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company Limited, into other areas, units, Groups or affiliates of ABCI Securities Company Limited. ABCI Securities Company Limited will not pay any research analyst any bonus, salary or other form of compensation that is based upon a specific investment banking transaction. The analysts' compensation shall be based upon several factors. Chiefly among such factors is the quality of the research and financial advice provided to our customers and the impact that the analysts' research has on the success of the Company's overall business. The final compensation of the analyst who prepared this report is determined exclusively by research management and senior management of ABCI



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

Securities Company Limited. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Copyright 2012 ABCI Securities Company Limited

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of ABCI Securities Company Limited.

Office address : ABCI Securities Company Limited, 13/F Fairmont House,
8 Cotton Tree Drive, Central, Hong Kong.

Tel : (852) 2868 2183