

Analyst: Sabina Cheng

Main Board Listing – Research

中國興業太陽能技術控股有限公司

China Singyes Solar Technologies Holdings Limited [Stock Code: 00750]
Global Coordinator, Bookrunner, Lead Manager and Sponsor

: ICEA Capital Limited

Sector : Materials

Business : A building engineering company focuses on conventional curtain wall business in the PRC

Total share offer: * <u>60,000,000</u> shares (14.02% of the enlarged share capital) Public Offer: 6,000,000 shares (10%) Placing: 54,000,000 shares (90%)	<u>Business of China Singyes Solar Technologies</u> China Singyes Solar Technologies is a building engineering company, focusing in conventional curtain wall business. In 2007, it established its renewable energy business in Building Integrated Photovoltaic or BIPV systems, which involves the integration of photovoltaic technology into the architectural design of buildings and structures and conversion of solar energy into electricity for use. It also develops solar-power products and provides engineering design services and the sale of curtain wall materials. As of December 2008, it had engaged in some 400 projects in the PRC. The Company undertakes curtain wall engineering and BIPV projects primarily in public work, commercial and industrial buildings and high-end residential buildings. Its customers include government authorities, state-owned and private construction companies and property developers. Leveraging its experience in public work related curtain wall engineering projects, the Company is positioned to capture the growing business opportunities arising from substantial government expenditure on public work in the PRC. In the long run, it aims to grow into an enterprise with a focus on renewable energy business.
Price: HK\$1.00 – HK\$1.20 per share Market Cap: HK\$428.0 million– HK\$513.6 million Pro forma FY2008E PER: 4.0X – 4.8X Adjusted NTA per share: HK\$1.06 – HK\$1.09 Staffing: 297 (as of 30 th June 2008)	
HK Public Offer period: 31 st December 2008 – 6 th January 2009 Receiving banks: Industrial and Commercial Bank of China (Asia) Limited Standard Chartered Bank (Hong Kong) Limited Principal share registrar and transfer office: Butterfield Fulcrum Group (Bermuda) Limited Hong Kong branch share registrar and transfer office: Tricor Investor Services Limited Listing date: 13 th January 2009	

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**Shareholding Structure after Listing** (Assuming the over-allotment option is not exercised)

Strong Eagle – a company incorporated in 2004 whose share capital is owned by Mr. Liu Hongwei, Chairman and executive Director of the Company (53%), Mr. Sun Jinli, Deputy Chairman and an executive Director of the Company (15%), Mr. Xie Wen, Executive Director of the Company (8%), Mr. Xiong Shi, Non-executive director of the Company (8%), Mr. Zhuo Jianming, Deputy general manager of the Company (8%), Mr. Li Huizhong (4%) and Ms. Jing Renying (4%).	45.81%
Cheng Zhen – currently holds no position in the Company but he was a non-executive Director of the Company from 24 March 2005 to 30 April 2008, after he had resigned as a director of Zhuhai Singyes (a subsidiary of the Company) in October 2004.	4.89%
Raton Race – a company, 93% owned by Tang Tao and 7% by Guan Dongjie (Independent 3 rd Parties of the Company).	3.66%
Xu Wu – currently holds no position in the Company but he was a non-executive Director of the Company from 13 November 2003 to 24 March 2005 and a director of Zhuhai Singyes (a subsidiary of the Company) from February 2000 to April 2004.	3.38%
Cathy Way – a company whose share capital is wholly owned by Good Shape Investments Limited. Good Shape Investments Limited is wholly-owned by CITIC International Assets Management Limited which is 40% owned by CITIC International Financial Holdings Limited.	6.72%
SIIS Investment (No. 13) – a venture capital company, wholly owned by Jing Yi Bo Kanny, an Independent 3 rd Party	3.38%
New Wave – a venture capital company, wholly owned by Stephen M Lim, an Independent 3 rd Party	1.56%
China Venture – a venture capital company, incorporated in Japan and owned by different Japanese entities. All shareholders of China Venture are Independent 3 rd Parties.	3.64%
IP Cathay – a venture capital partnership, of which Shi Yu (Non-executive Director of the Company) has a partnership relationship with iD Techventures Ltd, which is the advisory company of IP Cathay.	6.28%
Asset & Ashe – a venture capital company, of which Lin Xiaofeng (Non-executive Director of the Company) is the general manager.	4.85%
Hua VII – a Taiwan-registered private equity fund, managed by Vincera Capital Management Co. Limited, an Independent 3 rd Party.	1.08%
VGC I – a BVI-registered private equity fund, managed by Vincera Capital Management Co. Limited, an Independent 3 rd Party.	0.72%
Other Public Shareholders	14.02%
	100%

Use of Proceeds

Net proceeds from the offer are estimated to be HK\$32.8 million (Assuming an offer price of HK\$1.10, being the mid-point of the indicative offer price range, and the over-allotment option is not exercised)

	HK\$ million
To finance construction costs for the future projects in the PRC and overseas	16.4
For purchasing equipment for the processing of ancillary parts in BIPV systems	9.8
For research and development with a focus on the applications of solar technologies-related products and systems	3.3
For working capital requirements and other general corporate purposes	3.3



Financial Highlights

	Year ended 31 st December			6 months ended 30 th June	
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2007 RMB'000	2008 RMB'000
Revenue	353,659	414,969	604,688	261,105	374,571
Gross profit	63,198	70,083	111,924	48,020	76,089
Net profit	37,374	50,181	70,396	30,742	52,164
Attributable profit	37,274	50,081	70,296	30,692	52,114
Gross margin	17.87%	16.89%	18.51%	18.39%	20.31%
Net margin	10.57%	12.09%	11.64%	11.77%	13.93%

Revenue Breakdown (% of Total Revenues)

	Year ended 31 st December						6 months ended 30 th June			
	2005		2006		2007		2007		2008	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
Engineering Projects										
1. Conventional Curtain Walls	308.9	87.3	373.5	90.0	498.7	82.5	214.5	82.1	300.1	80.1
2. BIPV	-	-	-	-	32.2	5.3	10.6	4.1	27.5	7.3
Sub-total	308.9	87.3	373.5	90.0	530.9	87.8	225.1	86.2	327.6	87.4
Sales of materials										
1. Curtain wall materials	44.0	12.5	40.4	9.7	67.0	11.0	35.8	13.7	42.9	11.5
2. Solar-power products	-	-	-	-	5.8	1.0	-	-	3.1	0.8
Sub-total	44.0	12.5	40.4	9.7	72.8	12.0	35.8	13.7	46.0	12.3
Other services	0.8	0.2	1.1	0.3	1.0	0.2	0.2	0.1	1.0	0.3
Total	353.7	100.0	415.0	100.0	604.7	100.0	261.1	100.0	374.6	100.0

Strengths/Opportunities

- ✓ **Extensive experience in public work related to curtain wall engineering projects** The Company had undertaken over 80 public work related curtain wall engineering projects. Out of its four projects with the China Construction Luban Award, three are public work of curtain wall engineering projects, including the projects of Guiyang Longdongbao Airport Terminal Building Glass, Ningqi Railway Yangzhou Station Curtain Wall Project and Zunyi Power Supply Bureau Production Base Building Glass Curtain Wall Project.
- ✓ **The Company's businesses can be benefited from the current PRC government policies, which encourage and promote the improvement of energy-saving level in buildings, the use of renewable energy and the development of energy-saving products.**
- ✓ **Seeking business opportunities outside the PRC** The Company has entered into strategic partnership agreements with three different entities in the Middle East, regarding the development of BIPV markets for commercial real estates and solar home system. This can provide the Company with more business opportunities as well as create its brand-name awareness in overseas markets.



Weaknesses/Threats

- × **Too reliance on one supplier for the BIPV and solar-power product businesses** For the six months ended in Jun 2008, 98.9% of the Company's PV panels were supplied by Weihai China. Any shortage of supplies from Weihai may adversely affect the businesses, financial condition, and results of operations of the Company.
- × **BIPV and solar-power product businesses have a relatively short operating history** The Company started its BIPV and solar-power product businesses in the PRC in 2007. With such short operating history and in the face of intense competition in the PRC for the renewable energy sector, competitive edge of the Company is quite weak.

Recommendation: Unexciting

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